

MBA Semester - I

COURSE : 101

MANAGEMENT PROCESS AND ORGANISATIONAL BEHAVIOUR

Lessons 1-16



INTERNATIONAL CENTRE FOR DISTANCE EDUCATION & OPEN LEARNING

HIMACHAL PRADESH UNIVERSITY, GYAN PATH,

SUMMER HILL, SHIMLA - 171 005

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LESSON-1

MANAGEMENT : AN OVERVIEW

STRUCTURE

- 1.0 LEARNING OBJECTIVES
- 1.1 INTRODUCTION
- 1.2 DEFINITION AND MEANING
- 1.3 CHARACTERISTICS OF MANAGEMENT
- 1.4 MANAGEMENT: AN ART OR A SCIENCE
- 1.5 THE ROLE AND RESPONSIBILITIES OF MANAGEMENT
- 1.6 MANAGEMENT SKILLS
- 1.7 SELF CHECK EXERCISE
- 1.8 SUMMARY
- 1.9 ANSWERS TO SELF CHECK EXERCISE
- 1.10 TERMINAL QUESTIONS
- 1.11 SUGGESTED READINGS

1.0 LEARNING OBJECTIVES

After studying this lesson you will be able to understand :-

- The concept, meaning, characteristics and importance of management.
- Management as art or science and roles and responsibilities of management.
- The management skills.

1.1 INTRODUCTION

Wherever there is a problem of generating desired work through organised human effort, perfect co-ordination and integration of resources is offered by individuals, known as managers. To achieve an objective there is need for bringing together of mind, hands, materials; tools and the use of time and space. The sole objective of managing is, therefore to conceive the human activity and direct it towards implementing the idea of work. This feature of generating work may be fulfilled by the man who works for it, but this is not management. The real distinction between "doing work" and "getting the work done" has to be developed for understanding the concept of management. Management refers to the latter interpretation, that is "creation of work for others" is more significant than doing the work itself. Those human endeavors are to be included in managing which are concerned with getting the work

done through groups. It is a common knowledge that most of the organizations achieve their objectives by group activities and as such there is always a need for managing the work of groups. Management has therefore, been described by many authors as "The art of getting the work done through and with other people",

Understanding of management begins with an understanding of the work that a manager does. He is responsible for setting the objectives, organizational activities and seeing that the body of individuals working with him strive for the achievement of those pre-determined goals. Both the human and non-human resources are being applied for such a task and thus the constraints and challenges multiply. The simple things become complicated in the absence of effective management, and disintegration of resources follow and fail the mission of the managers. The real challenge of managing is to foresee all those types of technical, social and human constraints and to solve the problems in an effective manner,

The foregoing explanation suggests that managing is of universal application because it deals with the fundamentals of establishing the achievement of stated objectives. At this point let us define the word management in specific terms. It is to be kept in mind that management is defined in various ways in keeping with the viewpoints, ... values and comprehensions of the definer. One of the authors of the subject has given a functional definition of the term which may be of some use to us.

"Management is a distinct process, consisting of planning, organizing, actuating and controlling, performed to determine and accomplish the objectives by the use of people and resources."

Although management is so complex that our minds cannot consider all the facts at the same moment, yet the above quoted definition helps one in discerning the various element steps of the process of management. This process of management is both technical and social. It is a process because it comprises a series of actions that lead to the accomplishment of objectives. This does not mean that at a particular stage management begins and stops somewhere. The beginning and end are in a perpetual circle and hence the activity is a continuous one. You might not have seen any manager, observing anywhere that his problems are over once for all. If one type of problem has been solved for a particular moment, the same or any other type of managerial problems crop up waiting for further solutions. Thus, not only that management is a definite and distinct process but it is dynamic, a concept. It is dynamic because it is changing fast and new dimensions are added to it. The earlier concept of getting the things done through other people is slightly modified by saying "Getting the things done by, working through the help of people". This is because of the impact of human element getting due importance. The concept of management is confusing because of the various other terms used in this very field. It would be possible here to define them properly for proper understanding.

1.2 Definition and Meaning

Both "Management" and "Administration" are used in management literature and sometimes one gets confused in using these words. The terminology used in the field of management-unfortunately is at times ambiguous. The question arises as to whether or not there is a difference between management and administration. Let us be clear that management is viewed from three angles :

1. Management as a process,
2. Management as a body of personnel.
3. Management as a body of knowledge.

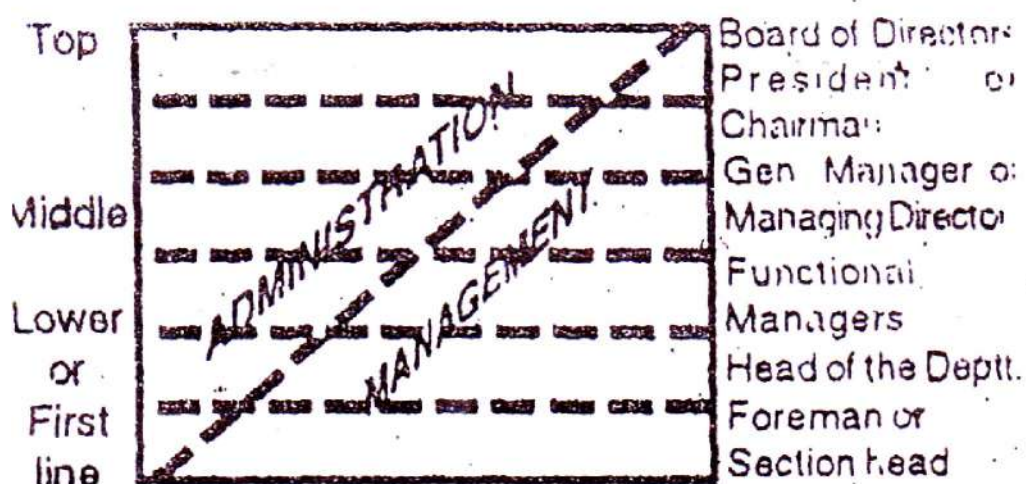
Frequently, the term "management" refers to the "process" consisting of the various elements outlined earlier. Managers at every level in organisation—lower, middle, top and involved in this process and undertake these elements in greater or lesser degree. It is not very relevant here to outline who is attending which of the elements most of the time. Every manager is concerned with planning, organizing, directing, motivating and controlling the activities of an organisation in one capacity or the other. However, some authors like Oliver Sheldon have developed a distinction between these two terms. To quote him.

"Administration is the function in industry concerned in the determination of the corporate policy, the co-ordination of finance, production, distribution, the settlement of the compass of the organization and ultimate control of the executive."

"Management proper is the function in industry concerned in the execution of policy within the limits set up by the administration and the employment of the organisation for the particular objects set before it."

Usage also provides a certain minor distinction between these two terms. In Government agencies, for example, administration is preferred over management; nevertheless, the term management is widely used in Government also.

Whatever may be the theoretical distinction between these two terms it is very difficult to observe it in practice. This distinction may be of academic interest but in actual functioning this distinction seems superfluous. Even if we take that administration refers to the activities of the top ranking people, the same body of persons are engaged in "operating aspect" which is known as management. Thus determination and development of policies, the function of Administration is never complete without its proper implementation. Those who decide and design have to see that the decisions are properly executed. Both the terms are just like the two faces of the same coin. It is insignificant as to which is high and which is low which is significant and which is common this approach of viewing these terms is more practical, in actual life we do not need two types of personnel to discharge administrative and managerial function. Each manager performs both the activities and spends his time in discharging both types of activities. The following figure explains what has been observed above.



1.3 Characteristics of Management:

Although management is defined in more than one way, one should not carry the impression that it has not got its distinct character. Some writers have continued by identifying the inherent characteristics of this field of study. Let us begin now with those characteristics which help in understanding any definition one cited above, of management. There are eight characteristics given by one of the authors. They are as follows:

a. Management is Purposeful:

Management is a purposeful activity. Management deals with the achievement of something specific. There are some clearly defined objectives for the attainment of which the objectives are achieved. If the achievements are different from the stated targets, this is a clear case of mismanagement. It is the specific accomplishment and not only hierarchical relationship, that makes real management.

b. Management is outstanding means for exerting real impact upon human life ;

All organisations, business and otherwise, are socio-technical entities. They operate in an environment and influence the environment in which they operate. Managers can improve the life of the people working for them and can create a favourable climate in the society they are serving. A manager can achieve progress: he can bring vision, hope, action, and achievement for the better things of life. Impact upon its environment is a vital characteristic of management.

c. Management is Usually Associated With Efforts of a Group:

It has already been pointed out that working by self is not management. It is a directive and facilitates activity aiming at the effectiveness of collective human effort. Thus, there is more emphasis on group effort rather than on individual effort. One can be a good worker but a bad manager. Goals can be better achieved by groups. The individuals forming these groups in an organization are willing to co-operate provided they are properly managed. The effectiveness with which people work together towards the attainment of their joint goals is greatly influenced by the ability of those who hold managerial position.

d. Management is accomplished by, with, and through the effort of others:

As a concept, management is something akin to political democracy. Democratic practice in organizations would mean simply that each person would have opportunity to show his individual talents. The manager has to develop the talent capacities of the co-workers by adopting technical, human and social skills. This is far more difficult than it sounds. Specialists in their respective fields often find it difficult when they are promoted to managerial positions on the basis of their acquired knowledge and ability. The prime measures to success now become setting proper goals and getting others to accomplish these specific goals.

e. Management Is an Activity not a Person or Group of Persons:

The main activity of management is to convert disorganised resources of men, machine and money into a useful enterprise. Managers conceive of the service an enterprise can render, mobilise the required means of production, co-ordinate activities both within the enterprise and with the outside world and inspire people associated with the enterprise to work towards common objectives. Thus the managerial activity is a specific and developed one like any other activity like walking, reading, playing. People entrusted with this activity have to discharge responsibility with ability. Thus there is a proper field

of activity carried on by the persons known as managers, whatever may be their designations. Management is not people; it is an activity needing specific skills.

f. Management Effectiveness Requires the use of certain Knowledge, Skill and Practice:

Management today is a wide discipline. It has assumed professional character. Mere acquiring technical competence does not make good managers. Along with it, the managers are expected to acquire human and social skills needed for this profession. There are certain fundamental concepts, theories, tools and techniques, developed over the years, which are of paramount importance for managing effectively. Many principles of management have been recognised, clarified, making management a semi-exact Science.

g. Management is Intangible: It has been called the unseen force. Its presence is evidenced by the result of its efforts: orderliness, informed employees, buoyant spirit, and adequate work output. Thus, the feeling of management is result-oriented. You may not see with a naked eye the functioning of management but its results are apparently known. People often remark on the effectiveness or ineffectiveness of management on the basis of the end results, although they are incapable of observing it during operation. At a particular point the impact of management is made known and that explains the quality of management.

h. Those practising management are not Necessarily the Same as Owners:

Management has only recently been recognised as a distinct profession or as a social institution. For ownership and management were tied together, and whatever thought was given to the matter centered largely on the privileges and obligations of ownership. But now the situation is slightly changed. Owners may not necessarily be the managers. There is a divorce of management from ownership. The enterprises, like corporations, are owned by contributors of the capital but the management is in the hands of qualified and competent persons. Here is in fact, a managerial group in present day society. This is mainly because of the separation of management from ownership.

1.4 Management an Art or a Science:

After having discussed in detail the concept and characteristics of management we come down to argue the nature of management. The principal question which, is generally being asked is whether management is a Science or Art or both. Much has been written on this issue and before we pass a judgement on this issue we should try to learn something about Art and Science.

Art is concerned with the exercise of the know-how or skills for the effective accomplishment of concrete results. Art is related with the application of the knowledge and skill with concrete and application results. Actually, the practice of managing is more of those principles and theories keeping in view the real life situations. The same process is being followed in a respective nature and practice is moulded according to the experiences after applying the set body of knowledge. The design of those principles continues until the managers find a proper solution and desired results. Management is supposed to be an art because; (1) The process of management does involve the use of know-how and skills; (2) The process of management is directed towards the accomplishment of concrete results. (3) Like any art, management is creative in the sense that managing creates new situations needed for further improvement. (4) Management is personalised meaning thereby, that there is no "best management". Every man in this profession has his individual approach and technique.

involving problems. The success of managerial task is related with the personality of the manager apart from the character and quality of general body of knowledge.

Science is an organised body of knowledge based on proper fitting and exact principles. The beauty of Science is that its knowledge is properly listed and its findings apply safely in all the situations. The generalisations are being made on the basis of the empirical results and further results will be identical one. For example, the theories of physics propounded in the past hold good even today and generalisations hold true. But management is not so exact science as other physical sciences like, Biology, Physics, Chemistry, etc., are. It is supposed to be the Behavioural Science of an exact nature. Its principles and theories are situation bound. Despite the fact that a large number of theories and principles of management have been established, their applicability may not necessarily lead to the same result. Somewhere in this very lesson it has been pointed out that process of management is very much related with the people at work and that relationship cannot be predicted in exact manner. It is very difficult to call management as an exact Science. Since it is a social process, it falls in the area of Social Science. Management is a universal phenomenon but its approach and dynamics may be different in different work situations. An American Manager may be quite successful in his mission after introducing certain principles and theories of management in his country but he will have to mould himself if he is being put in charge of managing affairs in any other country. This is because the environment both human as well as physical has changed. The gap in the environment has to be identified and kept in mind for effective management. Thus management is both an Art and Science. With the introduction of quantitative tools in the field, management of late, is growing as a Science. The other aspect of issue is that management, as a body of knowledge, has its own nature. The following points have to be kept in view for understanding the nature of management.

(a) Management is Integrative Process:

The essence of management is integration of human and other resources in a manner that it leads to effective performance. All these resources are made available to those whomanage; they apply knowledge, experience principles forgetting the results. In other sense it seeks to harmonise the individual goals with organisation goals.

(b) Management is Multi-disciplinary Discipline:

Here we are taking management in the sense of a discipline. Since the available resources are heterogeneous, i.e. living and non-living the performance depends upon the proper knowledge and skill of various disciplines. Management has grown as a body of discipline taking the help of so many social sciences like Anthropology, Sociology, Psychology etc. Much of management literature is the result of the association of these disciplines. In fact, one of the approaches known as behavioural approach to management, got currency after the impact of these Sciences.

(c) Universality of Management:

Perhaps there is no more important area of human activity than managing which is of universal application. Fayol was the man who contributed certain principles of Administration which apply more or less in every situation.

1.5 The Role and Responsibilities of Management:

In the past, many people felt that a business-manager has only one responsibility that is to make money for the company and for the shareholders. "The public be damned" William H. Varderebill expressed his feeling of sole responsibility to his stockholders for running a profitable enterprise. It was a

fact that no body seemed to think of public good and public interest. At the same time management was never in public focus; nobody even cared to think and read about management. Today, it seemed that every one is interested in management. This is mainly because of growth and development of economy, its various organization structures, especially business organisations, whose impacts are being felt in more than one way.

The role of management may be twofold:

1. Management's role in Society.
2. Management's role inside the business organization.

Firstly, we know that the well being of the people or society is very much dependent on the effective utilization of its capital, industrial know how, productive capacity of population and human resources. Even if these are available in sizable quantity they are to be channelised in a guided manner. We expect from management and its people to do this service for the society. The success of it depends on the strength of the economy, the volumes of its trade, the extent of employment. Along with it since these sources are very much limited, their preservation is of equal value to the nation. The task of management is to preserve and exploit them in a manner which is in the best interest of the country. Economically developed countries owe their advancement not only to the physical resources but to the intangible service that management renders. We have not put managers on pedestals but we think they can improve our standard of living and expect them to do so. Management does it by getting rid of all kinds of waste by becoming more efficient, by creating new products and by distributing the goods at reasonable prices. Constraints, like opposition of trade unions crop up but management makes this possible. This holds true in every field of managerial operation, whether it is Government, Corporation, Schools or Organization.

Secondly, Management has an important role to play vis-a-vis the organization served. In fact this role is more: observable than one previously noted, Since their main task is to get the things done with the help of organization people, they are more active on that score. A manager's inside responsibilities are two fold; (1) he must be concerned with today's operation and (2) he needs to be thinking about tomorrow's operations. In fact, he cares more for future than for today. Although exceptions to this statement may be there, as in case of personnel problems. But the manager is among that class of persons who make things happen and not among those who do not know what is happening. They are quite aware of the new opportunities and the risks involved and can row their boat keeping all of them in view.

He discharges his responsibility within a number of limitations - Governmental, fiscal, human, etc. and tries to attain the group goals. He is a risk taker, a change maker, preserver of the vitality and strength of the organization, in this age of competition and change, this internal environment provides strength to the quality of management. Managers have the onerous responsibility of developing employees, satisfying them in a particular situation, maintaining work standards and schedules and keeping the organization growing.

Not all the people of management are aware of their changing roles but the forces of change compel them to act accordingly. If they do not fail in line, they are being pushed out and new faces enter to undertake the responsibilities. Success of management lies in this adaptation of the managers to the changed situation. They are responsible to the society, employees, stockholders, customers and to the Government. Today, modern management is developing an awareness and a philosophy of its multiple obligations. Some authors have called this role as a role of business statesmanship. It has

been recognised that a business enterprise can not prosper if its sole objective is "profit making" by any means, instead modern management is beginning to recognise its obligation to society at large, to aid in developing an environment and an economy to providing a satisfactory way of life. A detailed analysis of the social responsibilities of managements may be studied from the reference books.

(a) Management Roles :

In the late 1960s, a graduate student at MIT, Henry Mintzberg, undertook a careful study of five executives to determine **what these** managers did on their jobs. Based on his observations of these managers, Mintzberg concluded that managers perform ten different, highly interrelated roles, or sets of behaviors attributable to their jobs. As shown in Table 1 these ten roles can be grouped as being primarily concerned with interpersonal relationships, the transfer of information, and decision making.

(b) INTERPERSONAL ROLES

All managers are required to perform duties that are ceremonial and symbolic in nature. When the president of a college hands out diplomas at commencement or a factory supervisor gives a group of high school students a tour of the plant, he or she is acting in a figurehead role. All managers have a leadership role. This role includes hiring, training, motivating, and disciplining employees. The third role within the interpersonal grouping is the liaison role. Mintzberg described this activity as contacting outsiders who provide the manager with information. These may be individuals or groups inside or outside the organization. The sales manager who obtains information from the personnel manager in his or her own company has an internal liaison relationship. When that sales manager has contacts with other sales executives through a marketing trade association, he or she has an outside liaison relationship.

(c) INFORMATIONAL ROLES

All managers will, to some degree, receive and collect information from organizations and institutions outside their own. Typically, this is done through reading magazines and talking with others to learn of changes in the public's tastes what competitors may be planning, and the like. Mintzberg called this the monitor role. Managers also act as a conduit to transmit information to organizational members. This is the disseminator role. Managers additionally perform a spokesperson role when they represent the organization to outsiders.

(d) DECISIONAL ROLES

Finally, Mintzberg identified four roles that revolve around the making of choices. In the entrepreneur role, managers initiate and oversee new projects that will improve their organization's performance. As disturbance handlers, managers take corrective action in response to previously unforeseen problems. As resource allocators, managers are responsible for allocating human, physical, and monetary resources. Lastly, managers perform a negotiator role, in which they discuss and bargain with other units to gain advantages for their own unit.

TABLE I

Role	Description	Examples
Interpersonal		
Figurehead	Symbolic head; required to perform a number of routine duties of a	Ceremonies, status requests, solicitations

	legal or social nature	
Leader	Responsible for the, motivation and direction of subordinates	Virtually all managerial activities involving subordinates
Liaison	Maintains a network of outside contacts who provide favors and information	Acknowledgment of mail, external board work
Informational		
Monitor	Receives wide variety of information; serves a nerve center of internal and external Information of the organization	Handling all mail and contacts categorized as concerned primarily with receiving information
Disseminator	Transmits information received from outsiders or from other subordinates to members of the organization	Forwarding mail into organization for Informational purposes; verbal contacts Involving information flow to subordinates such as review sessions
Spokesperson	Transmits Information to outsiders on organization's plans, policies, actions, and results; serves as expert on organization's industry	Board meetings; handling contacts involving transmission of information to outsiders
Decisional		
Entrepreneur	Searches organization and its environment for opportunities and initiates projects to bring about change	Strategy and review sessions involving initiation or design of improvement projects
Disturbance handler	Responsible for corrective action when organisation faces important, unexpected disturbances	Strategy and review sessions Involving disturbances and crises
Resource allocator	Making or approving significant organizational decisions	Scheduling; requests for authorization; budgeting; the programming of subordinates work
Negotiator	Responsible for representing the organization at major negotiations	Contract negotiation
Source:	Adapted from The Nature of Managerial Work by H. Mintzberg- Copyright © 1973 by H. Mintzberg. Reprinted by permission of Harper Collins Publishers.	

1.6 Management Skills

Still another way of considering what managers do is to look at the skills or competencies they need to successfully achieve their goals. Robert Katz has identified three essential management skills: technical, human and conceptual.

(a) TECHNICAL SKILLS

Technical skills encompass the ability to apply specialized knowledge or expertise. When you think of the skills held by professionals such as civil engineers, tax accountants, or oral surgeons, you typically focus on their technical skills. Through extensive formal education; they have learned the special knowledge and practices of their field. Of course, professionals don't have a monopoly on technical skills and these skills don't have to be learned in schools or formal training programs. All jobs require some specialized expertise and many people develop their technical skills on the job.

(b) HUMAN SKILLS

The ability to work with; understand, and motivate other people, both individually or in groups, describes human skills. Many people are technically proficient but interpersonally incompetent. They might, for example, be poor listeners, unable to understand the needs of others, or have difficulty managing conflicts. Since managers get things done through other people, they must have good human skills to communicate, motivate, and delegate.

(c) CONCEPTUAL SKILLS

Managers must have the mental ability to analyze and diagnose complex situations. These are conceptual skills. Decision making for instance, requires managers to spot problems, identify alternatives that can correct them, evaluate these alternatives, and select the best one. Managers can be technically and interpersonally competent, yet still fail because of an inability to rationally process and interpret information.

1.7 SELF CHECK EXERCISE

1. What do you understand by Management? Discuss in brief.
2. Define Management.
3. Write a short-note on "Management an Art or a Science."
4. Discuss in brief the role of Management in Society.
5. What do you mean by Management Skill? Discuss in brief.

1.8 SUMMARY

Management is essential for an organized life and necessary to run all types of management. Good management is the backbone of successful organizations. Managing life means getting things done to achieve life's objectives and managing an organization means getting things done with and through other people to achieve its objectives. Whether management is an art or science, will continue to be a subject of debate. However, most management thinkers agree that some form of formal academic management background helps in managing successfully. Management is a set of principles relating to the functions of planning, organizing, directing and controlling, and the application of these principles in harnessing physical, financial, human and informational resources efficiently and effectively to achieve organizational goals.

1.9 GLOSSARY

- **Manager** is an expert in his or her field and is a support system for employees. Managers work within a business and work together as a team to achieve company goals. It is vital for managers to delegate responsibilities to employees and assist them if they need help.

- **Management** consists of the interlocking functions of creating corporate policy and organizing, planning, controlling, and directing an organization's resources in order to achieve the objectives of that policy.
- **Managerial roles** involve specific types of behavior, conduct and actions that a manager must demonstrate to be successful. A well-known researcher by the name of Henry Mintzberg identified three general management roles. They are interpersonal roles, informational roles and decisional roles.
- **Management skills** can be defined as certain attributes or abilities that an executive should possess in order to fulfill specific tasks in an organization. Good management skills are vital for any organization to succeed and achieve its goals and objectives.
- **Organization** is a group of people who work together. Organizations exist because people working together can achieve more than a person working alone.

1.10 ANSWERS TO SELF CHECK EXERCISE

1. For answer to question number 1 refer to section 1.1.
2. For answer to question number 2 refer to section 1.2.
3. For answer to question number 3 refer to section 1.4.
4. For answer to question number 4 refer to section 1.5.
5. For answer to question number 5 refer to section 1.6.

1.11 TERMINAL QUESTIONS

1. What is the process of management? Outline its elements and discuss the essence of management.
2. Enumerate the different characteristics of management. Explain any three.
3. Discuss whether management is a science or an art or both.
4. Discuss the roles and responsibilities of modern manager.
5. What do you understand by managerial skills? Discuss the skills needed for an individual to be a good manager.

1.12 SUGGESTED READINGS

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LESSON 2

MANAGEMENT APPROACHES AND UNIVERSALITY OF ITS PRINCIPLES

STRUCTURE

- 2.0 LEARNING OBJECTIVES
- 2.1 INTRODUCTION
- 2.2 THEORIES OF MANAGEMENT
- 2.3 APPROACHES TO MANAGEMENT
- 2.4 THE UNIVERSALITY OF MANAGEMENT CONCEPT
 - 2.4.1 ARGUMENTS FOR UNIVERSALITY CONCEPT
 - 2.4.2 ARGUMENTS AGAINST UNIVERSALITY CONCEPT
- 2.5 COMPARATIVE MANAGEMENT
- 2.6 SELF CHECK EXERCISE
- 2.7 SUMMARY
- 2.8 GLOSSARY
- 2.9 ANSWERS TO SELF CHECK EXERCISE
- 2.10 TERMINAL QUESTIONS
- 2.11 SUGGESTED READINGS

2.0 LEARNING OBJECTIVES

After learning through this lesson you will be able to understand:-

- The theories and approaches of management.
- The universality of management concept.
- The comparative management.

2.1 INTRODUCTION

Despite the importance of management from the earliest times of group efforts, the major development thinking has occurred in the twentieth century. The modern operational management theory dates primarily with the work of Fredrick Taylor and Henry Fayol. Although business institutions of insurance, credit and marketing were developed in the Middle Age and were well formed by the time of the industrial revolution in the nineteenth century, business was long regarded as a degrading occupation.

Aristotle's characterisation of buying and selling as "unnatural" money making, Adam Smith's disparaging remarks concerning businessmen and Napoleon's castigation of England as a "nation of shopkeepers" are evidences of this fact. Even in the past century, business was often regarded by the educated as a somewhat inglorious occupation. Indeed, one can say that only in the half century has the businessmen begin to hold a place of respect.

There was for many years widespread belief among managers in business, government and other organisations that management is not susceptible to theory that management is totally an art not to any extent, a science. Moreover, business owners and managers themselves have in the past discouraged the development of a theory of management. Too often their preoccupation has been with technology, price and the balance sheet, an orientation hardly conducive to an understanding of an enquiry into the job of a manager. It is interesting to note that the opening wedge to the study of management as a science was driven by the so-called scientific management school, founded by Frederick W. Taylor.

Impetus to the development of a theory of management has come in the beginning of the present century as the result of the recognition that one missing link in the attainment of an effective enterprise system is the effective handling of the human efforts. The Great Depression, the World War II and the decade of feverish productive activity were of greater importance in the development of a theory of business management. In more recent years, tremendous impetus to the development of management theory and to the search for scientific underpinnings to improve practice has come from the worldwide rivalry for markets, power and progress.

2.2 THEORIES OF MANAGEMENT

Because of the extraordinary interest in management in recent years, a number of approaches have developed. One of the authors Harold Koontz called the present state of management theory as "Jungle". Similarly Stogdill identified not less than eighteen approaches for studying management, Huthchinson has given nine approaches in his article in the journal of the Academy of Management in 1971. Thus, different writers have provided different categorisation schemes for studying management, in order to facilitate easy understanding, we can identify broad approach—namely, the classical theory, neo-classical theory and modern theories.

1. Classical Theory of Management :

As the term classical which means something traditionally accepted or long established. The classical theory of management developed in three streams namely (a) Bureaucracy, (b) Scientific Management, (c) Administrative Theory.

- (a) **Bureaucracy (Max. Weber)** : A German sociologist provided a bureaucratic model for management of any large and complex organization in any branch of human activity. The elements of bureaucracy are (i) hierarchy of authority involving superior-subordinate relationship and chain of command, (ii) clear cut division of work, (iii) a system of rules, regulation and procedure, (iv) a rule by law to ensure impartiality, (v) a system of work procedures involving standardization of methods, (vi) employment and promotion based on merit, (vii) authority and power attached to an office.
- (b) **Scientific Management (F.W. Taylor)** : An American engineer eventually became known as 'the Father of Scientific Management', Taylor, Gilbreth (Frank and his wife, Lillian), Gantt and others launched what they called scientific management. They suggested a totally revolutionary way of thinking about the problems of work and organization. Taylor

expounded new philosophy, stressing that the core of scientific management was not in individual techniques but in the new attitude toward managing a business enterprise. The essence of Scientific Management was in four general areas :

- (i) The discovery, through use of the scientific method, of basic elements of man's work to replace rule of thumb.
- (ii) Identification of management's function of planning work, instead of allowing workmen to choose their own methods.
- (iii) The selection and training of workers and the development of co-operation, instead of encouraging individualistic efforts by employees.
- (iv) The division of work between management and the workers so that each will perform those duties for which he was best fitted, with the resultant increase in efficiency.

(c) Administrative Management Theory (H. Fayol and others) :

At a time when Taylor's scientific management was launched, Henry Fayol was investigating managerial behavior in organization in France and trying to systematize it. Fayol proposed that all operations in business organisation can be classified into six headings ; (i) Technical (production), (ii) Commercial (purchase and sales), (iii) Financial (Financing and Controlling Capital), (iv) Security (protection of property and persons), (v) Accounting (Stocktaking and balance sheet, costing records) and (vi) Administrative activities (planning, organising, commanding, coordinating and controlling).

Fayol devoted most of his managerial activities. He enunciated certain principles of management (with suitable modification) as follows. The principles laid down by him are: (i) Division of work, (ii) Authority and responsibility, (iii) Discipline, (iv) Unity of Command, (v) Unity of direction, (vi) Subordination of individual interests to group interest, (vii) Remuneration of personnel, (viii) Centralisation, (ix) Scalar chain, (x) Order, (xi) Equity, (xii) Stability of tenure of personnel, (xiii) Initiative, (xiv) Esprit de corps.

2. Neo-Classical Theory (Human Relations)

Neoclassical theory is called human relations and behavioural science movement. This approach to management concerns the application of the methods and findings of psychology, social psychology and sociology for the purpose of understanding organizational behaviour. The approach was basically highlighted by the famous experiments conducted at the Hawthorne plant of the Western Electric Company during the late 1920's and early 1930's by a team of researchers from the Harvard University. A direct result of the Hawthorne studies was the development of the field of human relations. Elton Mayo and his associates provided evidence that an organization is not merely a formal arrangement of men and functions, more than that, it is a social system which can be operated successfully only with the application of the principles of psychology and other behavioural science. They clearly pointed out that the methods advanced by scientific management are totally inadequate and they do not produce desired results in the face of total mechanization brought about by industrial revolution. Workers should not be treated as mere factors of production but should be treated as human beings. Workers' attitudes, feelings and needs are extremely important on the job. The significant effect of the Hawthorne Experiments was to turn a spotlight on the social nature of business organization. By treating organizations as social systems, they argued forcefully for democratic participation, creativity and commitment. Their emphasis was on creating a work force with high morale.

3. Modern Management Theories:

Modern management theories indicate further refinement, extension and synthesis of all the classical and neo-classical approaches to management. These trends started after 1950 and we have three streams under the modern management theory: (a) Quantitative approach to management, (i.e. operational research), (b) Systems approach to management, (c) Contingency approach to management.

- (a) **Quantitative Approach to management:** Henry Fayol and others school of process management centered around the functions of manager. Human relations and behavior sciences emphasised the human aspect of an organisation and its management. However, quantitative approach to management alone could offer systematic analysis and the solutions to many complex problems faced by management in the real world. New mathematical and statistical tools are now applied in the field of management, particularly in the field of decision making and complex problems. More commonly used operation research techniques are linear programming, game theory, queuing (waiting lines theory), simulation and probability. Together these quantitative decision making tools are called operation research or management science; The computer is used to find out solutions to complex management problems. Operation research, computer and management information systems are the modern tools of management decision-making programs.

2.3 APPROACHES TO MANAGEMENT

- (a) **Systems Approach to Management:** The system approach to management owes its origin to the General System Theory (GST), developed by Ludwig von Bertalanffy. A system is an established arrangement of components which leads to the accomplishment of particular objectives. This approach is closely related to the human behaviour and treats management as a system. Sometimes; the system is limited to formal organisation, the term "organisation" being equivalent to enterprise, rather than used in the structured role sense employed most often is management. In other cases, any kind of system of human relationships is encompassed. Strongly sociological in flavor, this pattern of analysis does essentially what any study of sociology does : it describes the culture relationships to various social groups and attempts to integrate them into a system.

The systems approach to management, then, simply recognises that a management system a formal, systematically organised compiled to relationships between people has, as a system, characteristics similar to physical and biological systems. It recognises that there are total systems and subsystems. It recognises that there are total systems and subsystems; that a system is characterised by an arrangement of variables and constants. In the system there are interactions and communications resulting in inputs and outputs. A proper feedback is the best assurance for getting the desired results. In a very real sense, a manager to be effective, be a scientific and Creative designer of workable systems.

- (b) **Contingency Approach to Management :** Contingency approach analyses and understands these interrelationships so that managerial actions can be adjusted to demands to specific situations or circumstances. Organisation design and managerial actions most appropriate to specific situations will have to be adopted in order to achieve best possible result under the given situation, The performance of each managerial functions, is closely connected to an analysis of the total situation – Effective motivation and leadership are the best examples of the contingency approach to management. Management variables such as

management forces, organisation structure, organizational, behavior, management styles, management control are dependent variables. All environmental variables are independent variables.

Here, it is assumed that management does not have universal principles appropriate to all situations and in all environments. In other words, there is not one best way to organise and manage. Decentralisation as well as centralisation can work under a given set of situation. Even bureaucracy can work under certain circumstances and it has not totally outlived its utility. Similarly, Democratic or participative managerial style may not be fit in certain situations and we may have to adopt tight control under certain circumstances.

Are the management fundamentals-theory and principle-applicable in every type of organization at every level of an organization, in any country of the world is the question.

Many persons hold the view that management theory and practice have universal application, but many do not agree with this view. These persons have argued for their views. This part makes you familiar with their arguments.

It has been regarded by many authors on economic development and growth that management's very important element in economic growth. For example, W.W. Rostow in his book "Stages of Economic Growth" has emphasised the significance of entrepreneurial skill for economic growth (p.52). Similarly, R.N. Farmer and B.M. Richman in their book "Comparative Management and Economic Progress" have regarded management as a "critical social activity" for economic progress. They regard "management" as, an "active agent" to be used for economic growth. According to Anant R. Nagandhi and S. Benjamin Prasad.

.... "a great deal of recognition has been given to the premise that industrialisation and economic development (of underdeveloped countries in Africa, Asia and Latin America) are a function not only of capital inputs, but also, more importantly of the managerial inputs." Comparative Management", p.3). One can come across with numerous statements conveying the thinking similar to that incorporated in the above referred 'statement'.

For economic progress, emphasis is laid upon productivity, besides increase in production. The use of the term 'productivity' draws our attention to the relationship between input and output. This relationship refers to the size, volume, quantity or value of input for a given size volume, quantity or value of output. For economic progress, the relationship should be established efficiently, in other words, effort should be made to have maximum of output with minimum of input. Undertaking this effort is the goal of management. "The goal of managing is making it possible for the people to operate in groups in such a way as to gain the most in terms of objectives sought by an enterprise or a part of it, with the human and material resources available." (Koontz and O'Donnell, *Principle of Management* p. 19).

It may therefore, be said that management is a critical element in economic growth.

Keeping in view, the level of economic development, all the countries of world are broadly grouped into two classes, viz., (i) developed and (ii) developing and underdeveloped. It is regarded that developed countries have efficient management of resources. It is held that developing and underdeveloped countries have less efficient or poor management. It is also assumed that developing and underdeveloped countries, desirous of economic progress, strive for improvement in managing in their efforts to improve management these countries have shown the tendency to learn management

from developed economies. Koontz and O'Donnell have indicated the existence of this tendency by quoting the following words of L.R. Sayla.

In the world race for economic growth and for allegiance and stability of lesser developed sections of the globe, United States management 'knowledge' is a crucial factor."

(Principles of Management, P. 89)

From the above statement, one can infer that management 'know-how' developed and practised in one of the developed countries is applicable in less developed economies.

Further, all the firms or organizations in a country will not be alike in terms of efficiency. Some firms will be more efficient and better managed as compared to others. Less efficiently managed firms would try to improve themselves managerially. For this, they will tend to learn from better managed firms about the progress made in science and art of management and use the knowledge so gained for their own improvement. Sufficient evidence is available for this statement. After the World War I, the Du Pont Company of U.S.A. established some basic management principles, many of which related to planning, organization and control. "The example of DuPont..... provided a pattern that was followed with noticeable success by many other companies."

(L.A. Allen Management & Organization, P. 16-17)

Many companies have emerged as international and multinational companies. The subsidiaries of such a company are regarded, generally, better managed companies as compared to companies of countries where these subsidiaries operate. The main factor responsible for this seems to be the application of managerial principles, theory and 'Know-how' developed, and practice by parent company. According to Me Fariand "..... it seems clear that management skill is an exportable commodity and indeed it is one of the important exports of the multinational or international firm". Me Fariand has found evidence for export of management skill with reference to Chile, Greece and the Philippines, as well as in other places.

(Management Principles, and Practices, 4th Ed., P. 628)

Similarly, 'Transmission of advanced managerial knowledge' may be undertaken (i) by a manager from one country going to be a manager from one country going to manage a firm in another; or (ii) by people from a developing country coming to study and work in a more industrialised one and returning to take up jobs in their own country. or (iii) through development and training programs for managers in developing countries'.

Briefly, we find that there is a transfer of managerial knowledge,

- (i) **from** one country to another:
- (ii) from one firm to another within a country; and
- (iii) from one person (manager) to another.

2.4 The Universality of Management Concept:

The above finding suggests that management theory, principles and practices are transferable. In other words, they have universal application. They are found in every kind of enterprise at every level of an enterprise and in any culture (country). This is the concept of universality of management theory and practice.

Many management experts, subscribe to the universality of management concept. For example, Koontz and O'Donnel have taken the position that "Management fundamentals of theory and principles have universal application in every kind of enterprise and at every level of enterprise'.

1. Naganbhl and Prasad, Transmitting Advanced Management Know How to Underdeveloped Countries, *Management International Review*, 1967 No'6.

Harbinson and Myers, who studies management practices in 23 countries, concluded that "Organization building has its logic:..... which rests upon the development of management... and there is a general logic of management development which has applicability both to advanced and industrialised countries in the modern world."

But there are many Other management experts who do not subscribe to the Universality Concept. For example, Gonzalez and Mc Milan, after examining the applicability of the American management philosophy in Brazil, came to the conclusion that management philosophy is 'culture-bound' and 'American philosophy of management is not universally applicable'. By the statement 'Management philosophy is culture-bound' it implied that external environmental, forces affected the management philosophy. Similarly, Winston Oberg has concluded in this study of 'Cross-Cultural Perspectives on Management Principles' that for regarding management principles as truly universal, the challenge of other cultures and other business eliminates must be recognised.

This, there are conflicting views over the issue of universality of management concept.

2.4.1 Arguments for the Universality Concept:

It is pertinent here to identify the arguments forwarded by the supporters of universality concept. These are:

(i) **Emphasis on management function processes** : It is said that management is found in all organized activities. Management function in every phase of human activity. Managerial function are planning, organising, staffing, directing and controlling. Managers are found performing, these functions in any enterprise belonging to any parts of the world, According to Koontz and O'Donnell, "As a manager, each must at one time or another, carry out all the duties characteristic of managers. This is the principle of universality of managerial functions." This statement implies that any principle or theory about a particular managerial function will apply to all managers.

(ii) **Distinction between Management Fundamentals and Managerial Techniques** : It is argued that management theory and principles should be differentiated from the managerial techniques and approaches. It is a specific technique which varies. It is the approach to managing which differs from one external environment to another or from one culture to another. But management fundamentals are universally applicable. For drawing this inference, Koontz and O'Donnell have referred to a number of studies on comparative management. They themselves have found in management seminars for various types of enterprises that "the identical concept, theory and principles, and often the same techniques such as variable budgeting or management by objectives apply with equal force. In widely different enterprise environment".

(iii) **Distinction between Management Fundamentals and Managerial Practices** : Management is an art. "The most productive art is always based on an understanding of the science underlying it." Thus, science and art are complementary. The art of managing or the practice of managing makes use of organised knowledge (Science). This organised knowledge is composed of principles and theories. Principles are basic truths at a given time. They explain relationship between two

or more sets of variables. Theory is systematic grouping of inter-related principles. Management has principles and theories. Management is science. It is a social science. Like most social sciences, it is an inexact science.

In management the alliance between theory (Science), and practice (art) is an intimate one. However, recognition of the distinction between theory and practice of management is important in order, to see whether management fundamentals are universally applicable.

Mary, Cushing Miles, in her book 'The Essence of Management' has written, "While practices and applications will vary widely from one situation to another, fundamental concepts and principles of management and of human relation will remain much the same everywhere they take effect. In different combination", (p. 437). In order to support her statement, she has given the example of 'incentive payment', or 'bonus payment.' In the United-States of America, bonus payment is considered as a powerful technique for motivating the workers to increase productivity. By increasing his productivity, a worker will increase his purchasing power and therefore, his standard of living. Because of the fact an American worker can get another job easily and that also with higher remuneration, payment of bonus does not motivate him to earn more with his present job. But in India, jobs are not easily available and workers have the fear of unemployment. So, security of employment is a more powerful weapon to increase productivity than the 'Bonus payment'. Thus we find that practice of management has to be adopted to the system of belief and social condition of a particular culture.

Me Farland has argued that principles, concepts and skills of management are universal. It is only the practice which may change. He writes that managers shift from one company to another. They also shift from one industry to another; Further, experienced military officers move from military units to the posts of high responsibility in business. He regards such shift indicative of the fact that general skills and principles of management are at work. The knowledge of management principles and skills in managing enable 'the executive to team specific applications and problems as he applies his skills to the new setting' (p. 622).

Koontz and O'Donnell also agree that variation in cultures may affect the application of management fundamentals. But as is true in any field of science, the management fundamentals are having universality of application. They give an example on automobile to support their view. An automobile designed for use in deserts or jungles will be different from that which is designed for high speed super highways. **But the principles and theories of physical science used for designing both the types of automobiles remain the same.**

2.4.2 Arguments Against Universality Concept;

Many management experts do not support the universality concept. Why? Their arguments are summarised below:

(i) Objectives of an enterprise:

Drucker is of the opinion that the skills, the competence and the experience of management cannot be transferred and applied from one enterprise to another enterprise or from a business enterprise to a non-business enterprise without introducing change. The change would be required because of difference in objectives. The main objective of a business enterprise is earning profit consistent with security and welfare of the business, but the main objective of a non-business entity is non-economic. Therefore, management can transfer only analytical, and administrative types of skills, abilities and experience, from one enterprise to another.

(ii) Difference In philosophies :

Because of difference in philosophies of different enterprise, a manager cannot be a good manager in all types of enterprises. This argument has been given by Ernest Dale. If the management fundamentals are having universal applicability, a manager should have the ability to predict the outcomes of managerial activity, irrespective of its setting. But facts do not support this thesis,

Dale said that one individual could not be a good manager in religious, academic, military and business institution for both communist and democratic enterprises. The reason is that philosophies that underlie each type of organization are very much different.

Negandhi and Prasad, keeping in view, the developing countries particularly India, identified the "managerial philosophy of short term profit maximisation as one of the managerial variables which hinders effective transmission" of advanced managerial knowhow. (*Transmitting Advanced Management Know-How to Under-developed Countries.*) in *Management International Review*, 1967 No.6.) By the term 'advanced managerial know: how.' they mean the various managerial practices, principles and techniques employed by the manager in the United States and other Western European countries. Further, Negandhi and Estafen have given, as an example, the findings of two researches with respect to two textile mills in India, (*A research Model to determine the applicability of American Management know. How in Differing cultures, and/or Environments.*) One mill had a philosophy of 'quick profit' and the other a philosophy of 'long range profit'. These philosophies exerted different influence on moral of the employees, productivity, organization structure, delegation of authority, span of management and communication patterns.

(III) Management is Culture-bound :

Gonzalez and Mc Millan, on the basis of two year study in Brazil, concluded that "American philosophy of management is not universally applicable." They were of the opinion that factors or interpersonal relationships, (relationships between management and workers management and suppliers, management and the customers, etc.) prevent the management fundamentals from becoming universally applicable. It is also the belief of W. Oberg expressed by him in his paper *Gross Cultural perspective on management Principles* in *Academy of management Journal*, June 1963, that applicability of management principles may be limited: to a particular culture or situation. He argues that if the ground rules under which the manager operates are different in different cultures, countries, then it is useless to search for a common set of strategies, of management. It is also the thinking of Farmer and Richman that, "if a country has a strong traditional religious and cultural basis towards non scientific behaviour, it will prove difficult to introduce modern managerial methods, which are based on the same type predictive rational view of the world as are the more purely technical devices."

(*A Model for research in Comparative Management*).

2.4.3 Examination of Arguments Against Universality Concept:

- (i) MC Fariand points out that even if the objectives of business enterprises seem to be different from those of non business enterprise, all types of enterprises face the problems of allocating scarce resources-time, human efforts, money and other forms of wealth, among its need and purposes which are not few. Such allocation requires management skills. Hence management skills are transferable. He mentions that whatever the administrative and analytical skills are transferable according to Drucker, they fall within the meaning of the term 'management',

- (ii) Koontz and O'Donnell mention that differences of opinion on transferability of management knowledge between countries and cultures largely arise from semantics. **The** different terms used are either not defined or not clearly defined. The terms 'management philosophy', 'management know-how', 'management theory', 'management principles' and 'management knowledge' have been used by the experts, without an adequate amount of preciseness and clarity. Koontz and O'Donnell define Philosophy as, the love study or pursuit of knowledge. They find that experts contradict the universality concept, use the term 'management philosophy' to include also the attitude of managers towards following group.

- (i) Consumers
- (ii) Suppliers
- (iii) Unions and
- (iv) Government

Sometimes, the use of term 'management philosophy' is made to include, in addition to basic management theory and principles, certain beliefs which matters such as:

- (i) ownership of property, and
- (ii) attitude towards individuals.

The use of the term, 'management philosophy' in the above mentioned manner stresses upon the application of management fundamentals in given situations **and** cultures. Since differences do **exist** between two cultures, among sub-cultures of **one** culture, and attitudes, the application of management fundamentals is likely to differ. It is, therefore, important to separate the fundamentals of management from their application to given situation. **It** is the application of management concepts or practice, of management which does not have and can't have universal applicability. Management fundamentals are not culture-bound, it is the practice of management fundamentals which is culture-bound. **It is** the art of management which may not be transferable and not the science of management.

2.5 Comparative Management:

'Comparative Management' is the study of management phenomenon on a comparative basis. It encompasses cross-national subject matter. It aims at detecting, identifying, classifying, measuring and interpreting similarities and differences among phenomena such as management process, managerial thinking, managerial techniques, etc. It is assumed that these phenomena interest organisationally, nationally and sometimes internationally.

The most important aim of the study of comparative management may be regarded as providing a variable source of information which may be useful in adapting managerial methods and procedure of one country to another. The analysis of comparative management, therefore, has to take into account the influence of external environments.

Efforts have been made to consider external cultural environment with a view to studying their effects on the practice of management. Two notable efforts are:

- (a) Model developed by Farmer and Richman, and
- (b) Model developed by Negandhi and Estafen.

These models are being explained briefly,

- (a) The Farmer Richman Model:

This model identifies and assesses the effect of cultural factors on the functional elements of management process. Farmer and Richman have:—

- (i) Identified the critical elements in the management process.
- (ii) Evaluated the operation of these critical elements in individual firms working in different settings.
- (iii) Identified the various environmental factors appearing to have impact upon management process and management effectiveness.

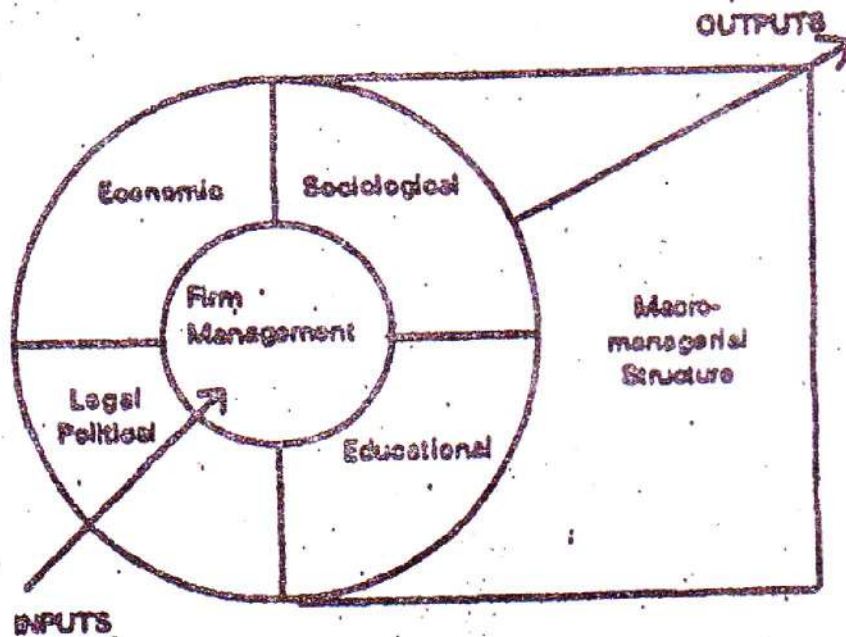
They have classified all the environmental factors into four groups:

- (i) Educational Variables;
- (ii) Sociological-Cultural Variables;
- (iii) Political and Legal variables and;
- (iv) Economic Variables.

They regard these variables as constraints for universal applicability of management. They have identified a number of critical elements of the management process pertaining to well known steps: Planning and Innovation, Controlling, Organising; staffing, and directing, leading, motivating. 'The concept of managerial effectiveness' introduced by them means the degree of efficiency with which managers of an enterprise in a given environment accomplish enterprise objectives. If the objective of enterprise is productivity, the efficiency is given by $E = O/I$, where E is efficiency, O is output and I is input. The basic hypothesis is $E = f(x)$ where E is productive efficiency, and X is managerial effectiveness. Farmer and Richman have tried to show the nature of the impact of external constraints on internal firm management by construct I, given here.

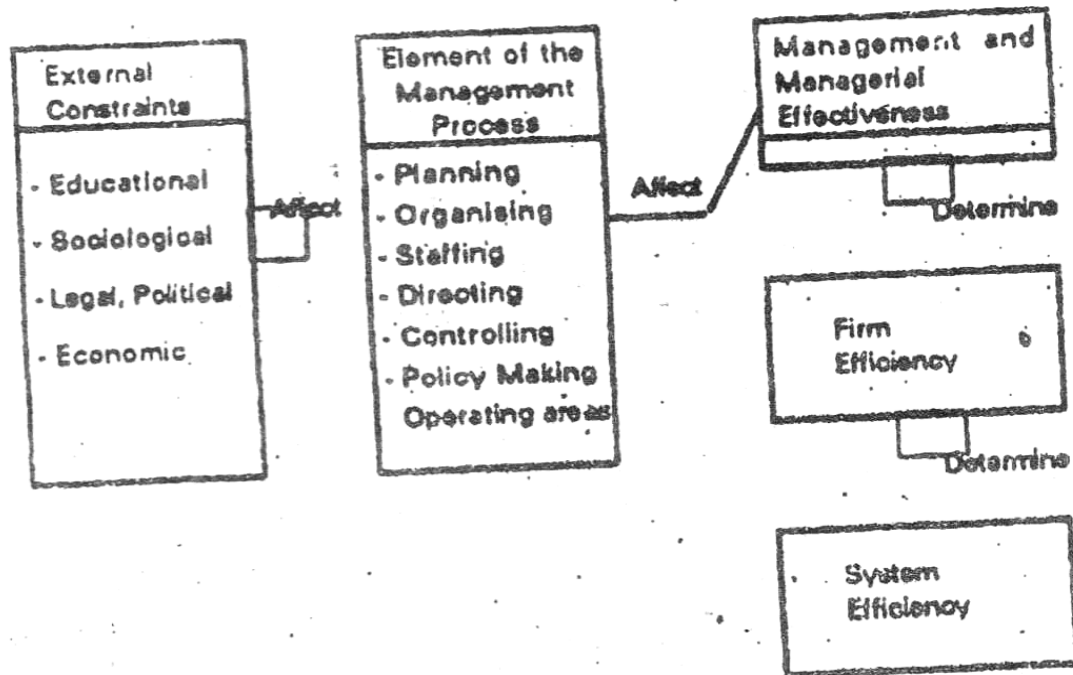
CONSTRUCT-I

External Constraints on Internal Firm Management



The external constraints act on managers to inhibit or aid their effectiveness. Therefore:

$X_f (C_1 = C_2 = C_n)$; where x is managerial effectiveness and C 's are the various relevant constraints.

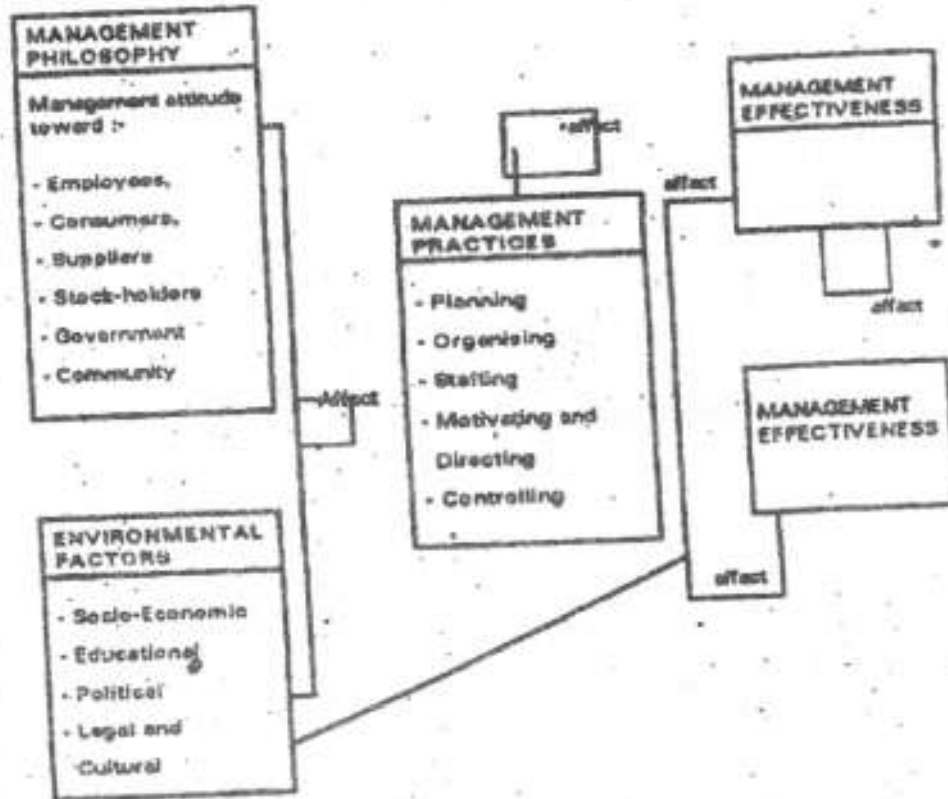


The model constructed by Farmer and Richman for analyzing comparative management is presented here (Construct-II)

- (i) The above model distinguishes the management process from environment of managing, and
- (ii) Shows the factors making management practice different in different cultures.

Farmer and Richman conclude that external conditions considered by them will affect both managerial effectiveness and the elements of management process.

But Koontz and Q'Dannell find no evidence, in Farmer-Richman model to show the fundamentals of managing are changed by environmental constraints. They argue that managerial efficiency is only hampered by the external constraints because a manager is not allowed by these constraints to apply the management principles completely.

CONSTRUCT -II**(b) The Negandhi-Estafetn Model**

This model is not quite different from that of Farmer and Richman. It also regards that external cultural factors affect managerial action. Negandhi and Estafen are of the view that Farmer-Richman model does not sufficiently deal with the major influences on managerial practice. They emphasize upon giving importance to another important independent variable which is 'management philosophy'. According to them, 'management philosophy' is not only the product of cultural environment but it is a variable in itself. By this term, they mean, "the expressed and implied attitude or relationships of a firm with some of its external and internal agents." These agents are:

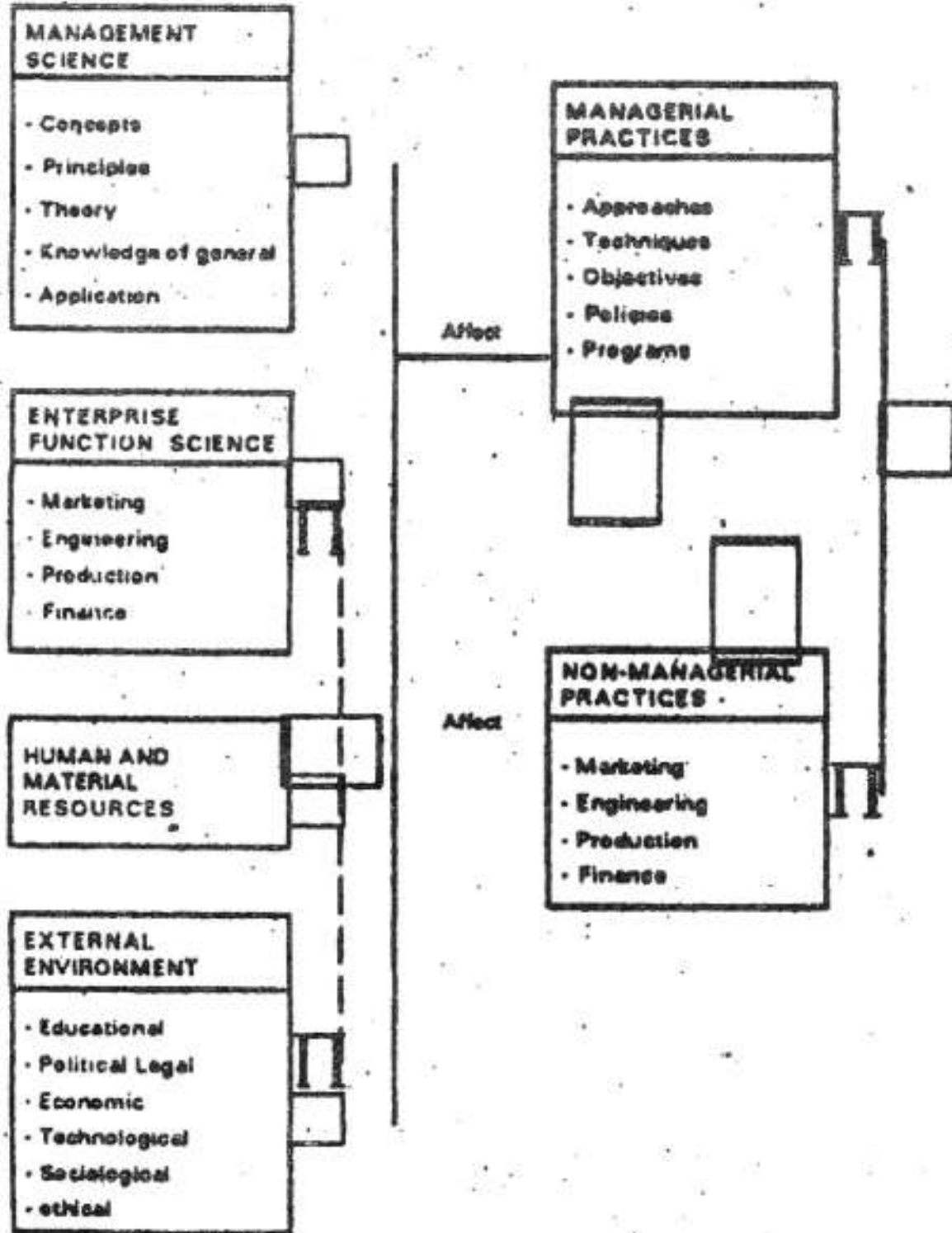
- (i) Consumers
- (ii) Shareholders
- (iii) Suppliers
- (iv) Distributors; and
- (v) Employee unions.

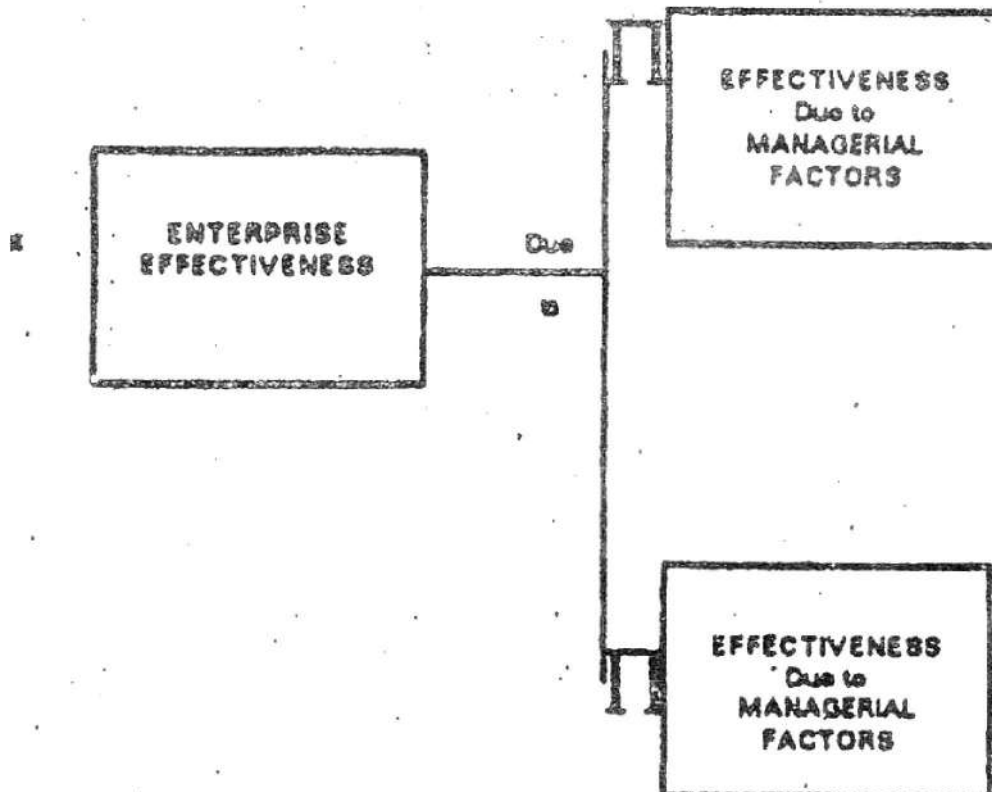
Negandhi-Estafen Model for analysing comparative management is illustrated by the Construct-III

In this model, **there are four types of variables**:

- (i) **Independent Variables** : they include management philosophy and environment factors.
- (ii) **Intervening variables** : they include management processes.
- (iii) **Dependent Variable** : It is management effectiveness.
- (iv) **End-result variable** : It is enterprise effectiveness.

The relationships among these variables have been shown in the construct. It is notable that many of these variables are inter-related and inter-relationships among them may also be reverse to those shown in the construct. This model shows, like Farmer-Richman model, only relationships.

CONSTRUCT III



(c) Evaluation of the Models :

Koontz and O'Donnell have made effort, to compare and evaluate the two models. They find that:-

- (i) Both the models recognise the impact of external cultural environment on the operation of the management process.
- (ii) In both the models, management effectiveness will determine or affect enterprise effectiveness.
- (iii) Negandhi-Eastafen model considers 'managerial philosophy' as an important independent variable, in addition to environmental factors, which affect management practices and therefore management effectiveness.
- (iv) Farmer Richman model regards 'polycymaking' as an element of the management process, beside planning, organising, staffing, directing and controlling. But many of the policies do not appear to be culture bound. For example, the philosophy of "Quick Profit" or "Long-range profit" may be found in many cultures. Further, polycymaking is not a separate process in management. It is a part of managerial planning.
- (v) Neither of the two models already described are suitable for separating science from practice, from the point of view of determining the universality and transferability of management fundamentals.

They only emphasise the environmental factors which affect the practice of management: ,

- (vi) The effectiveness of the firm's operation (enterprise effectiveness) does not only depend on management effectiveness but also on other factors. One of these, other factors is the specialised knowledge, or science in operating areas of marketing, engineering, production and finance the two models do not consider the effect of non-managerial factors on enterprise effectiveness.

Many enterprise may be found successful not because of good management but due to brilliant marketing or well-organised and operated production. These activities of an organisation according to Koontz and O'Donnell can be grouped into two categories viz;

- (i) managerial activities, and.
- (ii) non-managerial activities.

Managerial activities are planning, organising, staffing, motivating and directing, and controlling. Non-managerial activities are marketing, engineering, production, finance.

- (iii) These models make it possible to test the area of universality of management theory and principles. For example, techniques.
- Delegation :
 - Rate of return of investment for overall control,
 - Operation research; and
 - Work analysis,
- . have been found not so culture bound as is often believed.

These models offer such knowledge to multinational companies which may help them their task of training managers, understanding and devising differences in managerial techniques and approaches in varying cultures.

(d) Koontz's Proposed Model:

Koontz has given the model for analysing the Universality or Transferability of management on (Construct III).

This model helps in understanding and observing the elements of universality in management.

This model suggests that:

- (i) Enterprise effectiveness is determined by non-managerial factors (the effectiveness of non-managerial practices) also.
- (ii) Excellent capabilities in non-managerial, areas contribute to management effectiveness.
- (iii) Managerial practices effect non-managerial practices. Non-managerial practices also affect managerial practices.
- (iv) Managerial and non-managerial practices are affected by:
 - (a) management science .
 - (b) enterprise function science
 - (c) human and material resources
 - (d) external environment factors (already Include, in other two models)

- (v) The managerial attitudes (management philosophy) are not included in this model which has been included in the Negandhi Estafan model) as an independent variable. It has been believed that they are of cultural factor and environment as they cannot be changed without making, certain environmental changes.

2.6 SELF CHECK EXERCISE

Write Short-notes on the following:-

1. Scientific Management.
2. Human Relations Theory.
3. Systems Approach to Management.
4. Universality of Management Concept.
5. Define Comparative Management.

12.7 SUMMARY

There is need of further research in the area of comparative management. Increasing effort has to be made for separating the science from the art of managing with a view to be able to recognise fundamentals of universal application and transferability. Nevertheless, the researches and studies made in the area of comparative management suggest that there is much universality in the application of management principles. It may be said that many managerial attitudes techniques and approaches applied scientifically in one culture may be made applicable, with some basic change, to another culture.

2.8 GLOSSARY

- **Administration** refers to the group of individuals who are in charge of creating and enforcing rules and regulations, or those in leadership positions who complete important tasks.
- **Business** is defined as an organization or enterprising entity engaged in commercial, industrial, or professional activities. The term business also refers to the organized efforts and activities of individuals to produce and sell goods and services for profit.
- **Business owner** is an individual or entity who owns a business entity in an attempt to profit from the successful operations of the company. Generally has decision making abilities and first right to profit.
- **Comparative management** is the study of various management principles, and how they apply from one situation to another. Comparative Management means comparison between management practices in the same environment within a territory or region.
- **Management theories** are the set of general rules that guide the managers to manage an organization. Theories are an explanation to assist employees to effectively relate to the business goals and implement effective means to achieve the same.

2.9 ANSWERS TO SELF CHECK EXERCISE

1. For answer to question number 1 refer to section 2.2.

2. For answer to question number 2 refer to section **2.2**.
3. For answer to question number 3 refer to section 2.3.
4. For answer to question number 4 refer to section **2.4**.
5. For answer to question number 5 refer to section 2.5.

2.10 TERMINAL QUESTIONS

1. What is comparative management? Do you think that management is culture bound? Give reasons to support your answer.
2. Write a detailed note on the universality of the principle of management.
3. Consider the arguments for and against the universality of management.
4. Which management approach is more appropriate in Indian context? Discuss
5. What are the management schools of thought?

2.11 SUGGESTED READINGS

- Prasad, L M, "Organisational Behaviour" Sultan Chand and Sons, 2011.
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LESSON-3**FUNCTIONS OF MANAGEMENT****STRUCTURE**

- 3.0 LEARNING OBJECTIVES
- 3.1 INTRODUCTION
- 3.2 FUNCTIONS OF MANAGEMENT
- 3.3 SELF CHECK EXERCISE
- 3.4 SUMMARY
- 3.5 GLOSSARY
- 3.6 ANSWERS TO SELF CHECK EXERCISE
- 3.7 TERMINAL QUESTIONS
- 3.8 SUGGESTED READINGS

3.0 LEARNING OBJECTIVES

After studying this lesson you will be able to understand :-

- The functions of management.
- The usage of functions of management for managers.

3.1 INTRODUCTION

The main purpose of this lesson is to acquaint you with 'the various functions of management, Koontz and O'Donnell have stated : In classifying the functions of management, one must distinguish clearly those operations such as selling, manufacturing, accounting, engineering and purchasing. They differ from one enterprise to another but the functions of managers are common to all". Thus functions of management are of two types:

- (1) Operative (2) Managerial.

In the following few pages of the lesson the managerial functions have been discussed.

Management is a broad field and on the basis of functionalisation, 'the four functions of management are:



- (1) Production (2) Marketing (3) Finance (4) Personnel

These are the sub-areas of the broader field of management each having its separate operative functions. One should not carry the impression that there are no common functions of management which

are being discharged by management people. The point is that by nature the business operations are categorised on the basis of specialisation and hence four or more functional areas.

The difficulty with the identification of functions of management is that there is hardly any unanimity on them. Every one has his own list of functions and he tries to defend his classification. This difference of opinion need not come in our way because we are concerned here with the inevitable functions which every body in the position of a manager has to perform. For the sake of convenience the following functions can give us a dearer picture:

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

A few management thinkers are of the view that functions like Forecasting, Motivating, Co-ordinating should also find place in the list of function. On a deeper analysis one finds that forecasting can be safely included in planning because it is an essential step in planning. We will be discussing it in this fashion. So far as motivating is concerned it is emphasised after the human relations approach. One agrees on this issue but if direction is taken in its positive and wider sense, providing motivation to the subordinates can be a part of directing. Truly speaking, concepts like leadership and supervision form a major part of directing function and very little emphasis is laid on format guiding and instructing, there will lie no injustice done to this function of importance. That should be the justification for accepting the above noted functions of management. Co-ordination, on the other hand, has now been regarded as the essence of management and would result from a proper and effective performance of all the functions of management.

A close observation of the working life of a manager, whether he is in the field of production, finance, marketing of personnel, will be a proof of the statements made above.

3.2 FUNCTIONS OF MANAGEMENT

(a) PLANNING;

In management more, emphasis is given to the performance. Performance is largely based on the proper and timely action. Managerial actions may be properly planned or ill-planned. The result is quite obvious. Planning is therefore, essential for every managerial action. Although future is unknown and nobody knows what amount of uncertainty is in its womb but even then a project is done.

Planning is done with the aim of chalking out future course of action. Plan is a peep into the future. The purpose is to provide guideline for the performer, Planning, therefore, involves the setting of enterprise objective, policies, programs, procedures, budgets in a comprehensive manner. Every amount of specific details are worked out well in advance which will be followed and executed. The plan of action", puts one of the writers on the subject, at one and the same time the result envisaged, the line of action to be followed the stages to go through, and methods to use. It is a kind of future picture wherein proximate events are outlined with some distinctness while remote events appear progressively less distinct and it entails the running of the business as foreseen and provided against over a definite period.

The **scope of planning** is very wide; no activity of the company is exempt; every segment must be fitted into the master programme. This importance of planning lies in the fact that it projects the intentions and clarity of mind of the planners, in fact in operation all the time. All economies of operation **largely** depended upon the soundness **and** comprehensiveness of planning. **You will see, in detail,** in subsequent lessons that plans may be for all the functional **areas** and overall plans are subdivided into the various sub-plans looking to the requirements of all situations. Managing without planning is extremely risky and the performance **is** doubtful. It helps much in controlling the activities of the enterprise. For better performance both long range and short range planning is done **and** approach is made flexible so **that** made easily. The nature of planning is that it is a continuous activity and emphasis and character are being changed according to the requirements of the situation. It provides **an** opportunity of comparing the result with the targets fixed.

Normally planning provides the springboard from the present. **It** provides **a** opportunity to exercise the mind and decide the **best** available alternative to the planner. Further planning is not only **top** management's responsibility: managers at every level have to do some sort of planning. For the **sa**ke of guidance, here **are** certain, elements of planning.

- (1) Forecasting:
- (2) Establishing conditions and assumption,.
- (3) Establishing objectives.
- (4) Anticipating possible future problems.
- (5) establishing policies.
- (6) establishing a programme for accomplishment.
- (7) Plans, standards and methods of measuring accomplishment.
- (8) Review and adjust plan in the light of changing conditions.

More details of these elements you will find in the subsequent lesson.

(b) ORGANIZATION:

The next function of management is organizing. The process of organising is very essential for accomplishing the plans and objectives of the enterprise. We have seen that man materials, machines are available in disorganised manner and a proper relationship should be established between them so that they are properly utilised for common objectives. It is the basic function of the managers to organize them in a manner that harmony and adjustment is established. Organizing process encompasses the working out of details of every sort of relationship which must exist between various activities that are to be pursued for getting the results. Organizing is supposed to be the backbone activity on the part of management. It is to be taken as technical as well as human activity. The following aspects have to be considered in understanding the whole idea of organizing.

(1) Division of work :-

The whole range of activities that are going to be performed by the people have to be splitted into various, sub divisions so that the managerial work can be entrusted to different persons. The man at the top has a broader view of that has to be performed, but he cannot do all the work which is necessary for effective working. On the basis of nature of work grouping of activities is done and identical- units of work are decided well in advance.

(2) Departmentation :-

After having divided operative tasks, a framework of formal structure of organization is to be created. On the basis of the principle of delegation, the power to operate and decide is being shared with the subordinates and total organization is divided into some key departments. The basis of departmentation may be activity, geography, product or process. For example, the operative task may be sub-divided into four departments, namely, Commercial, Engineering, Production and Personnel. There is no hard and fast criteria for this sub-division. It very much depends on the relative importance of these activities to an enterprise. Emphasis may be different and a first grouping may be resorted to.

(3) Levels of Supervisions ;

Due to the application of delegation principle, organization structures take a proper shape. Some of the structures look like pyramids, while others are more "flat". It is because of the number of supervisory positions that are being created for leading and supervising the work in various departments. If more of supervision levels are being created, the span of management will be narrow and the organization structure will be a "tall" one. It is the managerial outlook which very much divides the number of supervisory positions. If close supervision is needed, then the positions have to be more. But there are certain financial and human constraints which operate simultaneously and as such whims and outlook play a somewhat limited role.

(4) Defining Role and Establishing Relationship:

Irrespective of the number of persons working in organization, they are to be given certain well defined activities to perform. Since the grouping of work has already been done, each individual is being assigned to some unit or units of tasks. Thus their obligation to perform is being created and is popularly known as responsibility. This provides a framework of working and he is held responsible for doing that much of work for the organization. At this point you should bear in mind that roles and responsibilities are objectives oriented. Thus this establishes a close and proper relationship between men and their work. It is also to be kept in mind that there must exist a set of relationship between different people working together, whether in one department or the other. Their interaction will follow only when the relationship and its nature is established. This is possible through the media and channels of communication. Ambiguity in creating work 'roles or relationship **affects** the process badly and, therefore, restricting of the process is resorted to.

(c) STAFFING :

Staffing is the executive function which involves the recruitment, selection, compensating, training, promotion and retirement of subordinates, and managers. Since staffing is one of the functions which all managers undertake, the immediate responsibility for its efficient execution rests upon every manager at all levels. Thus staffing comprises those activities which are essential in keeping all the positions, filled with suitable persons. -The quality of management is very much dependent on the qualifications and suitability of managers. For this a proper manpower planning is to be done keeping in view the present foreseeable future needs, both quantitative and qualitative aspects, and the hunt for such people goes on. By a qualitative aspect of manpower planning we mean the type of persons needed. The sole aim of staffing is to take right man for the right job are found out and the suitable men matching the requirements of the job are selected.

(d) DIRECTING :

Since management is related precisely with the working with people, guiding them according to needs and objectives of the organization is the manager's responsibility. Directing is a complex function that includes all those activities which are designed efficiently. The main phases of this function of management are:

- (1) Communicating the decisions and orders'
 - (2) Guiding and motivating them in their day to day work.
 - (3) Providing them proper leadership.
 - (4) Supervising the subordinates to ensure that their performance is in conformity with the plans.
- A few thinkers have included disciplining also in this list of components.

(1) Communicating Decisions, Instructions and Orders.

After official decisions are arrived at the persons who are entrusted with the task. The plans, when approved, have to be executed in the best possible manner. In the process of directing these plans are made known to the subordinates in the form of official instructions or orders. Among all the communications in organization these orders constitute an important part. In the absence of transmission of these officially approved decisions, the lower level may not know anything about them, and to expect proper execution is futile. Orders have got a smell of dictatorship but their functional value is beyond doubt. Care must be taken that these orders and instructions are complete, clear, timely and very few in number. Once the orders have been passed, further developments, should also be transmitted without delay. If this is not done, the poor executors cannot be blamed. It is necessary that a proper follow up should be there to ensure that orders are carried out in the manner desired. A basic question is to be answered here. Should the order be written or Oral ? In small organizations where the members are few and have personal relationship and trust, oral orders or instructions are feasible. But in case of large organization where levels of hierarchy are more and the quantum of orders are also not few, it is necessary to give written orders. The elaboration of orders may be orally during a meeting with the subordinates.

(2) Guiding and Counselling:

There remains a big gap between giving the orders and executing them accordingly. Details and minute procedures are yet to be evolved by the subordinates implementing the orders in letter and spirit. The managerial job is not over by giving order it is their further duty to provide proper guidance to the subordinates to solve their problems. How to do it ? They are the leaders of the group and it is their professional and moral duty to see that the subordinates are offered with suggestion. If there are certain gaps, be plugged by deciding, further course of action; No body can order so exactly that the need for elaboration is eliminated.

(3) Leadership:

People can produce good results provided they get good leadership. A leader influences the behavior of the people of his group and makes them willing to work, not by force but by seeking their cooperation and putting his personal involvement. The test of manager, in relation to his group, is his ability to lead people. This is an intangible force which fosters enthusiasm among the people and develop their liking for the work and work situation; As a leader, he performs the following major functions:

- (1) Goal Setting for the group.
- (2) Integration of the group.

- (3) Motivating them to achieve the goals.
- (4) Maintaining discipline.

By no chance the above noted list of functions of leadership is an exhaustive one; it is only suggestive and deals with the primary functions of a managerial leader. Newman and Summer, while dealing with this aspect, have outlined that the major activities of a leader are (i) development of voluntary cooperation, (ii) engaging in two-ways personal communication and (iii) directing and disciplining. The environment for discharging leadership function is quite important. The leader is effective or ineffective according to the environment in which he is working. It will again be improper to deal with the concept of leadership in detail here, as somewhere in the subsequent lessons you will be able to read the various types of leadership styles adopted in managing people.

Supervising :

In one sense of the term, "Supervisor" means a person who has got a developed vision. In another sense it means exercising inspection over the subordinates with one eye on the work and the other on the plan. The essence of supervision is to see that the work confirms the plan. As supervisor one has to keep an eye both on people and plan. It is, therefore, a very delicate issue. There are two types of supervision.

- (1) Employee centered.
- (2) Production centered.

The former is more concerned with the human values and human satisfaction and its emphasis on the end result is little less. Such type of supervisors care more for the feeling, welfare and security of the employees while the production curve is not their sole concern. In the latter type of supervision, the hard-task-master approach is adopted and getting more and more production is the main aim. This explanation should be taken with great care as the supervision technique is never absolute; it always has relative aspects. Hardly you will find the men on the extreme point. The success of supervision lies in weaving properly both the types of Supervision, this aspect of supervision has more relevance at the lower level of management as compared to the top or higher levels.

Thus, in directing his subordinates, the managers have to exercise supervision over them in the sense that they have to personally watch, direct and control their performances. If there are certain deviations, difficulties or grievances, a proper note of them should be taken and a proper solution should be found out. Supervision thus is a system of control as well as a stage of planning.

(e) Controlling:

The function of controlling deals with comparing performance with planning. Controlling has two different meanings.

- 1. negative.
- 2. positive

In the former sense, control function is just like a watchdog 'keeping a close eye on the operation of the enterprise. The nature of this type of control is a negative one. In the latter sense, control is a corrective device wherein a constant watch is kept on the deviations just - to correct them. "The managerial function of control" say Koontz and O'Donell, "is the measurement and correction of the performance of and the plans devised to attain them are accomplished. Fayol's observation, is more clear

when he states, in an undertaking; control consists in verifying whether everything occurs in conformity with the plan adopted, the instructions issued and principles established".

If we analyse the above observation made by these authors we will find that there are three phases of control process namely:

1. Establishing standards that represent desired performance.
2. A comparison of actual performance as against standards,
3. Corrective action.

If planning sets the standards of performance, then control evaluates them in their proper context. Authors of late have agreed on the point that planning and control are intimately related and managers must concentrate on these twin functions. The only problem in controlling is to develop a proper system. Over the past few years certain tools of controlling function more effectively. These tools are both of financial and non-financial nature. A few of them are given here for guidance:

- (1) Daily or periodic reports from the subordinates or branches.
- (2) Coach Summaries.
- (3) Statements showing current position
- (4) Budget both Master budgets as well as Performance Budgets.
- (5) Ratio Analysis—such as returns on investment, net sales to working capital, debt-equity ratio, net sales to accounts receivables; ratio of current assets to current liabilities; working capital to net sales and number of other ratios are worked out for knowing the exact information of the situation prevailing.

The above mentioned tools of controlling are of mathematical or financial nature. Apart from these, a few outlined below are useful in those areas of business that do not lend themselves to financial control:

1. Statistical quality control
2. Chart showing delays—such as Gantt Charting.
3. Performance appraisal of managerial functioning.
4. Employee attitude survey which is carried through for knowing the level of morale of the employees.

The object of naming the means or tools of control was to acquaint you with some of them. Thus controlling is a basic function of management. As Mary Gushing Niles puts it, "whereas planning sets the course, control observes deviation from the course or to an approximately charged on".

The major function of management have been discussed in the last few pages. But many people would consider this list incomplete. The new literature of management draws our attention towards a few of the other functions which managers do perform. For example Dale has included two more functions in the list namely, Innovation and Representation. It would be appropriate here to devote a few lines on these functions of management also.

Innovation :

"Managing a business" Peter Drucker, the famous thinker of management among the present ones, writes, "cannot be bureaucratic or administrative, or even a policy making job.....(It) must be a

creative rather than an adoptive task, it is a very valuable and valid statement. If manager continues to do the same things as he has been doing in the past this business or organization will become stale and static. He must try to create new practices, new ideas and thinking and new structures looking to the need of the future. Preparing people and organizations for the new eventualities is not only a function but a change situation is need of the hour today and most managers lack in discharging and, appreciating this function. When competition is keen they remain being in the race.

Representation :

Managers have to project their own and the image of their organization before the multi-masters. There are outside groups who are interested in the affairs of the organization. As the ambassadors of organizations they have an onerous responsibility of representing their case before Government, Unions, Customers. Suppliers and so on and so forth put a clear picture of the policies and intentions so that an atmosphere of goodwill is developed. On the issue like price policy and wage fixation their viewpoint is to be placed before the public or Government so that there is a proper appreciation of their moves and methods.

Above all these function, the central function of management is co-ordination. We all know that organizations have grown in size and in character. Hundreds of multinational corporations are operating today. Their activities are of varied nature. It is very difficult, then, to synthesize and synchronize their activities. Until and unless there is proper coordination of various departments, duties and actions, it is impossible to achieve organization objectives. Thus coordination is essential and is concerned with the orderly arrangement; and unification of the group effort. One writer has rightly pointed out that instead of regarding coordinations as a separate function of management, it must be considered as the essence of managership.

3.3 SELF CHECK EXERCISE

1. Write a short-note on functions of management.
2. Define the term Planning.
3. Define Departmentation.
4. Define the term Directing.
5. Define Controlling.

3.4 SUMMARY

All of the above discussed functions of management are interrelated. No one function can be performed without involving the others; it is a composite process. It would be a folly to think that one function is independent of others and can be performed independently. Even then the importance attached to each one may vary at different times in different places. The emphasis changes according to the situation. Planning does not present much difficulty in the situation where uncertainty is less and resources are unexploited. In such conditions directions and executions are heavily emphasised. Organizing - assumes great importance when the size of the units grows and interpersonal relations become tense. Interest in innovation is keenly shown in the time of fast technological and social change at the same time. The process of change, as is happening presently. Thus, management is therefore; circular in nature, can say that all the functions are of equal importance thereby suggesting that, in a going concern, importance and are performed by managers there is no revolution at a particular point of time.

3.5 GLOSSARY

- **Control** is a primary goal-oriented function of management in an organisation. It is a process of comparing the actual performance with the set standards of the company to ensure that activities are performed according to the plans and if not then taking corrective action.
- **Directing** is said to be a process in which the managers instruct, guide and oversee the performance of the workers to achieve predetermined goals. Directing is said to be the heart of management process. Planning, organizing, staffing has got no importance if direction function does not take place.
- **Organizing** involves assigning tasks, grouping tasks into departments, delegating authority, and allocating resources across the organization. During the organizing process, managers coordinate employees, resources, policies, and procedures to facilitate the goals identified in the plan.
- **Planning** is deciding in advance what to do, how to do it, when to do it, and who is to do it. Planning bridges the gap from where we are to where we want to go.
- **Staffing** is the process of hiring eligible candidates in the organization or company for specific positions. In management, the meaning of staffing is an operation of recruiting the employees by evaluating their skills, knowledge and then offering them specific job roles accordingly.

3.6 ANSWERS TO SELF CHECK EXERCISE

1. For answer to question number 1 refer to section 3.1.
2. For answer to question number 2 refer to section 3.2(a).
3. For answer to question number 3 refer to section 3.2 (b) (2).
4. For answer to question number 4 refer to section 3.2 (d).
5. For answer to question number 5 refer to section 3.2 (e).

3.7 TERMINAL QUESTIONS

1. What do you mean by managerial functions? Discuss various functions of management in brief.
2. Define Directing. What is the importance of directing functions? Discuss.
3. Is there any point in considering the elements of which management is composed? Would you include the function of co-ordination as an element of management?

3.8 SUGGESTED READINGS

- Prasad, L M, "Organisational Behaviour" Sultan Chand and Sons, 2011.
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LESSON 4

DEVELOPMENT OF MANAGEMENT THOUGHT

STRUCTURE

- 4.0 LEARNING OBJECTIVES
- 4.1 INTRODUCTION
- 4.2 PRE-SCIENTIFIC MANAGEMENT ERA
- 4.3 CLASSICAL MANAGEMENT
- 4.4 BEHAVIOURAL AND QUANTITATIVE APPROACHES TO MANAGEMENT
- 4.5 OVERVIEW OF SHIFTS IN FOCUS IN MANAGEMENT THOUGHT
- 4.6 SELF CHECK EXERCISE
- 4.7 SUMMARY
- 4.8 GLOSSARY
- 4.9 ANSWERS TO SELF CHECK EXERCISE
- 4.10 TERMINAL QUESTIONS
- 4.11 SUGGESTED READINGS

4.0 LEARNING OBJECTIVES

After studying this lesson you will be able to understand :-

- About the pre-scientific management era and classical management.
- Behavioural and quantitative approaches to management.
- The overview of shifts in focus in management thought.

4.1 INTRODUCTION

The concentrated study of management, as a separate and distinct field of endeavor, is a product of the last century. Most writers agree that the origin of this young discipline was the work performed by Frederick W. Taylor and his associates during the scientific management movement that developed around 1900. In this lesson the review of the development of the thinking about management will provide historical perspective for an understanding of the concepts.

4.2 PRE-SCIENTIFIC MANAGEMENT ERA

Problems of administration were of interest to students of government even in ancient Greek and Biblical times. The Bible, for example, explains organizational problems faced by Moses in leading his people. Histories of the Roman Empire contain information on how administrative problems were handled. Table 4-1 summarizes the basic managerial ideas as they responded to situational demands from early times to the twentieth century.

Table 4.1**Early Stream* of Managerial Ideas Responding to Situational Demands**

Date	Sources	Ideas	Situational Demands	Relevance to Today's Management
5000 B.C.	Sumerton Civilization	Written records	Formation of governments and commerce	Recorded data are essential to life organizations.
4000-2000 B.C.	Egyptian	Planning, organizing, controlling	Organized efforts of upto 1,00,000 people for constructing pyramide	Plans and authority structure are needed to achieve goals
2000-1700 B.C.	Nanyionians	Standards and responsibility	Code of Hammurabi spt standards for wages, obligations of parties and penalties	Targets of expected behavior are necessary for control
500 B.C.	Habrews	Organisation	Leaders organized groups to meet threats from outside	Herarchy of authority is abasic idea
500 B.C.	Chinese	Systems, models	Commerce and military demand fixed procedures and systems	Patterns and procedures are desirable in group efforts
500-350 B.C.	Greeks	Specialization scientific method	Specialization laid foundation for scientific method	Organizations need specialization, scientific attitude, promotes progress
300 B.C. – 300 A.D.	Romans	Centralised organization	Per flung empire required communication and control by rome	Effective communication and centralized control are necessary
1300 A.D.	Venetians	Legal forms of organization	Venitian commerce required legal innovations	Legal framework for commerce serves as foundation for ventures
1400	Pacioll	Double entry book keeping	Effective classification of cost and revenue demanded by increased trade	Accounting systematizes record keeping
1500	Machiaveill	Pragmatic use of power	Governments rely on support by masses. Expectations of leader and people must be clear. Opportunistic use of personal power makes leaders effective	Realistic guidelines for use of power as a key

1775	Adam Smith	Division of labour	The competitive system resulted from specialization	Specialization and profits to private enterprise
1800	Ell Whitney	Interchangeability of parts	Mass production is made possible by availability of standard parts	Modules, segments and parts are building blocks for organizations
19 th Century	Western Nations	Corporation	Large amounts of capital required by entity with long life and limited liability	Separation of owners from managers increases demand for professional managers

Source: Based on Claude S. George. The History of Management Thought 2nd Ed. (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1972).

In spite of the fact that administrative problems received attention in ancient times, no important managerial tools of analysis developed until the end of the Dark Ages, when commerce began to grow, in the Mediterranean. In the Thirteenth and Fourteenth centuries, the large trading houses of Italy needed a means of keeping records of business transactions. To satisfy this need, the technique of double entry book keeping was first described by Pacioli in 1494. The roots of modern accounting, therefore, were planted four centuries before they were to form an important field of knowledge for the modern manager.

Not until after the rise of the capitalist system did students rigorously give attention to the field of economics. In 1776, Adam Smith wrote the *Wealth of Nations*, in which he developed important economic concepts. He emphasized the importance of division of labour with its three chief advantages; (1) an increase in the dexterity of every workman; (2) the saving of time lost in passing from one type of work to the next; and (3) the better use of new machines. The development of the factory system resulted in an increased interest in the economics of production and the entrepreneur.

In the Middle Ages (and even until recently in many countries) the family unit was the basic production organization. A skilled craftsman taught his sons a trade, and the family was known by its particular trade and skill. Modern surnames such as Carpenter, Goldsmith, Butcher, Farmer, and Taylor are evidence of this development. Production functions were not distinguished from social functions; there was still no need for separate attention to managerial activities. The inventions of the eighteenth century initiated a change which Toynbee later called the Industrial Revolution. Production moved from the home to a separate installation—the factory—where machinery was concentrated and labour employed. In the early stages of the Industrial Revolution, owners of factories directed production but generally did not distinguish between their ownership functions and their management duties:

Some of the first factory owners concentrated on improving methods of production and introduced concepts that proved fundamental to modern manufacturing methods. Before 1800, E. H. Whitney and Simeon North developed the concept of interchangeability of parts in the manufacture of pistols and muskets. This concept led to the producing of parts to close tolerances, thus making possible the exchange of one part for another without fitting or further machining. In 1796, Matthew R. Boulton

and James Watt, Jr., organized the Soho Foundry in which product components were standardized, cost records kept, and management of the factory improved.

In the early nineteenth century, the need for larger aggregations of capital to support factory operations resulted in increased applications of a special legal form of organizing a business. The corporation, as a separate legal entity, could sell shares of stock to many individuals and thus raise large sums of capital. Stockholders then became so numerous that all could not actively manage a business. By the middle of the nineteenth century, general incorporation acts made it possible for many businesses to use this legal form of organization at a time in which technological developments were forcing an increase in the size of the manufacturing unit. If the family fortune was insufficient for the family owners to expand, the corporation provided a means by which capital could be secured from owners who were not managers. The distinction between the function stage for students to concentrate on the management process as a separate field of study.

The social evils of the Industrial Revolution received wide attention in the early nineteenth century. In England, social reformers sought legal regulation of employment practices in the Factory Acts of 1802, 1819, and 1831. One reformer also became a pioneer in management Robert Owen, as manager of a large textile firm in New Lanark, Scotland, concentrated on the improvement of working conditions and on the development of a model community. The social impact of modern productive methods became an important interest of such men in operating management.

By 1832, scientists, and other persons not directly related to ownership of manufacturing firms began to consider improvements in management. In that year Charles Babbage, a mathematician and a teacher, wrote *On the Economy of Machinery and Manufactures*, in which he applied his principles to the workshop. This early work introduced the idea of using scientific techniques to improve the managing process. Such developments before the twentieth century were, however, exceptional and did not include any integrated effort to study management. The social, legal, technical, and economic environment had not provided the necessary conditions for concentrating on management improvements. By the end of the nineteenth century, the stage was set for a group of people to tackle management problems in a systematic manner.

4.3 CLASSICAL MANAGEMENT

By 1888 the American Society of Mechanical Engineers was an established professional society, holding meetings at which leaders presented technical papers. In that year Henry R. Towne, President, of Yale & Towne Manufacturing Company, presented a paper, "The Engineer as an Economist," and made a plea to the society to recognize management as a separate field of study.

At the time that Towne's paper was presented to the ASME, Frederick W. Taylor was an operating manager at the Midvale Steel Works. He had progressed from the level of having obtained an engineering degree in 1883 by studying evenings at Stevens Institute of Technology. With his strong will and keen powers of observation, he rebelled against the restriction of production that he called "soldiering." Taylor noticed that managers were supposed to "pick up" their management skill through trial and error, "Rules of thumb" were their only guides. Above all, he argued that too much of management's job was being left to the worker. He felt that it was management's job to set up methods and standards of work and to provide an incentive for the worker to increase production. Two of Taylor's specific contributions resulted from this thinking: (1) experiments with Maunsel White led to the development of high-speed cutting steel that trebled production; (2) interest in motivating the worker to greater effort led to a piece-rate system of wage payment based upon a definite time standard.

Taylor would have been remembered for his early work in providing specific techniques for managers; yet his contributions leading to his recognition as the "father of scientific management" were two books written after he had resigned as a practicing manager; *Shop Management* (1906) and *The Principles of Scientific Management* (1911).

Until his death in 1915, Taylor expounded his new philosophy, stressing that the core of scientific management was not in individual techniques but in the new attitude toward managing a business enterprise. The essence of scientific management was in four general areas :

1. The discovery, through use of the scientific method, of basic elements of man's work to
2. The identification of management's function of planning work. instead* of allowing workmen to choose their own methods.
3. The selection and training of workers and the development, of cooperation, instead of encouraging individualistic efforts by employees.
4. The division of work between management and the workers so that each would perform those duties for which he was best fitted, with the resultant increase in efficiency.

Scientific management was an innovation and, as such, generated tremendous opposition; During Taylor's lifetime and in spite of the support of such other leaders as Louis Brandeis, James Dodge, and Henry Towne, opposition to change retarded the spread of its basic ideas. Public opposition was demonstrated before special Congressional committee hearings in 1912. At these hearings, Taylor's testimony in defense of his ideas contained some of the most lucid explanations of the central ideas to this first stage of management as a separate and identifiable discipline.

Other leaders in the scientific management movement had independently developed improved techniques of management before being influenced by Taylor. Frank Gilbreth made studies in applying principles of motion economy and is considered to be the originator of motion study. Starting in the construction industry, he revolutionized the techniques of bricklaying and later applied his new approach in a variety of industries. His wife, Lillian Gilbreth, not only helped her husband develop his ideas but also contributed to a new dimension in her writings on the psychology of management. Both, Gilbreths took an analytical approach and stressed the importance of giving attention to minute details of work. This approach was to become an important characteristic of all scientific management.

Morris L Cooke and Harrington Emerson were among the founders of scientific management and are important for their applications of the philosophy to a wider group of activities. Cooke demonstrated the applicability of scientific management in non-industrial fields, especially in university operations and city management. Emerson concentrated on introducing new ideas to the Santa Fe Railroad and later developed what he termed twelve principles of efficiency.

Scientific management's effect on unemployment rapidly became a national and social issue. Dedicated disciples of the movement took an aggressive mechanical view of production and immediately created opposition by organized labour. The result was that the spread of scientific management was not as great as it could have been.

By 1924, when the first International Management Congress was held in Prague scientific management had become international in scope. Henri Fayol had previously led a French movement in the improvement of work at the administrative level of organization. Lenin had seen the advantages of the techniques of scientific management and introduced the ideas in Russia.

During the 1920s and 1930s scientific management fell into the hands of "efficiency experts," who concentrated on the mechanical aspects of production. Critics of the movement pointed out that this approach neglected the elements of the psychological needs of workers and the sociological aspects of cooperation. They also observed that scientific management, by concentrating on the details of the shop, had neglected improvements at higher levels of the organization. During these decades, some management thinkers and practitioners attempted to remedy this defect by formulating generalizations deduced from their understanding of what management should be. A number of books attempted to collect these universals and state them as tight and complete prescriptions.

Lyndall Urwick, a British consultant, Ralph C. Davis, a college professor, James D. Mooney and Allan C. Reiley, industrial executives, and many others expounded their views concerning the principles of organization and management. These views were considered authoritative and were widely quoted as basic readings for the education of managers. Later, they served as points of departure for students who were intellectually skeptical of the universality of the observations when applied to actual business cases. Thus the ground-work was laid for a multiple attack on the study of essentials of management.

4.4 BEHAVIORAL AND QUANTITATIVE APPROACHES TO MANAGEMENT

In the last 50 years, many disciplines have been active in making contributions to the development of management thought. The fields of public administration and business education have felt, more than any others, the impact of the diversified attack on current practices and past thought by disciplines that previously had little to offer the practicing manager. Barriers to communication among these disciplines were pierced by joint research and the publication of readings in both academic journals and popular periodicals. The streams of thought, together with their principal exponents, that have contributed to this development appear in Figure 4.1. A partial integration of these streams has been attempted by some of their exponents as they developed interests in fields outside their major discipline (indicated by arrows and repetition of their names in the fields in which they have made important contributions).

One of the earliest and clearly most important events in this trend of interdisciplinary activity in the study of management was the Hawthorne Experiment; conducted between 1927 and 1932 at a plant of the Western Electric Company. Elton Mayo, a Harvard sociologist, and a team of social scientists conducted a series of experiments and worked with management in an attempt to explain variations of productivity in the plant. Physical factors, such as lighting and working conditions, were the first aspects to receive attention, but psychological factors emerged as the more important.

An early contribution to the psychology and sociology of management, Mary Parker Follett, attempted to interpret classical management principles in terms of the human factors. She proposed four principles as guides to management thinking.

1. Coordination by direct contact of the responsible people concerned.
2. Coordination in the early stages.
3. Coordination as the reciprocal relating to all the factors in the situation.
4. Coordination as a continuing process.

Central to the thinking behind these principles was the idea that management must continually adjust to the total situation. Follett observed that conflict is usually present in management situations and offered a process for resolving it. The manager must handle conflict by (1) domination, (2) compromise, or (3) integration. The first two never satisfy everyone, but integration can achieve a new approach to the

problem that will satisfy all parties. In order to achieve integration (1) the differences must be brought into the open; (2) a "re-evaluation" must be made by all parties; (3) all parties must anticipate the responses of the others and seek a new position that suits not only the parties but the relationship among the parties. In other words, each party should avoid the limitations of his own position and seek a new, integrated position acceptable to all.

Later, behavioural scientists developed new approaches to the study of management. Kurt Lewin, developed theory and research under the heading of "group dynamics". His study with small groups led him and his followers to concentrate on the advantages of group participation and increased interaction among members of a group.

More recently, psychologists have improved the validity and reliability of tests used for the selection and placement of individuals in industrial and government organizations. Other recent developments in the behavioural sciences will be summarized in a later chapter. It is clear **that the modern manager has access to new techniques that have scientific basis, thus eliminating the need to depend society on institution and processes.**

Much of the modern development in management can be traced to the theoretical work of a practicing executive. Chester I. Barnard, who in 1938 published a classic in management literature. The Functions of the Executive. In this work he introduced the concepts of internal organization, decision making, status and communications that became important topics for management consideration. His influence on the thinking of other leaders with regard to new developments cannot be overemphasized.

Concurrent with the developments in the behavioral sciences were other developments, quite separate and independent, that affected management- Economics, the basic discipline of business for a century, began to direct its attention to business decisions. New meanings of old economic principles began to have practical implications for the manager. Accounting, too, took on a new outlook. It no longer looked only to past transactions but began to offer answers to problems dealing with the future. In the early 1920s J.O. McKinsey developed budgeting as a basic tool for management's use. Although McKinsey died at an early age; he was able to develop budgetary theory as a college professor, expand its use through a consulting firm that he founded, and apply it in practice as Chairman of the Board of Marshall Field & Company, in a short period of time, both economics and accounting became basic fields of study for the manager.

Modern developments in management have promised help to the manager in still another area that has long caused management worry, that is, how to handle uncertainty. Here, the maturing of the field of statistics proved to be of great help. After W. A. Shewart had applied statistical theory to the area of quality control during the early thirties, the use of statistical examples expanded and enabled the manager to estimate probabilities with mathematical accuracy in other types of problems. Recently the manager has been offered a way of using this same approach in handling problems about which his information is very uncertain.

With the availability of electronic computer, the manager now can deal with theoretical questions in a more definite and rigorous manner. This new hardware permits him to state his theory in terms of a clearly definable model and to handle the constants and variables of his problem with more precision. New mathematical tools of analysis, such as linear programming, which C. B. Dantzig developed in the late 1940s, enable the manager to find the best answers to problems of resource allocation, which he previously had to approximate through application of judgment and experience.

Other developments in quantitative analysis are being brought forth by researchers and are rapidly being adopted by practicing managers. In fact, the approach of a team of specialists, working together to frame quantitative techniques for making decisions, on companywide issues, has led to the creation of a new analytical profession called operations research (OR). The limits of operations research are ill-defined, because its applications are continually breaking out of previously conceived frameworks and dealing with a wide range of problems including defense systems, outer space, and management. Management science is a term of more recent origin and refers more specifically to application of quantitative techniques to management problems. The terms tend to be used interchangeably yet OR is more general and theoretical in its orientation while management science is more application and problem-oriented to management.

This short survey of management should make it clear that the subject is faced with growing pains. These pains result from the continuous process of having to accommodate new ideas that spring from many new sources. Management thought, therefore, continually requires restatement and consolidation. One of the leaders in this modern development of progressing from one fruitful stream of thought to another is Herbert A. Simon. Trained as a political scientist, he was faced first with problems of public administration. These problems led to questions of organization, and his publication in 1947 of *Administrative Behavior*—a book that proceeded to challenge the existing thought on the subject and became a classic in the field. Concurrently, economic questions were central to topics of his interest, and thus he presented research in that discipline. However, psychological aspects of organization and economics became so important that he intensively began to handle specific issues in that discipline. Throughout his research, he felt the need for the rigorous tools of mathematics and statistics. His techniques, therefore, employed these basic tools together with experimentation on the applications of computers in management research. His approach, thus, has been interdisciplinary and can be categorized primarily as involved with "decision making," a term that he has been influential in establishing as a major subject for management attention. Others in management thinking are finding it necessary to take a similar interest in many disciplines.

The development of management thought has accelerated and diversified to an extent that defies comprehensive treatment in a single volume. Table 4.2, however, summarizes the pioneers in disciplines closely related to management and identifies their contributions.

Table 4.2
Pioneers in Management and Their Contributions
(Chronological by birth date)

Name	Chief Publications	Major Contributions
Henry Fayol	<i>Administration Industrielle et Générale</i> (1916)	Stressed that the theory of administration was equally applicable to all forms of organized human cooperation.
Harrington Emerson (1853-1915)	<i>Efficiency as Basis for Operation and Wages</i> (1900)	Studied the Santa Fe Rail Road and promoted 'scientific management' in

	The Twelve Principles of Efficiency (1912)	general usage.
	The Scientific Selection of employees (1913)	
Fredrick W. Taylor (1915)	A Piece-Rate System (1895) Shop Management (1903) On the Art of Cutting Metals (1906) The Principles of Scientific Management (1911)	Father of Scientific Management. (1856- Developed high speed cutting tools. Introduced time study to industry.
Karl Pearson (1857-1936)	On the Correlation of Fertility with Social Value (1913) Tables for Statisticians (1933)	Developed basic statistical techniques, including the chi-square test and the standard deviation concept.
Henery L. Gantt (1861-1919)	Work, Wages and Profits (1910) Industrial Leadership (1916) Organizing for Work (1919)	Emphasized relation of management and labour. Stressed conditions that have favourable psychological effects on the worker. Developed charting techniques for scheduling.
Max Weber (1884-1920)	The Theory of Social and Economic Organization (translated by Henderson & Pearson in 1947. From Max Weber: Essays in Sociology (translated by Gerth and Mills in 1946).	The foremost pioneer in the development of a theory of bureaucracy.
Frank Gilbreth (1868-1924)	Concrete System (1908) Motion Study (1911)	Searched for "the one best way." Introduced motion study to industry.
Mary Parker Follett (1861-1933)	Dynamic Administration (edited by Metcalf and Unrich) (1941)	Led in practical observations about the value of human relations to the basic principles of organization.
G. elion Mayo (1880-1949)	The Human Problems of an Industrial Civilization (1933) The Social Problems of an Industrial Civilization (1933)	Stressed the importance of human and social factors in industrial relationships. Questioned the overemphasis on technical skills at the expense of adaptive social skills. Led a learn of researchers in extensive studies at the Hawthorne plane of Western Electric Company.
Chester I. Barnard (1886-1961)	The Functions of the Executive (1938)	Leader in stressing sociological aspects of management,

	Organization and Management (1948)	Concentrated on the concept of authority, the importance of communication, and informal organizations in management.
Kurt Lewin (1890-1947)	Resolving Social Conflicts (1948). Field Theory in Social Science (1951)	Developed research and theory of group dynamics.
Ronald A. Fischer (1890-1982)	Statistical Methods for Research Workers (1925). The Design of Experiments (1935)	Pioneer in the use of statistical methods in research, Made valuable contributions to the design of experiments.
Walter A. Shewart (1891-1972)	The Economic Quality Control of Manufactured Products (1930).	Applied theory of probability and statistical inference to economic problems at Bell Laboratories. Developed statistical control charts.
F.J. Roethlisberger (1898-1974)	Management and the Worker (with W.J. Dickson) (1939) Management and Morale (1941). A New Look for Management (1946)	Made a comprehensive report on the Hawthorne experiment Led in experimental research on human factors in management.
Peter Drucker (1909)	The Practice of Management (1954) Innovation and Entrepreneurship (1985).	Developed concept of management by objectives. As a Consultant and writer, popularized new developments in management.
G.B. Dantzig (1914)	Maximization of a Linear Function of Variables subject to Linear Inequalities (1947).	Developed the basis for practical applications of linear programming.
Claude Shannon (1916)	The Mathematical Theory of Communication (1948).	Laid the theoretical foundation for information theory.
Herbert A. Simon (1919)	Administrative Behaviour (1947) Models of Man (1957) Organization (with J. March) (1958)	Winner of Nobel Prize in Economics. Developed theory building from behavioural and quantitative bases for modern management.

4.5 OVERVIEW OF SHIFTS IN FOCUS IN MANAGEMENT THOUGHT

The development of management thought over the last hundred years has not been a single continuous stream from one source but has been a process of integrating ideas from a number of streams, as indicated in Figure 3.1. Furthermore, during this development the focus of attention has shifted from one stream to another. (1) From 1900 to 1930, the major focus was on the physical factors as viewed from industrial engineering and economics. (2) Between 1930 and 1960 the focus shifted to

the human factors affecting productivity, with supporting efforts from managerial accounting and classical concepts of personnel and finance. (3) During the 1960s, as a result of reports prepared for the Ford and Carnegie Foundations, emphasis was placed on achieving precision through the use of quantitative methods (mathematics and statistics) and the behavioral sciences (psychology, sociology, anthropology). Computers and systems thinking developed rapidly during this decade as techniques for management. (4) The trend in the 1970s focused on organizational behavior (built on the behavioral approach) as almost synonymous with management. In the last decade contingency theories, that is, theories of management which are dependent upon the environmental situations in which they are applied, received major attention. The classical approach of a single universal theory of management has given way to a number of contingency theories. Legal aspects, cultural considerations, and the emerging field of public administration have received new emphasis. (Table 3.3 outlines some of the many bases for managerial thought).

This overview of the historical development of management indicates two concurrent, opposing trends over time: first, periodically, specialists in one or two streams of thought have attempted to narrow management topics to their particular stream of research, e.g., the emphasis on organization behaviour in the 1970s, yet, second, now demands by society on management have continually expanded the scope of management to include new streams of thought, e.g., the present attention to the environment, legal and ethical issues, and information systems.

4.6 SELF CHECK EXERCISE

1. Write a short-note on pre-scientific management era.
2. Discuss in brief about essence of scientific management.
3. Give a brief explanation about quantitative approach to management.
4. Write a short-note on contribution of management thinkers.
5. Give a brief explanation on the historical development in management.

4.7 SUMMARY

The objective of this lesson is to summarize the vast, complex field of management and to encourage the reader to seek more depth in other books. However, the 1980s witnessed the publication of many small books with the opposite objective to state the heart of management in a single set of clothes. Such titles as "The One Minute Manager" and a sequel, "The 59 Second Manager", have been purchased in large quantities. The prime reason for the success of these popular management books is that the American public became interested in the field when the Japanese and

Table 4.3
Disciplinary Bases for Management

Discipline	Special Emphasis
Industrial Engineering	Measurement and analysis of physical factors in achieving efficiency.

Economics	Allocation of scarce resources with orientation to future.
Financial Accounting'	'Recording, reporting, analyzing, and auditing of past transactions.
Public Administration	Formation of a rational hierarchy for the accomplishment of activities.
Legal Profession	Development of a consistent course of action based on precedents to achieve stability, order, and justice.
Statistical Methods	Employment of probability theory to infer facts from samples and to handle, uncertainty.
Mathematics	Construction of models which state explicitly one's assumptions, objectives and constraints.
Psychology	Scientific Investigations concerning human needs , perceptions, and emotional factors.
Sociology	Study of interrelationships within and among human groups In society.
Anthropology	Cultural variations and discoverable patterns of behavior from history and environment.

(Source: Essentials of Management, Fourth edition by Joseph L. Massle)

other nationalities demonstrated that other management ideas were needed by American managers.

This increased interest in improving management is a most favourable sign for the future. But one of the greatest threats to this improvement is the reduction of the subject to platitudes and homilies. As management literature expands in the 1980s, the reader must show discretion to ensure that future improvements are built on a solid foundation. This lesson has provided the background needed to understand the complex ideas from which this improved management wilt evolve.

4.8 GLOSSARY

- **Classical** management theory is based on the belief that workers only have physical and economic needs. It does not take into account social needs or job satisfaction, but instead advocates a specialization of labor, centralized leadership and decision-making, and profit maximization.
- **Coordination** is the act of arranging, putting things in order, or making things run smoothly together. Fencing might seem like a breeze, but it actually takes the graceful coordination of your hands, eyes, feet and mind. Some people like to put a dash in coordination.
- **Management** is defined as the art of getting things done by making the best use of available resources. These, when clubbed together, are called Management Thought.

- **Organisation** is a group of individuals working together to achieve one or more objectives. They are composed of individuals and groups of individuals. They are oriented towards achieving collective goals. They consist of different functions. The functions need to be coordinated.
- **Scientific management** is an attitude and a philosophy which discards the traditional hit-and-miss and rule-of-thumb method of managing work and workers; it means the acceptance and application of the method of scientific investigation for the solution of the problems of industrial management.

4.9 ANSWERS TO SELF CHECK EXERCISE

1. For answer to question number 1 refer to section 4.2.
2. For answer to question number 2 refer to section 4.3.
3. For answer to question number 3 refer to section 4.4.
4. For answer to question number 4 refer to section 4.4 table 4.2.
5. For answer to question number 5 refer to section 4.5.

4.10 TERMINAL QUESTIONS

1. Describe the contribution of F.W. Taylor in Management Theory.
2. On what ground Elton Mayo and his associates criticized F.W. Taylor's scientific management.
3. Discuss the behavioural and quantitative approaches to management.

4.11 SUGGESTED READINGS

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LESSON-5**PLANNING – CONCEPT, PROCESS & TYPES****STRUCTURE**

- 5.0 LEARNING OBJECTIVES
- 5.1 INTRODUCTION
- 5.2 DEFINITIONS AND MEANING
- 5.3 CHARACTERISTICS OF PLANNING
- 5.4 FEATURES OF A GOOD PLAN
- 5.5 TYPES OF PLAN
- 5.6 LONG AND SHORT TERM PLANNING
- 5.7 THE PLANNING PROCESS
- 5.8 PLANNING PREMISES
- 5.9 CLASSIFICATION OF PLANNING PREMISES
- 5.10 FORECASTING
- 5.11 NEED AND IMPORTANCE OF FORECASTING
- 5.12 FORECAST AS PLANNING PREMISES
- 5.13 THE SALES FORECAST
- 5.14 STEPS IN SALES FORECASTING
- 5.15 METHODS OF SALES FORECASTING
- 5.16 LIMITATIONS OF PLANNING
- 5.17 SELF CHECK EXERCISE
- 5.18 SUMMARY
- 5.19 GLOSSARY
- 5.20 ANSWERS TO SELF CHECK EXERCISE
- 5.21 TERMINAL QUESTIONS
- 5.22 SUGGESTED READINGS

5.0 LEARNING OBJECTIVES

After studying this lesson you will be able to understand :-

- The concept, meaning, characteristics, types and process of planning.

- The meaning and classification of planning premises.
- The meaning, concept, need, importance of forecasting.
- The meaning, methods and steps in sales forecasting.
- The limitations of planning.

5.1 INTRODUCTION

In your third lesson you have studied the various functions of management. You know that planning is an important function of management. In this lesson we shall discuss in detail the various facts of managerial planning. You have to understand clearly what is planning and why it has become so crucial and critical for the success of an enterprise, what are the various steps involved in the planning process and also the various planning premises, the last portion of this lesson deals with tools and techniques for forecasting.

People engaged in business have always planned. Throughout history businessmen have done both short and long-range planning. The concept of planning as a part of management process has been a part of management thought. In early twentieth century Henri Fayol "highlighted five functions of management. The first was to forecast and plan." Planning was one of the major pre-occupations of Frederick Taylor. It was the first of the seven administrative processes in Luther Gulick's famous POSDCORB. Most modern thinkers on management follow the lead given by Fayol and regard planning as a basic function of a manager.

5.2 Meaning of Planning :

Planning is deciding in advance what is to be done. A plan, is thus a pre-determined course of action. It is an attempt on the part of a manager to anticipate the future in order to achieve better performance. In the words of Allen "A plan is a trap laid to capture the future". According to Koontz and O'Donnell, "Planning is an intellectual process, the conscious determination of courses of action, the basing of decisions on purpose, facts and considered estimate." Cyril L. Hudson has given a comprehensive definition of planning in the following words.

"To plan is to produce a scheme for future action, to bring about specific results, at specified cost, in a specified period of time: It is a deliberate attempt to influence, exploit, bring about and control the nature, direction, extent, speed and effects of change. It may even attempt deliberately to create change, it is a carefully controlled and coordinated activity.

5.3 CHARACTERISTICS OF PLANNING

A careful analysis of various definitions reveals the following characteristics of planning:

- (1) The essence of planning is looking ahead.
- (2) It involves a pre-determined course of action.
- (3) It discovers alternative courses of action.
- (4) It has always a dimension of time.
- (5) Its object is to achieve better results.
- (6) It is continuous and integrated process.
- (7) It involves selecting objectives and developing policies, programmes and procedure for achieving them.

It is significant to note that planning is an essential ingredient in the management process at all executive levels. The importance of the managerial function **arises** from the fact that it states how the aims and objectives of an organization **are to** be accomplished without proper and purposeful planning, **a company's** operations will **have** no meaning **and direction**. The planning function has to be given increasing attention **as** most organizations have grown in **size** and complexity. Sound planning has become imperative because of rapid technological changes, growing competition and low profit margins. It is only effective planning that enables a manager to cope with a complex, dynamic and fluid environment. Without proper planning, events **are** left to chance and may lead to nothing but disorder and chaos.

Planning may be done, formally or informally in a simple crude fashion or in a scientific, sophisticated manner, but planning is inevitable when a firm is confronted with an alternative course of action. On account of this growing importance of planning, it is 'regarded to be the fundamental function of management.

Sound planning offers many benefits to my organization. As efforts are directed towards a desired result, haphazard approaches are minimized, activities are coordinated and duplication are avoided. It paves the way for proper utilization of company resources. Another benefit of planning is that it facilitates control. It is planning that enables a manager to check the performance of his subordinates. Formal planning leads to discipline thinking because executives have to put their thoughts in writing before acting.

Planning has become an important function because business frequently has to work in an environment which is uncertain and ever changing.' Without effective planning it would be difficult, if not impossible, to anticipate future uncertain events. It is proper planning that will enable a manager to carve out the future course of action. Terry has rightly stated that "Planning is the foundation of most successful action of an enterprise." It provides a rational approach to managerial activities.

5.4 CHARACTERISTICS OF A GOOD PLAN:

A good plan must be based on clearly defined objectives. It should be simple so that it can be easily understood by every employee. At the same time it should be comprehensive enough to cover all action required for accomplishment of well defined objectives. An important characteristic of a good plan is that it should be flexible so that it can be adjusted to meet the needs and requirements of changing conditions, it should also be well economical as well **as** practicable.

5.5 TYPES OF PLAN:

A manager will have to devise a considerable number and variety of plans in order to accomplish the objective of the enterprise. All these plans flow from these objectives. These while the latter are used up once the objective is accomplished. Standing plans or repeat plans include policies, procedures, methods and rules while single use plans include programmes, projects and budgets.

a. Objectives:

The first step in planning is to define and state in clear terms the objectives of an enterprise. These objectives are the goals and aims towards which all management activities have to be directed. They are the basis for long-range planning and provide employees with a sense of purpose. It is only clearly defined objectives that will enable a manager to effectively plan policies, procedures, methods, strategies and so on. These objectives may be general or specific. The former is broad in perspective and covers company wide activity while the latter is short term and results leading to general objectives. As there can be a number of objectives, of an enterprise, it is highly desirable that a proper

balance is maintained between them. The main difficulty in balancing of various objectives stems from the fact that some of them are quantifiable while others are not readily quantifiable and are completely intangible. There is no hard and fast rule in balancing the tangible and intangible objectives as each business will require a different balance depending upon the stage of development of each enterprise.

b. Policies :

Policies are broad general statements which guide or channel thinking in decision making of subordinates. They chart the course of an organization and govern its activities towards the achievement of the purpose for which it was established. Holden, Fish and Smith define policies as "guiding principles established by a company to govern actions, usually under repetitive conditions. According to McFarland, policies "are planned expressions of the company's official attitudes, the range of behaviour within which it will permit or desire its employees to act." It is significant to note that a well planned policy envisages the aims and goals to be achieved but does not prescribe detailed procedures.

From the above explanation it might appear that both policies and objectives guide thinking and action but there is one fundamental distinction which should be kept in view. Objectives are end points of planning while policies state the broad ways in which the objectives can be achieved. Policies are like different highway routes leading to a city (objectives).

Policies must be consistent and integrated in such a manner that they contribute to the accomplishment of company objectives. They must be stable but amendable to change consistent with economic conditions and business requirements. The basic purpose of policies is to secure a consistency of purpose and to avoid decisions which are based on expediency.

Policies have been classified on various basis. On the basis of organization objectives, they can be classified as (a) general policies, (b) major policies and (c) minor policies- General policies are broad guidelines and rules of action for the whole enterprise. Major policies are meant for major decisions and are specific while minor policies are meant to serve the units within the various department. Policies can also be classified on the basis of major functions, namely, sales policies, production policies, finance policies and personnel policies.

c. Procedures :

Procedures, like policies are also plans which guide in detail the exact manner in which an activity is to be achieved. They are a guide to action, not a guide to thinking. Chronological sequence is the sine qua non of procedure. Procedures are meant to avoid the chaos of random activity by directing, coordinating and articulating the operations of an enterprise. They help direct all activities towards common goals and help impose consistency across the organization. They also help eliminate friction and disagreement between departments, it is worthwhile to remember that policies lay down the broad area of action while procedure determine the sequence of definite acts. "Procedure thus show the way to implement policies. As compared with policies, procedures allow less freedom or latitude in managerial decision making.

e. Methods:

A procedure should, however, be distinguished from a method. A method is more detailed. It is the manner of proceeding in the performance of the work. A procedure shows a series of steps to be taken, a method is only concerned with a single operation. It tells us how particular step is to be done. A method thus deals with one step among the various steps in a procedure. Thus a method is more detailed but is limited in a scope as compared to a procedure.

f. Rules:

Rules are usually the simplest types of plans. A rule tells us whether a specific and definite action should be taken or not with respect to a situation. A rule is different from a policy, procedure, or method. Policies are broader than rules. A rule differs from a procedure as there is no time sequence to a particular action. "No smoking" is a rule. There are number of safety rules that a company has to follow.

g. Budgets:

Budgets are also plans which express the anticipated results in numerical terms. A budget is a plan which curves the course for business activities, for a future period to achieve the prescribed objective and to provide the desired profits for operations. It may be stated in time, material, money or other units which are necessary to perform work and to obtain specific results. As most values are ultimately convertible to monetary units; money budgets are commonly used. As a budget is a statement of expected results, it is largely considered to be an instrument of managerial control. However, it would be a mistake to view budgets as exclusively control instruments. Making a budget clearly involves planning. A manager must clearly understand this dual aspect of budget, namely, planning and control.

h. Strategy:

A strategy is a special kind of plan formulated basically to meet the challenge of the policies of competitors. Strategies are thus plans made in the light of the plans of a competitor. In marketing, for instance, a firm might follow a strategy of charging a low price, or use more salesmen than competitors, or advertise more heavily than competitors. Choice of a strategy is based on a variety of factors like urgency of achieving an objective; available resources, temperament of the concerned executive, external conditions, etc.

i. Programme:

A programme is a sequence of activities designed to implement policies and accomplish objectives. It is usually a combination of various kinds of policies, procedures, budgets, methods etc. Programmes may be major e.g. to develop managers, or minor e.g. to train a few operatives for a new machine. Generally a primary programme is made up of several minor or derivative programmes.

5.6 Long and Short-Term Planning:

Planning is generally classified on the basis of time and on this basis long range planning and short range planning are distinguished. Long range planning involves developing the basis objectives and strategy to guide future company efforts, it is a technique that coordinates all the efforts of the people in an organization to achieve its objectives. Warren defines long range planning as a process directed towards making today decisions with tomorrow in mind as means of preparing for future decisions so that they may be made rapidly economically and with as little disruption to the business as possible. Long range planning involves an attempt to anticipate, analyze and make decisions about basic problems which have significance reaching beyond the present operating horizon of the company. The growing interest in long range planning has largely arisen on account of increased competition, accelerated obsolescence and growth of specialization. Proper long range planning will enable a company to provide for an orderly capital asset replacement, adequate personnel, and property coordinated efforts in undertaking new projects.

Short term planning is concerned with determining the short range activities to accomplish long term results. Such planning covers a period from six to twelve months. Long range planning usually involves a time interval of three to five years. Many firms now plan for five to fifteen years ahead. An important function of a manager is to integrate and coordinate short range planning and long-range planning. It should be ensured that short term plans are consistent with long term plans.

Strategic and Functional Planning :

Formal planning has been classified as strategic or corporate planning and functional planning. In strategic planning, the managers formulate the general objectives of the business and how they can best be accomplished in the light of the resources currently available and likely to be available in the future. Functional planning, on the other hand, is designed with the basic objective of increasing efficiency, generally in some functional area. Strategic plans are made by top management while functional plans are usually made by departmental heads.

5.7 The Planning Process :

After having understood the meaning and importance of planning and types of plans, let us discuss the various steps in the planning process. Koontz and O'Donnell have stated the following six steps in the planning process.

a. Establishing Objective:

The first step in planning itself is to establish planning objectives for the entire enterprise and then for each subordinate unit. Objectives indicate the end points of what is to be done, where the primary emphasis is to be placed, and what is to be accomplished by the network of policies, procedure, rules, budgets, programme and strategies.

b. Premising;

A second logical step in planning is to establish, obtain agreement to utilize, and disseminate critical planning premises. Premises are planning assumptions, the future setting in which planning takes place. In other words, premises is the environment in which plans operate, because the future environment of plans is so complex, it would not be profitable or realistic to make assumptions about every detail of the future environment of a plan. It is, therefore, necessary that premises must be delimited to those which are critical, or strategic to a plan that those which must influence its operation.

c. Determining Alternative Courses;

The third step in planning is to search for and examine alternative courses of action. There is hardly a plan for which a number of alternatives cannot be found out. It is not uncommon that an alternative which is not apparent or obvious proves to be the best.

d. Evaluating Alternative Courses :

After having worked out alternative courses and examined their strong and weak points, the fourth step is to evaluate them by weighing the various factors in the light of premises and goals. One course may appear to be most profitable but requires a large cash outlay and slow pay back another may be less profitable but involves less risk; still another may better suit company's long range objectives. For evaluating these various alternatives a manager may take the help of chemical and computing techniques.

e. Selecting a Planning:

Selecting the course of action is the fifth planning step. It is the point at which the plan is adopted. Sometimes an analysis and evaluation of alternative courses will disclose that two or more are advisable, and the manager may decide to follow several courses rather than once best course.

f. Formulating a Planning

The last step in the planning process is to formulate derivative plans to support the basic plan. Managers of each segment of the company make and execute the plans necessary for making a basic plan a reality and this chain reaction must continue on down until the specific plan for each derivative activity for a main plan.

5.8 PLANNING PREMISES:

The established background, environment or framework within which a firm operates is called planning premises; They are basic assumptions on which the planning process proceeds. Effective planning is largely dependent upon the knowledge and accurate choice of planning premises. There are multitude of factors which have a bearing on business, it is neither possible nor practical for a modern manager to predict or forecast all these factors. However it is imperative for a manager to forecast those factors which are strategically important and which have material bearing on his business. These, planning premises are called building stones as they will form the foundation on which the manager can do his own planning.

5.9 CLASSIFICATION OF PLANNING PREMISES:

Planning premises can be classified as-

- (i) external and internal premises.
- (ii) tangible and intangible premises and
- (iii) controllable semi-controllable and uncontrollable premises.

a. External and Internal Premises:

External, planning premises are those which lie outside the firm; the most important premises external to the business enterprise are related to the general business climate. The political environment in which a business operates is a premise of the utmost importance. It is important for a manager to make assumptions as to which direction the government will follow its fiscal and monetary policies. A manager should know what trends are expected with regard to taxation policy and government expenditures. A business must formulate planning premises in accordance with the nature and extent of government controls and the freedom of limitation of its enterprise. Besides these, population trends, employment figures, productivity, national income and price levels, are other important external planning premises which have material bearing on business.

Internal planning premises are those which pertain to the firm's own climate. Among these premises, the most important are the sales forecast; capital investment in plant and equipment, policies, programmes and many other factors that influence the types of planning to be done. The various basic policies relating to the product, prices, labour and financing are also internal planning premises.

b. Tangible and Intangible Premises:

Those premises which are quantifiable are tangible premises while those which cannot be quantified like a company's reputation are intangible premises. In spite of their non-quantifiable character, tangible premises are of considerable importance as they play an important role in firm's final decisions.

c. Controllable, Semi-controllable and Uncontrollable Premises:

Those premises which are entirely within the control and realm of management are controllable premises, policies, programmes and rules fall in this category. Premises over which a firm has absolutely no control such as war, strikes, population trends, natural calamities are un-controllable premises. Semi-controllable are those over which management has partial control. A firm's assumptions as to its share of the market, the character of labour turnover, labour efficiency, company price, policy and industry legislative policy are examples of semi-controllable premises.

5.10 FORECASTING:

Planning has been defined as deciding what is to be done in the future. Forecasting, therefore, naturally becomes an essential part of planning; It is becoming increasingly clear that future plans cannot be formulated without forecasting events and their relationships. Fayol considered *prevoyance* (foreseeing) as the essence of management. The success of business depends in large measure upon the skill of management in forecasting and preparing for future events.

Expectations about future events are based on past experience. Thus forecasting refers to a systematic analysis of past and present conditions with a view to drawing inferences about the future course of events. There are important aspects of scientific forecasting the first is the analysis, of past conditions and the second is the analysis of current events in relations to their probable future tendency. Allen has stated "Forecasting is a systematic attempt to probe the future by inference from facts." According to McFarland, "Forecasts are predictions or estimates of the change, if any, in characteristic economic phenomena which affect one's business plans."

5.11 NEED AND IMPORTANCE OF FORECASTING :

The importance of forecasting arises from the fact that in modern management planning it plays a pivotal role. Forecasting is an important aid to planning and through planning, to more effective operations. By forecasting various factors a business will gain sufficient time to formulate proper plans to obtain maximum benefits from periods of expanding economy, and on the other hand, minimize any adverse effects when business activities slacken. Forecasting is sufficient for the manager because it enables him to probe the future economic, social and political factors that might influence his company. It also helps integrate all management planning so that unified overall plans can be developed into which division and departmental plans can be made. Forecasting will enable a company to take sound decisions with reference to production, sales and financing.

The need for forecasting arises also for the reasons that in disclosed areas where control is lacking and where adequate control is necessary for efficient and effective operation of the enterprise. It may also help to bring about unity and coordination in plans. It should be noted that forecasting does not guarantee success but it does help to identify some of the factors that may become critical ingredients of the strategy mix.

5.12 FORECAST AS PLANNING PREMISES :

There are a number of events and trends that can be forecasted. It has already been stated that manager should concentrate his energies on those forecasts which are important and decisive for his planning.

5.13 THE SATES FORECAST:

Among the internal planning premises **sales forecasting** is considered to be the most important. It is both a forecast and also a plan. Sales forecast is a projection or estimate of the expected sales, it is now regarded as key to internal planning. It is on the basis of expected **sales** that business **and** capital outlays and policies of all kinds are formulated.

5.14 STEPS IN SALES FORECASTING:

The first **step** forecasting is assembling information. **After the** collection **of the** relevant data the manager should analyse them. **He** can make use **of** various statistical techniques **for** this purpose. By making **use** of mathematical model-regression equation, **executive** opinions, etc. the manager should estimate the anticipated sales in future. On the **basis of** these anticipated sales, he **should formulate the** marketing plan, production schedules and other plans. The last step is **to** compare the actual sales with the anticipated sales. If there is a large deviation, he should find out the reasons and if necessary, remodel the techniques of forecasting.

5.15 METHODS OF SALES-FORECASTING;

The Most important methods of **sales-forecasting** are discussed below:

(a) Jury of Executive Opinion Method:

This is the oldest and simplest method of making sales forecast. Under this method the views and opinions of top executives are assembled and then their views are averaged to arrive at a representative forecast. One important advantage of this method is that it can be made easily and quickly without collection of elaborated data. But its main drawback is that it is largely based on the opinion rather than on facts and analysis and hence it is unsuitable for making breakdown by products, time intervals or market for operating purpose.

(b) Sales Force Composite Method:

Under this method forecast of probable sales is made on the basis of estimates of salesmen and other field staff. Every field sales personnel is required to forecast the sales for his area and then all these estimates are reviewed at the regional and head office. The company then forecast, the total sales after making some adjustments. This method is used on the assumption that over and under estimates will cancel each other out, leaving a good aggregate forecast. This method is superior as salesmen have better insight of the market, and their estimates are likely to be more accurate than the opinion of top executives. This approach has been criticised because salesmen usually are not trained forecasters and are ill-formed on the factors influencing sales.

(c) Expert Opinion :

Another method of forecasting involves tapping the opinion of well informed persons other than buyers or company salesmen such as distributors or outside experts. Many automobile companies solicit estimates of sales directly from their dealers.

(d) Statistical Methods:

The other approach to forecasting is the use of statistical techniques. The basic objective of all these quantitative techniques is to make judgement more reliable by providing useful facts and relationships. Statistical techniques most widely used for sales forecasting are

- (i) trend cycle analysis and
- (ii) Correlation analysis.

- (i) **Trend Cycles Analysis** :Under this technique past historical data is analysed to determine seasonal cyclical secular trends. On the basis of these trends projections are made for future sales. It is presumed that there is a high correlation between past and future demand or sales behaviour and that the same trends will continue in future. In spite of various limitations, this method can prove very useful in forecasting sales in the case of products and services where sales move in a regular fashion e.g. sales of telephone, salt and electric goods.
- (ii) **Correlation Analysis** :The method of forecasting is widely used whenever a relationship can be found between company's sales and some economic and non-economic phenomena. If it can be established on the basis of statistical analysis that company sales and population have moved together, a forecast can be made on the basis of (population data or if) national income data and sales have moved together, a forecast can be made on the basis of national income data. Thus correlation techniques are most reliable when causal relationship can be established between the variable and sales.

The importance of forecasting is very well recognised by the top executive. But to forecast events with certainty is a difficult task. As forecasting is not a science, no foolproof methods of predicting the future have been involved and it is doubtful whether such a method can ever be found. It is because of many hazards in forecasting, that it has remained more of an art than a science.

5.16 Limitation of Planning:

Looking to the importance and benefits of planning, it can be concluded that every manager should insist that every action of the members of the enterprise be planned in detail for a long period in advance. But in actual practice the manager will have to encounter many barriers and face many limitations of planning. If planning is to be useful and purposeful it is highly imperative that a manager understands these limitations to planning. He should not regard planning as a panacea for all the ills of his organization. Many managers have been often disappointed because they expected too much from planning. A manager must keep in mind that planning will not enable him to predict the future with total accuracy nor will it prevent him absolutely from making mistakes. Planning will only help him to minimize uncertainties and risks or will enable him to take greater risks with confidence.

Limitations to planning arise on account of the unpredictability of human nature and conduct, uncertainty of political and economic factors, communication blockage, conflicts in organization, inbuilt resistance to change, insufficiency of time, cost of planning, unpredictability of competitors and various other factors.

517 SELF CHECK EXERCISE

1. Define Planning.
2. Write a short-note on Good Plan.
3. Discuss in brief Planning Process.
4. Define Planning Premises.
5. Define forecasting.
6. Discuss in brief importance of forecasting.
7. What do you mean by sales forecasting? Discuss in brief.

8. Write a short-note on steps followed in sales forecasting.

5.18 SUMMARY

All organizations whether it is the government, a private business or small businessman require planning. To turn their dreams of increase in sale, earning high profit and getting success in business all businessmen have to think about future; make predictions and achieve target to decide what to do, how to do and when to do they do planning. Planning involves setting objectives and deciding in advance the appropriate course of action to achieve these objectives so we can also define planning as setting up of objectives and targets and formulating an action plan to achieve them. Another important ingredient of planning is time. Plans are always developed for a fixed time period as no business can go on planning endlessly.

5.19 GLOSSARY

- **Forecasting** is a decision-making tool used by many businesses to help in budgeting, planning, and estimating future growth. In the simplest terms, forecasting is the attempt to predict future outcomes based on past events and management insight.
- Good plan is based upon clear, well-defined and easily understood objectives. General objectives like improving morale or increasing profits are ambiguous in nature and do not lend to specific steps and plans.
- **Plan**, plot, and scheme mean a method of making or doing something or achieving an end. Plan is used when some thinking was done beforehand often with something written down or pictured.
- **Planning** is the process of thinking about the activities required to achieve a desired goal. It is the first and foremost activity to achieve desired results. It involves the creation and maintenance of a plan, such as psychological aspects that require conceptual skills.
- **Planning premises** means systemic and logical estimate for the future factors affecting planning. 3. According to Dr. G.R. Terry, "planning premise are the assumptions providing a background against which the estimated events affecting the planning will take place".
- **Sales forecasting** is the process of estimating future sales. Accurate sales forecasts enable companies to make informed business decisions and predict short-term and long-term performance. Sales forecasting gives insight into how a company should manage its workforce, cash flow, and resources.

5.20 ANSWERS TO SELF CHECK EXERCISE

1. For answer to question number 1 refer to section 5.2.
2. For answer to question number 2 refer to section 5.4.
3. For answer to question number 3 refer to section 5.7.
4. For answer to question number 4 refer to section 5.8.

5. For answer to question number 5 refer to section 5.10.
6. For answer to question number 6 refer to section 5.11
7. For answer to question number 7 refer to section 5.13
8. For answer to question number 8 refer to section 5.14

5.21 TERMINAL QUESTIONS

1. What do you understand by planning? Discuss the different characteristics of planning.
2. What factors must be considered in forecasting? Name the forecasts which are important and decisive for planning.
3. What are the limitations of planning process?
4. Describe the various steps necessary in planning process.
5. Discuss briefly the various plans which a manager must desire to accomplish the objectives of his enterprise.
6. What are the external planning premises? What role do they play in the planning process?
7. How will you identify and evaluate alternatives? Discuss and illustrate these critical steps in the planning process.

5.22 SUGGESTED READINGS

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LESSON-6**DECISION MAKING****STRUCTURE**

- 6.0 LEARNING OBJECTIVES
- 6.1 INTRODUCTION
- 6.2 MEANING OF DECISION MAKING**
- 6.3 CHARACTERISTICS OF DECISION MAKING
- 6.4 THEORIES OF DECISION MAKING
- 6.5 PROCESS OF DECISION MAKING
- 6.6 TYPES OF DECISION MAKING
- 6.7 OPERATION RESEARCH
- 6.8 CHARACTERISTICS OF OPERATION RESEARCH
- 6.9 STEPS IN THE USE OF OPERATION RESEARCH
- 6.10 LINEAR PROGRAMMING
- 6.11 TECHNIQUES OF LINEAR PROGRAMMING
- 6.12 LIMITATIONS OF OPERATION RESEARCH
- 6.13 SELF-CHECK EXERCISE
- 6.14 SUMMARY
- 6.15 GLOSSARY
- 6.16 ANSWERS TO SELF-CHECK EXERCISE
- 6.17 TERMINAL QUESTIONS
- 6.18 SUGGESTED READINGS

6.0 LEARNING OBJECTIVES

After studying this lesson you will be able to understand :-

- The concept, meaning, characteristics, types, theories and process of decision making.
- The meaning, concept, characteristics and steps followed in operation research.
- The meaning, concept, techniques and limitations of linear programming.

6.1 INTRODUCTION

The subject of decision-making is of crucial importance as everyone of us has to take a decision at every moment. In the field of business, decision-making has assumed added significance as many decisions involve commitment of time and money. It is very necessary for a manager to understand the various facts of decision-making which are highlighted in this lesson. The first part of this lesson deals with the conceptual aspect of decision-making. In the lesson part I have narrated the various steps involved in decision making and the various types of decisions that are taken in an organization. The first part of this lesson deals with scientific decisions wherein, we have discussed the concept and tools of Operation Research.

One of the most important functions of a manager is to take decisions. Peter Drucker said, "Whatever a manager does he does through decision-making." George Terry regards managerial life as a perpetual choice-making challenge. Management decision is always made in the course of each one of the management activities—planning, organizing, staffing, directing and controlling, it is because of this pervasiveness of decision-making that Professor Herbert A. Simon suggested that it might be well to regard decision-making as synonymous with managing. We may or may not agree with Simon but decision-making is widely acknowledged to be the **heart** and core of executive activity in business.

6.2 MEANING OF DECISION MAKING:

Let us first of all understand the meaning of decision-making. Decision-making is the selection of one best alternative for doing a work. It is a choice made by the decision-maker about what should or should not be done in a given situation. A decision can be defined as a particular course of action chosen by a decision-maker as the most effective means at his disposal for achieving the goal or for solving the problem that is bothering him. In the words of Ray A. Killian, "A decision in its simplest form is a selection of alternative." According to Haynes and Massie, "A decision is a course of action which is consciously chosen for achieving a desired result".

The decision-making envisages two or more alternatives from which a final choice can be made. However, if there is only one alternative, there is no decision to be made. Some of the decisions can be made easily with a minimum of forethought, but in most cases decision-making requires considerable analysis and deliberation.

It should, however, be noted that decision-making is not a purely intellectual process. A decision represents a judgement, a final resolution of a conflict of needs, means, or goals and a commitment to action made in the face of uncertainty, complexity, and even irrationality. Decision-making is really a complex mental exercise.

6.3 Characteristics of Decision-Making;

I hope you must have understood the meaning of the term decision-making. If so, you should be able to perceive the following characteristics of decision-making:

- (1) It is a process of making a choice from alternative courses of action.
- (2) The choice implies freedom to choose from among alternatives without externally imposed coercion.
- (3) Choosing from alternative implies uncertainty about the final result of each possible course of action.
- (4) The pivotal element in the decision process, is the commitment made.

- (5) It is basically a human process and a kind of intellectual activity.
- (6) It may be negative and may just be a decision not to decide.
- (7) It involves a time dimension and a time lag.

6.4 Theories of Decision-Making

Two theories have been developed to explain the decision-making process. One is the behavioral decision theory and the other is normative decision theory. The former highlights as to how decisions are actually made while the latter deals with analysing how decisions should be made in order to maximise the achievement of some objective. Like every human activity, decision-making is considerably influenced by the forces of culture, organization and personally.

6.5 Process of Decision-making:

After having understood the meaning of the term decision-making, we should know the various steps involved in the decision-making process. Different writers have stated different stages in the decision-making process. Herbert Simon postulates three stages in the decision-making process. Stage one he calls the "Intelligence activity" discovering when and where it is necessary to make a decision. Stage two is the "design activity" - actually making the selection from the alternatives available. Cundiff and Still regard conceptualisation, information and prediction as the three main keys to rational decision-making. Peter F. Drucker lists the steps in decision-making as;

- (1) Defining the problem,
- (2) Analyzing the problem,
- (3) Developing alternative solution,
- (4) Deciding the best solution, and
- (5) Converting decisions into effective actions.

Newman, Summer and Warren spell out the four phases of decision-making as:

- (1) Making a diagnosis.
- (2) Finding alternative solution,
- (3) Analyzing and comparing alternatives.
- (4) Selection a plan to follow.

Broadly, the main steps in decision-making are as under :

1. Setting Objectives:

The first step in decision-making and systematic problem solving is to define and know one's objectives. As objectives are statements of expected outputs, it will enable the manager to know whether their action were effective. Objectives are the criteria by which final outcomes are to be measured. These goals have to be set in such a manner that there is a harmony between individual and organizational goals.

2. Defining the Problem

The most important step in decision-making process should be the recognition of the right problem in a clear manner. A clear understanding of the real problem is the most important task in

the process of decision-making in as much as the right answer can be found only for a right question. In spite of the crucial role of diagnosis it is regrettable that many executives treat it too lightly. They conveniently forget that unless the initial diagnosis is correct, subsequent planning will be futile. Accurate diagnosis of a problem is as essential for a manager as knowing the correct disease is for a doctor. While trying to grasp the real and right problem, the managers should make a clear cut distinction between the problem and its symptoms. To arrive at the definition of the problem he should find the critical or strategic factors. According to Chester I. Barnard, in decision making the analysis required is actually a search, for the "strategic factor". Many poor decisions result from improper selection of the critical factor. Most executives almost unanimously agree that most problems are harder to identify than to solve. It may be added that understanding or defining the problem does not mean that the answer would be easy but knowing the right question is winning almost half the battle.

3. Analyzing the Problem

After clearly recognizing and defining the problem, the next step in decision-making should consist of analysis of the problem. This step consists of dissecting each sub-problem to identify and categorize each of its respective integral parts. Each component element of the problem must be investigated thoroughly and systematically. For analyzing the problem, the manager should collect relevant facts and data and classify them. He should exercise some discretion in gathering data but it is very necessary that he should not attempt to solve problems on the basis of inadequate information.

4. Developing Alternative Solutions :

After the problem has been defined and duly analysed with the help of relevant information, the decision-maker should formulate several alternative solutions for the problem. If the problem is how to sell a product, the alternatives may include direct selling through company's own sales force, selling through wholesalers or setting up a direct mill. The development of alternative solutions for the problem is imperative if a right decision is to be made. Making a choice presupposes the existence of alternatives from which a choice has to be made. Choosing by definition implies judging the merits of various alternatives and labeling a specific alternative on the basis of these merits. Koontz and O'Donnell have rightly stated that the ability to develop alternatives is as important as making a right decision among alternatives, Ingenuity research and perspicacity are required to make sure that the best alternatives are considered before a course of action is selected".

6. Screening the Alternatives;

After various alternative solutions have been developed the next step should be to judge and evaluate these options through decision criteria. The criteria are those things which one would like to see as the ideal outcome of any action one takes. The most important criteria on the basis of which various alternatives should be judged are:

- (i) contribution to objectives
- (ii) costs,
- (iii) feasibility,
- (iv) time and
- (v) undesirable social effects.

Peter Drucker has pointed out the following four criteria for selecting the best from among the possible solutions.

- (i) **The Risk:** The manager has to weigh the risks of each course of action against the expected gains. There is no riskless action nor, even riskless non-action.
- (ii) **Economy of Effort:** Which of the possible lines of action will give the greatest results with the least effort, will obtain the needed changes with the least necessary disturbance of the organization?
- (iii) **Timing :** If the situation has great urgency, the preferable course of action is one that dramatizes the decision and serves notice on the organization that something important is happening. If, on the other hand, long consistent effort is needed a slow start that gathers momentum may be preferable.
- (iv) **Limitation of Resources :** The most important resources whose limitations have to be considered are the human beings who will carry out the decision. No decision can be better than the people who have to carry it out. Their vision, competence, skill and understanding determine what they can and cannot do.

6. Selecting the best Solution:

After developing and evaluating the various alternatives, the manager should select the best solution. In attempting to select from alternatives, several basic approaches to decision-making are open to the manager. Among these are experimentation and research and analysis. In making his final decision a manager is likely to be influenced and guided by his past experience. The past experience will prove most useful in making routine decisions or decision of limited scope, but it would be dangerous to use it in situations where 'large' capital commitments are involved or future is critical. Experimentation is another technique of selecting the best solution. Here the decision-maker tries to test the solutions under actual or stimulated conditions. This approach will be of considerable help in test marketing of a new product in a limited area. But as this technique is very expensive, it should be used as a last resort after other techniques. Research and analysis have been considered to be the most effective techniques for selecting alternatives when crucial and critical decisions are involved.

7. Implementing the Decision :

Once a decision is taken, some action has to be taken to implement it. The manager should take suitable steps to ensure that a systematic course of action is carried out in accordance with the alternative chosen. Implementation also involves gaining acceptance of the decision by those directly influenced by it and developing control to see whether the decision is being carried out properly. The means of communicating the decision, the techniques of motivating the group to accept this decision and effects of the decision on the coordination of others in the group are phases of implementing the decision.

8. Feedback and Control:

After a decision has been put into action, the manager should receive and evaluate information from the task environment regarding the effects of his implemented decisions. If he considers it necessary, he may modify his problem definition, his goals and strategies and should take appropriate follow-up action.

The above mentioned model spells out a sequence of logical steps for trying to arrive at a decision. The various steps are stated only to indicate that there are several distinct activities which make the process of decision-making and that the order somehow represents a movement closer to a solution. A decision, according to this model, involves mental processes at the conscious level. It may be

pointed out that logical aspects are important in this model, yet emotional, non-rational and sub conscious factors also sometimes influence the process. It would, therefore, be mistaken to presume that a decision must always follow these steps rigidly. Sometimes situations may arise when it would be wise to reverse or skip some of these steps on account of very peculiar or special nature of the situations.

It is significant to note that most decisions in business are not isolated events which have no antecedents. Some decisions may appear to be made on the spur of the moment, to be made in one instant of time, to be "snap" decisions. Such appearance may obscure the long chain of previous development. Only rarely can it be said that important business decision-making is of this sort. A significant business decision is a complication of many decisions extending over the entire problem-solving spectrum and often over a long period.

(6.6) Type's of Decisions :

Decisions have been classified by various authorities in various ways. We shall discuss only a few types of decisions.

(1) Programmed and Non-programmed Decisions:

Professor Herbert A. Simon has classified all decisions as programmed and non-programmed. The programmed decisions are of a routine nature for which the organisation has developed specific processes so that they do not have to be treated *de novo* each time they occur. For example, if a teacher is regularly cutting his classes he should be dealt with under a set procedure. It is not necessary for the headmaster to refer the case to higher authorities. The programmed decisions are basically of a routine type for which systematic procedures have been devised so that the problem may not be treated as a unique case each time it arises.

The non-programmed decisions are of one-shot, novel, unstructured and consequential. There is no cut and dried method for handling the problem because it has not arisen before, or because its prices, nature and structure is elusive, or complex, or because it is so important that it deserves a special treatment. They are handled by general problems-solving process. In the above example, if all the teachers in a school stop their teaching work, the problem cannot be solved by set procedural rules. It becomes a problem which requires a thorough study of the causes of such a situation and after analysing all factors, a solution can be found through problem-solving process.

(2) Basic and Routine Decisions :

Decisions have also been classified as to whether they are basic or routine. Basic decisions are those which require a good deal of deliberation and are of crucial importance. The decisions require the formulation of new principles through conscious thought process. Examples of basic decisions are plant location, product diversification, selecting channels of distribution etc. Routine decisions are of a respective nature and hence require relatively little deliberation. They often require the application of familiar principles to a situation.

(3) Policy and Operation Decision :

Policy decisions are those which are taken by top management which are of fundamental character affecting the whole business. Operating decisions are those which are taken by lower management for the purpose of executing policy decisions. Operating decisions relate mostly to the

decision-maker's own work and behaviour while policy decisions influence work and behaviour of subordinates.

(4) Individual and Group Decisions:

At one time the size of business enterprise used to be simple. Most of the decisions involved in their operations were made by individuals. This non-manager decision-making set-up is still common in India as many a small business unit is owned by a single individual.

The term group decision refers to the process whereby individuals who are identified as a group participate together in making a decision. It is based on the hypothesis that group decisions are better than imposed decisions by individuals. This is because the imagination of a group is wider in scope than the imagination of an individual.

Group decision has been advocated on the following grounds:

- (1) It develops a feeling of belongingness and the employees feel that their importance is duly realised.
- (2) Group knowledge is superior to individual knowledge.
- (3) It can provide a wide range of options and more refinements to basic ideas.
- (4) It provides an excellent training to young executives in decision-making.
- (5) It permits representation of different interested groups.
- (6) It encourages a feeling of co-operation among those participating in decision-making.
- (7) It will lead to more creative decisions as all participants discuss a problem together.

The opponents of group decisions-making have pointed the following disadvantages of this approach:

- (1) It impairs individual initiative.
- (2) It is often a slow and time-consuming process.
- (3) It entails high cost.
- (4) It encourages managers to shift their responsibilities.
- (5) It is likely to be influenced by emotionalism.
- (6) It may lead to decline of leadership by individuals.

In spite of the various shortcomings, group participation and use of committees have become quite common in most leading business enterprises. The consensus seems to be that group participation would lead to better, integrated and acceptable decisions. Opinion is veering round to the view that when a decision is based on the views and general acceptance of the whole management team, it is easier to implement such a decision as most people agree to carry out such a decision.

(5) Scientific Decision-making;

During the last few years a new concept in decision-making has been introduced into managerial practices. This is now popularly known as scientific decision-making. Operations research is now considered to be a useful tool for managerial decision-making. In the remaining portion of this lesson it is proposed to discuss the meaning, characteristics, uses and tool techniques of operations research.

(6.7) Operation Research:

The concept of operations research originated during World War II to solve complex problems of military strategy and tactics. After the war, the use of operations research spread rapidly to other fields.

There is considerable divergence of opinion, among experts regarding the meaning of the term operations research. Some regard it as only a technique of applying mathematics and common sense to business problems while others make the term so comprehensive as to cover activities like market research, quality control or industrial engineering. Some businessmen consider it as a new safe or production gimmick while to some it is a product of academic people interfering in the practical work. In fact, OR is an approach to problem solving. The special feature of OR is its use of highly sophisticated higher mathematics, computers and programming to achieve results. It is because of this scientific tools that OR is often called 'management science'. It should be noted that OR does not provide a decision; it rather helps in analyzing the problem and developing alternatives. OR is thus basically the tool or technique involving application of scientific methods to the solution of a given problem. Because of its mathematical approach, OR is sometimes described as "quantitative common sense."

6.8 Chief Characteristics of Operations Research :

The main characteristics of Operations Research are as under:

- (1) It examines a problem as a whole and not in parts, it is thus based on system perspective.
- (2) Quantitative data and analysis are used extensively as a basis for the final solutions of the problem,
- (3) The concept of a "model" is often a key part of OR.
- (4) The task is conducted by a team composed of scientists, trained in different fields.
- (5) The team works with top management concentrates on basic management problem, and places a solution in the hands of management for executive decisions.
- (6) OR assumes that there are alternative courses of action from which choice can be made.

It need hardly be emphasised that OR is a tool to help managers in decision making. But it should not be considered a panacea for all managerial problems. It is also not intended to supplant other traditional techniques which managers have developed over the centuries to help them in making decisions. It is, in fact, an adjunct or a supplement and a very useful adjunct to the tools normally available to a manager. It is most suitable for those complex problems which can be measured in quantitative terms. Basically it deals with the decision-making aspect of planning. In business the techniques of operation research have been used to solve problems relating to inventory control, sales policies, traffic delay at toll booths, servicing customers, production scheduling, allocation, replacement etc.

6.9 Steps In the Use of Operations Research :

The various steps in the use of operations research are:

- (1) Formulation of problem
- (2) Collection of data,
- (3) analysing the data
- (4) developing a hypothesis,
- (5) developing a model,

- (6) testing the model
- (7) developing working tools based on the model
- (8) solving the model
- (9) controlling the model and solution and
- (10) implementing the result.

It may appear that these steps are, more or less, the same as used by the manager in taking a decision in a rational way. The basic point of difference, however, is in the formulation of mathematical models and their solution by mathematical procedure and use of computers. The most difficult step in the implementation of OR is to formulate a theoretical model which has a validity in the real world.

6.10 Linear Programming:

Linear programming is one of the most important and widely used mathematical models in operations research. "It is an analytical method of finding out the optimum combination of several limited resources to achieve a given objective" which may either be maximizing of profits or minimizing of losses. It is based on the assumption that a linear or straight line relationship exists between variable and that the limits of variable, can be well established.

The term "linear" is used here to describe a relationship which is directly and precisely proportional. This implies that a change in the other variable will produce a directly proportionate change in the other variable. For example, if there is a linear relationship between advertising expenditure and sales, a 20 per cent increase in advertising would lead to 20 per cent increase in sales.

6.11 Linear programming Techniques:

Linear programming techniques have been used in oil refineries to determine the most profitable mix of products it has been applied to problems of transportation and assignment, allocating limited resources among competitive activities, to problems of production planning, scheduling warehousing and distribution, inventory control and structural design, Game theory:

(a) Game Theory

Game theory is another technique of OR. This theory is used to determine the optimum strategy in a competitive situation. It provides a basis for determining, under certain specific conditions, the particular strategy that will result in maximum gain or minimum loss no matter what opponents do or do not do. The theory mostly involves two persons and sum zero competitive situation, i.e., two people are involved and one person wins exactly what the other loses. This theory is generally used where there is a conflict of interest between the participants and each of the players has several choices with regard to his appropriate actions.

(b) Queuing or Waiting Line Theory;

Waiting line or queues are a common feature that one can encounter in everyday life. Queuing theory has been developed to balance the cost of waiting lines versus the cost of preventing waiting lines by increased service. In other words the decision problem is one of balancing the cost of lost sales against the cost of additional facilities up to the point where the cost of an additional facility would just overtake the profits lost due to customer impatience. The primary characteristic of a waiting line are:

- (1) arrivals
- (2) servicing and

(3) queue discipline

(c) Simulation:

Simulation is a systematic trial and error procedure for solving complex problems. In business there are many problems which are so complex and dynamic that they cannot be solved with the help of mathematical analysis. Under these circumstances simulating techniques are used. In these problems it is possible to simulate the probable outcomes before taking action. Simulation is thus an approach to representing the real world in such a fashion that problem solving is facilitated.

6.12 Limitation of Operations Research :

It has been said that operations research is not a panacea for all business ills. It is not a technique of automatic decisions. It would be wrong to presume that these tools will ever be able to replace the manager as a decision-maker. Persons making use of or should carefully bear in mind the various limitations of these techniques. It should be noted that OR is limited to the study of tangible, measurable factors. But there are a number of intangible factors bearing upon a decision, which cannot be quantified. These techniques require considerable expenditure which a small sized business may not be able to afford. It may be added in the end that there is hardly any substitute for wisdom and conscientious judgement in decision-making.

6.13 SELF CHECK EXERCISE

1. Define Decision-making.
2. Discuss in brief characteristics of decision-making.
3. Write a short-note on steps in decision making given by Peter F. Drucker.
4. Define Operation Research.
5. Write a short-note on waiting line theory.

6.14 SUMMARY

Decision making is the process of making choices by identifying a decision, gathering information, and assessing alternative resolutions. Using a step-by-step decision-making process can help you make more deliberate, thoughtful decisions by organizing relevant information and defining alternatives. This approach increases the chances that you will choose the most satisfying alternative possible.

Operation Research is a relatively new discipline. The contents and the boundaries of the OR are not yet fixed. Therefore, to give a formal definition of the term Operations Research is a difficult task. The OR starts when mathematical and quantitative techniques are used to substantiate the decision being taken. The main activity of a manager is the decision making. In our daily life we make the decision even without noticing them. The decisions are taken simply by common sense, judgment and expertise without using any mathematical or any other model in simple situations. But the decisions we are concerned with are complex and heavily responsible. Examples are public transportation network planning in a city having its own layout of factories, residential blocks or finding the appropriate product mix when there exists a large number of products with different profit contributions and production requirement etc.

Linear programming (LP) is one of the simplest ways to perform optimization. It helps you solve some very complex optimization problems by making a few simplifying assumptions. As an analyst you are bound to come across applications and problems to be solved by Linear Programming.

6.15 GLOSSARY

- **Decision-making** means selection of one best alternative for doing a work.
- **Decision** is defined as a particular course of action chosen by a decision-maker as the most effective means of his disposal for achieving the goal or for solving the problem that is bothering him.
- **Linear programming** is one of the analytical methods used to find out the optimum combination of several limited resources to achieve a given objective which may either be maximizing of profits or minimizing of profits or minimizing of losses.
- **Operation research** is a method of Mathematically based analysis for providing a quantitative basis for management decisions.
- **Problem is a situation** that is unsatisfactory and causes difficulties for people. It is a perceived gap between the existing state and a desired state, or a deviation from a norm, standard or status quo.

6.16 ANSWERS TO SELF CHECK EXERCISE

1. For answer to question number 1 refer to section 6.2.
2. For answer to question number 2 refer to section 6.3.
3. For answer to question number 3 refer to section 6.5.
4. For answer to question number 4 refer to section 6.7.
5. For answer to question number 5 refer to section 6.10.

6.17 TERMINAL QUESTIONS :

1. Define decision-making and give important characteristics of decision-making.
2. Give the relationship between planning and decision-making.
3. What steps are involved in making a decision ?
4. Give the significance of decision-making.
5. Distinguish between:—
 - (i) programmed and non-programmed decision.
 - (ii) Basic and routine decision.
 - (iii) Policy and operating decision.
 - (iv) Individual and group decision.
6. What is Operations Research ? Discuss briefly the various tools and methods of operations research.

7. Write a detailed note on Linear Programming and its techniques.

6.18 SUGGESTED READINGS

- Prasad, L M, "Organisational Behaviour" Sultan Chand and Sons, 2011.
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LESSON-7

CONCEPT AND PROCESS MANAGERIAL CONTROL

STRUCTURE

- 7.0 LEARNING OBJECTIVES
- 7.1 INTRODUCTION
- 7.2 DEFINITIONS AND MEANING
- 7.3 CONCEPT OF MANAGEMENT CONTROL
- 7.4 CONTROL OF PERSONNEL
- 7.5 CONTROL OF PERFORMANCE
- 7.6 PROCESS OF CONTROL
- 7.7 SELF CHECK EXERCISE
- 7.8 SUMMARY
- 7.9 GLOSSARY
- 7.10 ANSWERS TO SELF CHECK EXERCISE
- 7.11 TERMINAL QUESTIONS
- 7.12 SUGGESTED READINGS

7.0 LEARNING OBJECTIVES

After studying this lesson you will be able to understand :-

- The concept, meaning, process and usage of controlling in an organisation.

7.1 INTRODUCTION

This lesson explains the term control: An effort has been made to explain the concept of managerial control by bringing out important characteristics and principles of managerial control. The point that managerial control does not confine itself to the control of performance only but also aims at motivating and controlling the personnel working in an organization has been stressed. Just like any other managerial function, controlling also involves a process. The different stages in the control process have been described emphasising upon the main considerations involved in each stage.

7.2 DEFINITION AND MEANING

Control *may be* defined as the action necessary to assure that objectives of plans, policies and standards are being attained. Control is that function of a system which provides direction in conformance

to the plan, or "The maintenance of variation from system objectives within allowable limits."¹ The basic idea of control is comparison of actual performance, with 'standard' or planned performance for managerial, action while business events are on. Controlling implies three basic function, viz.. (i) measurements and evaluation of accomplishment of events results against plans and (ii) comparison of actual against plans and (iii) comparison of actual result against standards and reporting to the people concerned with jobs (iv) the correction of deviation of actual performance from the plan for attaining the objectives laid down in plans. The determination and development of objectives, plans, policies and standards must prelude control function. Also, control function presupposes that objectives, plans, policies and standards have been properly communicated to the persons, who have been assigned the responsibility for their accomplishment.

Objectives, plans, policies, organization charts and procedures do not control the result but they play an important role in a control system. Without objectives, the results are likely to be other than the desired. Plans complement objectives and propose how the objectives are to be attained, Control is firstly concerned with finding out whether plans are being observed to meet the objective, and if not then, with correcting "deviations. Policy is a statement of intention of an enterprise to act in some specific ways under certain circumstances usually recurrent. Policies generate the need for control because adherence to policies is not guaranteed, For complete managing, adherence to policies has to be verified and the results of this verification provides basis for control. Organization chart defines assignment and accountability of individuals in the organization. The titles and lines of authority of an Organisation chart are supplemented by delegation of authority to define assignments precisely. Delegation of authority calls for control action. 'Control' is checking to ascertain whether the assignment is being executed in the desired manner and taking action on the basis of related information.

The essence of control is action which adjusts operations to predetermined standards. The control action may vary from some minor changes in directing to setting up of new goals, formulation of new plans, resetting of the organisation structure/reassignment of people, changes in recruitment and training policies and procedure, introduction of major changes in techniques, of directing and changes in operations.

The basis of control is information in the hands of managers. In an organisation, important information moves in the three direction-down, up and horizontally, Majority of the information flowing downward pertains to objectives, plans, policies and procedures. Information flowing upward include statistics and/or narrative statement about the measurement of performance, opinions and attitudes, ideas and suggestions complaints, grievances and rumors. The above mentioned information, may be found flowing horizontally in large decentralized organisation, staff personnel are found transmitting information among positions and units at the same level. Flow (communication) of information in all three directions is important for controlling'.

7.3 Concept of Managerial Control:

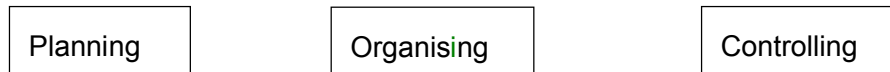
Control, in its managerial sense can be defined as, "the presence in a business of that force which guides it to a predetermined objective by: means of predetermined policies and decisions." The term

1. Koontz and O'Donnell, Principles of Management, Mc Graw-Hill Book Company N.Y., Youth edition, p.p. 637-38.

2. Richard A. Johnson, F.E. Kast and J.E.R. Zweig. The Theory and Management of System (New York Mc Graw-Hill Book Company. Inc. 1963). p. 58.

'force' mean (i) recognition of continuous and systematic planning by the management and (ii) availability of skills required for planning (i.e. controlling) properly.

Controlling is inseparable for planning. Control standards arise from plans. Control affects planning as well. The terms 'planning' and 'control' are used interchangeably in the designation of departments which carry out production planning, scheduling and accounting. There are reciprocal relationships between planning and controlling. These relationships are shown in the following figure



There are two, aspects of control, viz. (i) preventive of compliance aspect (ii) discretionary aspect. Controls exercised for standardizing performance (with a view to increasing efficiency) safeguarding assets of a company, and standardising quality of the product and services stress upon compliance. They are in nature of directives or procedures. Compliance with these directives and procedures are not left to the discretion of persons. Levels of performance is judged by the degree of compliance, attained. Controls designed to determine limits for delegated authority, to set standards and norms to help planning and to motivate action provide some elements of latitude. Such controls provide opportunity for using discretion.

Controls are of several types. They have been identified on the basis of the use to which a given control is put; More common controls are: (i) controls used to standardize performance for increasing efficiency and lowering costs, (ii) controls used to safeguard company assets, (iii) controls used to standardise quality of products/service (iv) controls designed to, set limits within which delegated authority can be exercised without further approval from superior level of management, (v) controls for measuring job performance (for example budgets and standards costs); (vi) controls for planning and programming operations (for example sales and production forecasts; (vii) Controls for establishing coordination among different plans and programs (for example, master budget, organization manuals, committees); (viii) Controls for motivating individual for better performance) for example, promotion policy, profit-sharing plans, suggestion schemes, appreciation for better performance.

It may be pointed out here that controls governing routine operation emphasize of compliance. **Such** controls **serve** the purpose of internal control. Internal control observes the actual performance of duties against the assigned duties. It aims at correcting deviations of the actual from the assigned.³

Control, in managerial sense, while serving as measure of performance also governs the working environment of the organizations. The most important characteristic of managerial control is that it motivates constructive action and gives less emphasis on command or compliance feature. All Such controls which provide scope for use of discretion constitute managerial **control**.

Managerial Control enables the manager to exercise control at the point of action. It prevents deviations from occurring by anticipating their occurrence and taking suitable action before hand. It

3. Datton E. Mc Farland. Management, Principles and practices, 3rd Ed.

4. William Travers Jerome. III 'Kinds of control in Reading in Management, edited by Ernest Date, MC Graw-Hill Book Company N.Y.

emphasizes on setting standards of performance which are attainable in the current situation. Standards are determined keeping in view the changes in conditions such as reorganisation, introduction of new products and new methods, price changes, volume differentials, technological improvements, increased labour efficiency etc. Managerial control does not emphasize only upon achieving the objectives, it also sets certain means for attaining objectives. These means may be challenged when external circumstances make it advisable. Similarly, objectives may also be changed.

The approach of managerial control is that control is attained through people and not things. It is people who achieve control or who distort planned results. Subjective attitude of people is much important for the success of control as objective figures about performance. By controlling the quality of managers, the performance can be controlled. Unsatisfactory results due to poor decision-making, capacity of people in the organisation makes it desirable to control the quality of decision-making. This can be done through additional training, modification of procedures of new policy.

Managerial control also emphasises on exception principle. The exception principle holds that the managers should devote greater attention to the exceptional or unusual items. (This view was advanced by Frederick W. Taylor). A performance report having particulars of (i) actual results (ii) budget or planned results and (iii) the difference (variations), between the two, pointing out especially good and especially bad exceptions may help manager to practice exception principle and to control effectively. Optimum control can be achieved only by identifying critical, key or limiting points and directing close attention to adjustments at these points. Discrimination between important and unimportant factors is important. Good control does not mean maximum control, (p. 260)

Concept of managerial control emphasises two points namely, (i) control is continuing activity and (ii) the situation is continually changing.

Lydal Urwick has laid four principles of managerial control, an understanding of these principles is important for appreciating the idea of managerial control. These principles are (i) uniformity, (ii) comparison, (iii) utility and (iv) the 'exception'. The 'principle of uniformity' requires that all figures and reports for control purposes should be in terms of organisation structure. In other words, the performance of a person should be presented in terms of such data which he can influence. While presenting the performance reports for control purpose, the principle that authority and responsibility must correspond or be co-equal should be observed. The principle of comparison implies that all figures and reports used for control should be in terms of standard of performance required as also of past performance. Such type of comparison is supposed to pose a challenge to each individual. The 'principle of utility' implies that the importance or value of reports for control changes directly with (i) the suitability of the period covered by report, keeping in view the purpose and (ii) the time separating the end of the period covered from their use. The principle of 'exception' is same as outlined by Frederick Taylor.

According to Urwick, an essential element of managerial control 'Unit', A manager can be successful in controlling by uniting the ideas of the men around him. This interacting is the psychological aspect of control. The control system must be acceptable to the persons being controlled.

Managerial control also emphasises upon direct contact between the controller and the controlled. There should be self-control i.e. a department should have its own goals and control system.

7.4 Control of Personnel:

The statement that 'management is getting the work done through people' underlines sufficiently the importance of control of personnel. Besides mechanical element, their humane element in control. For

example, in order to avoid accidents, mechanical means must get support of workers. It is important for effective control to direct efforts for guiding and controlling the behavior of the people because, human attitude towards control significantly affects its effectiveness.

Personnel generally oppose any control measure. This is largely because they do not want to be watched. An effort should be made to change this attitude by proper education about control and its significance. It is said that a firm is a type of society. This society consists of people who are supposed **and expected** to work together. Work in group is facilitated through a well-designed organisation structure and clear assignment of accountability and responsibility.

It is important for a sound management control to pay attention to the quality of the human factor in the organisation by measuring human variable that can assure achievement of group. Control of management quality has been regarded as direct control. It is said that by controlling the quality of people, undesirable results caused by poor management can be eliminated the assumptions of the principles of direct (control of personnel).

- (i) qualified manager makes a minimum of errors,
- (ii) managerial performance can be measured,
- (iii) application of management principles by measures can be evaluated.,

Management Audit is the major device with which control of personnel is effected.

7.5 Control of Performance:

Control of performance implies control of output of goods and services in terms of quantity, quality, time and cost, keeping in view the standards based upon plans and objectives. The commonly accepted concept of control emphasises upon Control of performance. The various tools used for controlling performance are budgets, statistical data, break-even point analysis, standing limitations, example etc.

7.6 Process of control:

Majority of the controls exercised are partial. They individually cover one aspect of operations, for example, cash flow or volume of production or quality of product. All systems of control and technique of control are basically the same for all types of control. The control process involves following activities or steps:

- (i) Establishment of control standards,
- (ii) Measurement of performance.
- (iii) Comparison between performance and standards and its communication.
- (iv) Correction of Deviation from Standard plans.

In the words of Koontz and O' Donnell 'Standards are established criteria against which actual results can be measured'. The planned goal or objectives or targets of an enterprise or of a department of an enterprise may be regarded as standards. Standards are expressed in physical terms: for example, volume of production, man hours, units-products. Standards are also expressed in monetary terms such as cost, profit, sales revenue, etc. They may be expressed in ratio also; for example, rate of return, turnover, etc. The important point is that standards are expressed in specific units to enable the comparison between actual performance and targeted performance. Sometimes, an enterprise may have such goals which cannot be expressed in physical terms, for example, the high level of loyalty of workers, high level of public image. Such goals can not be expressed in numerical terms directly but they can be

quantified. Expression of standards in respect of such goals is subject to disputes and disagreements in so far as the basis of quantification is concerned.

For controlling a particular aspect of enterprise operations, more than one type of standard may be worked out. But use of a particular standard is preferred by management keeping in view the nature and need of an operation. However, more than one standard may be used for measuring the performance related to a particular operation for control purpose. The choice of a particular standard is governed by critical factors of the activity. It may also be noted that a control standard evolved for a particular level of management may become entirely useless for another level of management.

1. Establishment of control Standards

For setting of establishing standards for control purposes. It is important to identify clearly the results which are desired, it is also important to decide about the level of achievement or performance which will be regarded as satisfactory or good.

There are several characteristics of a particular work that determine good performance. For example, the performance of sales department may be appraised keeping in view, the characteristics like market share, bad debts due to credit sales, mix to be achieved, attitude of dealers towards sales force of the company etc. Important factors (characteristics) which should be considered while determining any level of performance as good for some operations are (i) output, (ii) expense, (iii) resource. Output refers to services or functions. These services or functions may be expressed in quantity, quality and time. Expenses refer to the amount of expenditure for achieving a particular level of output. Expense includes all indirect items of expenditure. Resource refers to capital, expenditure, human resource etc.

After identification on these characteristics of good performance the desired level of each characteristic is determined. The desired level of performance is to be reasonable and feasible. This level should have some amount of flexibility also. For example, a firm increases the level of inventory if it anticipates shortage of raw material in future. Standards should be stated in terms of range minimum to maximum.

'Standards can be effective when they are related to the performance of a specific individual. This is done for fixing accountability for a deviation. Sometimes it becomes difficult to assign accountability for a desired result, it is found when performance of a particular function is joint responsibility of more than one individual, for example, investment in inventory is affected by purchases, rate of production, and sales. The man associated with any one of these three activities has his own point of view; In such a situation (i) either only one person should be given the job of coordinating different view points and made accountable for the level of inventory (ii) or the task of maintaining the desired level of inventory should be divided into different steps and standards should be set for each step that is performed by a different man for example, sales manager will estimate sales, production manager will forecast the requirements of raw material and purchase executive will decide the time and quantities of advantageous purchases of raw material. These standards for sales manager, production manager and purchase executive will be set. Then if there is trouble with inventories ascertainment of the control point will be easier.

Setting control standards involves picking up of strategic point to watch.' It is burdensome to evaluate all the results of everyone's work. Therefore, results should be measured at various stages in the total process. These stages are strategic point and affects the total operation, if results are not satisfactory at these stages, a more detailed check can be made. Standard for these strategic points

should be fixed, for example, in a processing industry, the wastage at the end of each process may be watched. Watching strategic points is useful in planning for repetition of the same operation, in planning for the next step. It is important to set control points at early stages because the purpose of managerial control is to detect trouble while it is forming.

Sometimes control over method is more expeditious than control over results. Such activities which require control over methods are research and development, building image of the organization in the eyes of its public and many other functions of staff people, setting standards in respect of these activities requires the determination of desired method instead of determination of 'desired result'.

II. Measurement of Performance :

The second basic step in control is the evaluation of performance. This step involves;

- (i) Measuring the performance in respect of work in terms of control standards, and
- (ii) Communicating the appraisal or evaluation to the persons who search for **reasons** for deviations and take corrective action.

The measurement of performance against standard should be as far as possible, on a future basis. In other words, probable departure from standards should be predicted. If such prediction becomes difficult, deviations, should be identified as early as possible. Appraisal of actual or expected performance becomes as easy task, if standards, are properly determined and methods of measuring performance are clear and capable. Measurement is easier and precise for such jobs, results to which can be expressed in quantitative terms. If the performance of a job activity cannot be **measured** in **specific** quantitative terms (physical or monetary) the performance is measured in a negative way. Lack of evidence of failure indicates the success in **the** case of such activities, such activities, for example, jobs of financial manager, personnel manager, research and development manager, manager of man-power, planning and resources, account manager **etc.** In the **case** of such activities measurement **and** appraisal are vague. They are roughly measured in terms of their **total** and long term impact through the use of managerial judgement and experience.

The performance of work may be tangible or intangible. It is easy to measure tangible performance precisely (for example, sales, production; etc.) Tangible performance cannot be measured precisely (for example, human relations, employee-morale building etc.) Techniques like psychological tests and opinion survey may be applied for measuring intangible performance. Such techniques draw heavily upon intuitive judgement and experience. The tools are far from exact. Many statistical pitfalls are also found in these techniques. These pitfalls lead to biased and international appraisal and evaluation. Nevertheless, intangible performance should be measured for control purpose, According to Peter F. Drucker it is very much desirable to have clear and common measurements in all key areas of a business. It is not necessary that measurements are rigidly quantitative. It is not necessary that measurements are exact. In the opinion of Peter F. Drucker for measuring tangible 'or' intangible performance.

- (i) measurement must be clear, simple and rational,
- (ii) measurement must be relevant.
- (iii) measurement must direct attention and efforts,
- (iv) measurement must be reliable, self-announcing and understandable without complicated interpretation.

(The Practice of Management, p. 131)

The specific methods of measuring results are almost the same as the activities of business. For each activity, there may be a specific method of measurement. Further, the method of measurement of results of a particular activity may differ from one time to another time in an organization and from one organization to another organization. Many activities or operations, the performance of which is measured in numerical terms, have qualitative (or intangible) results of an operation of activity. Measurement and appraisal of qualitative results should supplement measurements and evaluation of quantitative results of an operation. For example, if a salesman in a particular area is unable to meet a sales target fixed for him but he is not attracting new customers, he is not performing satisfactorily. In this case, measurement of only quantitative results will not serve the purpose of managerial control. His neglect of motivating new customers will harm the organization in the future, particularly when there are competitors. Absence of measurement of qualitative performance is likely to affect adversely the quantitative results.

Measurement of performance can also be done through predictions. Very short-term predictions by a manager about the performance may be found in a majority of the **cases**, very near to actual results. Predictions in such **cases** are as good as measurement of actual performance for control action. Even predictions are better in the sense that they enable control action at a relatively earlier stage....

The task of measuring performance is greatly simplified by considering only a sample. For example, examination is only a sample to check what students know. But sampling is better suited for only some activities. Statistical Quality Control Techniques measure the performance on the basis of a sample. Since many managerial control situations do not involve the large number of similar actions, sampling has only limited use. Personal observation of superiors and conferences between supervising executives and supervised executives also help in measuring performance. In fact, personal observation and conferences may make the quantitative measurements more objective in many cases.

III. Comparison between Performance and Standards:

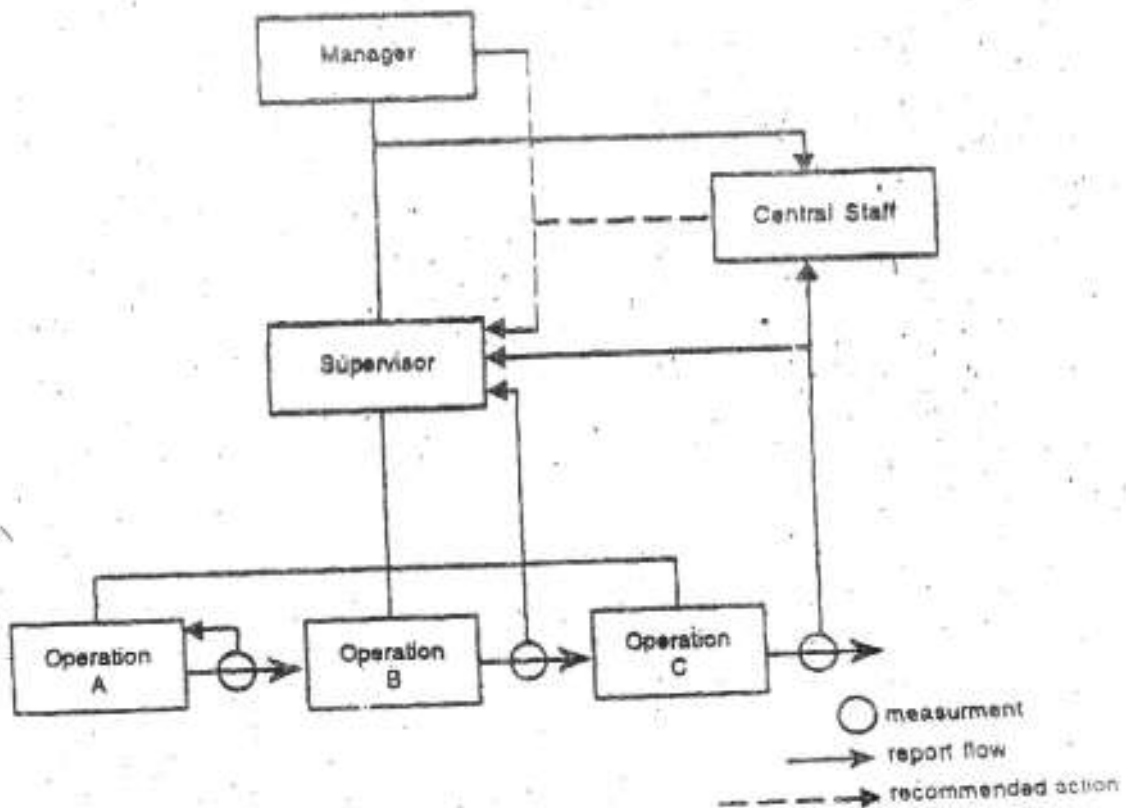
The third step is to compare the actual performance with standards of performance. Comparison of performance with standards involves two steps; . . .

- (i) Finding out the extent of deviations and
- (ii) identifying the causes of variations,

For controlling and planning purposes, ascertaining the causes of variations along with computation of variation is very much important. It is the causes of variation which help managers in taking up proper control action. Even if there is unfavorable variation (i.e. the performance is below the standard or desired result) a study of causes responsible for such a variation may suggest to the manager that there is no need of any corrective action. This will be the case when unfavorable variation has been caused by influences of **factors beyond** the control of particular executives whose performance is being evaluated.

For finding out the extent of deviation, reports containing the quantitative data as also qualitative information about the performance are prepared. These reports, besides showing data relating to performance, also contain the information about standard and tolerance limits.

Preparation of reports is an important step in the control process. Through reports, the appraisals of the performance are communicated to executives who can take corrective actions. It is not necessary that a report should always be in writing. In smaller concerns, for many operations the report in an oral discussion with the man who is doing the work being evaluated. But in large



organisation, written report becomes necessary due to the fact that a large variety of data are to be accumulated and interpreted.

As soon as possible, report containing control information should be sent to the person whose performance is being controlled. Promptness is a great virtue in control reports. The underlying idea is that the person who is responsible for a job can have a better influence on final results by his own action. Prompt feedback to the point of action is helpful in securing voluntary cooperation. In addition, a summary of the control information should be reported to the superior, because the person on the job may either need help of his superior in improving the performance or may need warning for his slackness or carelessness. The other

people who may be interested in the control reports may be:

- (i) Executives engaged to formulating new plans and
- (ii) Staff personnel who are expected to be familiar with control information for giving any advice about the activity under control when approached.

The executives have secondary claim. Nevertheless, they should be furnished with the reports.

Majority of the reports should be simple and should contain only important comparisons. It is useless in many cases to present full analysis of comparison in the report and make that report long. The reason, is that the executive getting reports is conversant with the details of the work which has been evaluated. Reports which are prepared for executives (mainly superiors) who are at some distance from the work may have an analysis but it should be brief and suggestive and not explanatory.

Control reports should also indicate trend in the performance which will help manager in determining the appropriate corrective action.

(IV) Correction of Deviations Control Action and Decisions :

This step is taken by the manager responsible for control for determining the need for action and initiate corrective action. The control action may be either (i) review of plans and goals and change them on the basis of this view of (ii) change in the assignment of task or (iii) change in the existing techniques of direction (iv) change in organization structure (v) provisions for new facilities, etc. In fact, correction of deviations is the step in the control process which may involve either all or some of the other managerial functions (planning, organizing, staffing/directing and coordinating). Due to this, many persons hold the view that correcting deviations is no step in the process of control. It is the stage where other managerial functions are performed. According to Koontz and O'Donnell, this overlap of control functions with the others merely demonstrate the units of the manager's job. It shows that managing process is an integrated system.

(Principles of Management. 4th edition, p. 632).

The following figure shows the flow of control reports:

Action and decisions required by the control problem change. This is because of the fact that managers are likely to make different interpretations of a situation and go for different methods of control further, it is difficult to have a self-regulating system because in business firm performance and result are affected by many factors whose influences cannot remain 'even' for longer period. It is therefore, necessary to study each control situation separately for finding out the causes creating difficulty and then determine remedial action.

The four processes of managerial control have been further broken down by many persons perhaps with a view to understand the managerial control process with further operating details. Franklin E. Foil has outlined the following steps in control process.

- (7) Fixing definite goals in terms of accomplishment and time.**
- (ii) Making goals projections fully known each person concerned with this planned accomplishment.
- (iii) Assuring management that goals are clearly understood and accepted without reservation, by all persons responsible for their accomplishment.
- (iv) Planning correctly and in detail just how the accepted goals are to be attained, including who will accomplish, what and when, and how.
- (v) Putting plans into effect, all up and down the line.
- (vi) Watching for results from the moment the operation starts.
- (vii) Comparing results with plans to know where in exact relation are to where we have agreed to be.
- (viii) Comparing undesirable deviations from plans promptly by taking remedial action.
- (ix) Modifying plans and goals to fit realities as conditions change.
- (x) Reviewing accomplishment at the end of the time period planned. (In M. E. Hurely's Business Administration. P. 410).

7.7 SELF CHECK EXERCISE

1. What do you understand by control? Discuss in brief.
2. Write a short-note on concept of managerial control.
3. Discuss in brief the Process of controlling.
4. What do you mean by control standards? Discuss in brief.
5. How performance is measured? Write a short-note.

7.8 SUMMARY

Controlling is one of the important functions of a manager. In order to seek planned results from the subordinates, a manager needs to exercise effective control over the activities of the subordinates. In other words, the meaning of controlling function can be defined as ensuring that activities in an organization are performed as per the plans. Controlling also ensures that an organization's resources are being used effectively & efficiently for the achievement of predetermined goals. Managers at all levels of management Top, Middle & Lower - need to perform controlling function to keep control over activities in their areas. Therefore, controlling is very much important in an educational institution, military, hospital, & a club as in any business organization. Therefore, controlling function should not be misunderstood as the last function of management. It is a function that brings back the management cycle back to the planning function. Thus, the controlling function acts as a tool that helps in finding out how actual performance deviates from standards and also finds the cause of deviations & attempts which are necessary to take corrective actions based upon the same.

7.9 GLOSSARY

- **Control** is a primary goal-oriented function of management in an organisation. It is a process of comparing the actual performance with the set standards of the company to ensure that activities are performed according to the plans and if not then taking corrective action.
- **Control standards** are a target against which subsequent performance will be compared. Standards are the criteria that enable managers to evaluate future, current, or past actions. They are measured in a variety of ways, including physical, quantitative, and qualitative terms.
- **Decision** A choice made between alternative courses of action in a situation of uncertainty.
- **Managerial control** is one of the primary functions of management, and it involves setting performance standards, measuring performance and taking corrective actions when necessary.
- **Personnel** are the people who are working for a specific company or on a specific project. An example of personnel is the customer service staff you hire to answer phones at your office.

7.10 ANSWERS TO SELF CHECK EXERCISE

1. For answer to question number 1 refer to section 7.2.
2. For answer to question number 2 refer to section 7.3,
3. For answer to question number 3 refer to section 7.6.
4. For answer to question number 4 refer to section 7.6 (i).
5. For answer to question number 5 refer to section 7.6 (ii).

7.11 TERMINAL QUESTIONS

1. Define control and discuss in detail the concept of managerial 'control'.
2. Explain the process of control in management.
3. What is your opinion, are the principles of effective control ?
4. With the help of a diagram. Who the flow of control reports. .
5. Explain the managerial control process with the help of a diagram,

7.12 SUGGESTED READINGS

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- Ghuman and Aswathappa, "Management: Concept, Practice and Cases", Tata McGraw Hill, 2010.

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LESSON-8

AREAS OF CONTROL AND CONTROL AIDS

STRUCTURE

- 8.0 LEARNING OBJECTIVES
- 8.1 INTRODUCTION
- 8.2 AREAS OF CONTROL
- 8.3 MANAGEMENT INFORMATION SYSTEM**
- 8.4 CONTROL AIDS
- 8.5 SELF CHECK EXERCISE
- 8.6 SUMMARY
- 8.7 GLOSSARY
- 8.8 ANSWERS TO SELF CHECK EXERCISE
- 8.9 TERMINAL QUESTIONS
- 8.10 SUGGESTED READINGS
- 8.0 LEARNING OBJECTIVES**

After studying this lesson you will be able to understand :-

- i• What are the areas of control?
- The concept of management information system.
- The controlling aids which help the managers to control the employees.

8.1 INTRODUCTION

For effective controlling, it is important to know what are the critical **areas**, tools and techniques of control. In this lesson therefore principal areas of control and commonly used control aids have been described.

8.2 Area of Control:

A well-designed plan of Control or Control system covers almost all management activities. Such a comprehensive control system enables the top management to:

- (i) delegate responsibility and authority.
- (ii) reduce burden of supervising each activity in detail,
- (iii) have means of securing satisfactory result.

A study of different kinds of controls found in business organisations indicates the areas which are controlled.

The main areas in which control plans are found are;

- (i) Policies.
- (ii) Organisation.
- (iii) Key Personnel.
- (iv) Wages and Salaries.
- (v) Costs.
- (vi) Methods and Manpower.
- (vii) Capital expenditure
- (viii) Service Department
- (ix) Line of Products.
- (x) Research and Development.
- (xi) Foreign operations (if any)
- (xii) External Relations.
- (xiii) Overall Control.

In many enterprises, policies are controlled through policy manual. Control over Organization is accomplished through Organisation manual. Organisation manual attempts solving Organisational problems and conflicts, making long-range organization planning possible, enabling, rationalisation of the organisation structure, helping in proper designing and clarification of each part of the organisation and conducting periodic check off about organisation practice.

Personnel manager or head of the personnel department prepared control plan for having control over key personnel. Generally, a personnel committee is found working as an instrument of control over key personnel.

Control over wages and salaries is done by having programme of job evaluation and wage and salary analysis. Job evaluation and wage and salary analysis are performed either by the department of general administration or by industrial engineering department. Often a wage and salary committee is constituted to help the department of general administration or industrial engineering department in the task of controlling wages and salaries.

Cost control is exercised by the cost accountant by setting cost standards for material, labour and overhead and making comparison of actual cost data with standard cost. Cost control is supplemented by budgetary control systems. Budgetary control system includes different operating budgets, such as sale budgets, production budget, materials budget, labour budget, overhead budget, etc.

Control over methods and manpower is accomplished **by** conducting periodic analysis of activities of each department. The function performed, method adopted and the time devoted by every employee is studied with a view to eliminate non-essential function, method and time.

Control over capital expenditure is exercised through a system of evaluation of projects, ranking of projects on the basis of their importance (generally in terms of earning capacity). A capital budget is

prepared for the business **as** a whole. A capital budgeting committee or "Appropriations Committee", reviews the project proposed and approves the projects advantageous to the company. Very seldom, effort is made to check whether anticipated advantages have been realised or not this is because of the **fact** that identification of advantages realised can be done only after a period of time and not on a continuous basis. However, there should be a programme or plan to identify the realisation of actual benefits and to make comparison with anticipated benefits. Such comparison is important in the sense that it serves as an important guide for future capital budgeting activities.

Control over service department is effected either (i) Through budgetary control within operating departments or (ii) through putting limits upon the amount of service an individual department can ask for (lit) authorizing the head of the service department to evaluate the request for service made by other departments and to use his discretion about the quantum of service to be rendered to a particular department, it may be noted that a combination of one or two of these control devices may be found in the organization.

Control over line of products is effected; through studies about market needs, efforts are made to simplify and rationalise the line of products. Such efforts serve as control measures. The research, manufacturing and sales departments work together or individually to have control over line to products.

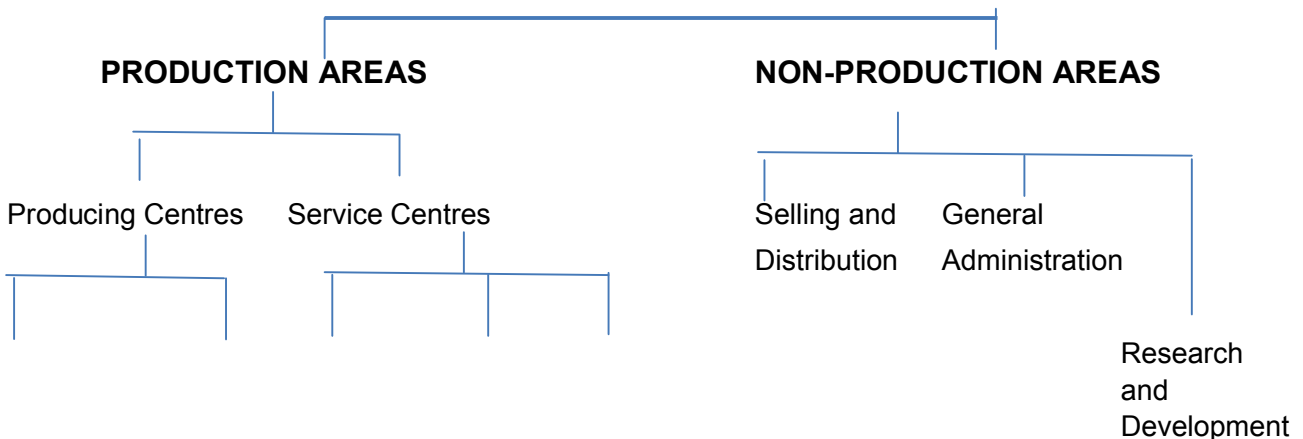
Research and development activities being highly technical in nature are not controlled by any direct device. By improving the ability and judgement of research staff through training programmes and other devices, an indirect control on research and development activities is exercised. Control is also exercised by having a research budget, for controlling research and development, each project is evaluated keeping in view savings sales or profit potentialities.

Foreign operations are controlled in the manner in which domestic operations are controlled. Similar devices of control are applied. The only difference which may be found is that chief executive of foreign operation department has relatively greater amount of authority.

Public relation department is responsible for controlling external relations of the enterprise, it may prescribe certain measures for other operating department which are instrumental in improving external relations.

The following chart show the budget centres (areas) covered by a control system
Principal Areas Covered by a Control System

The following chart shows the budget centres (areas) covered by a control system :
Principal Areas Covered by a Control Systems



Machine Assembly	Maintenance	Store	Internal	
Shops	Department		Transport	* Despatch and Warehousing
			and	
			Other Services	* Oder Deptt.
				* Promotion and Delivery

Overall control is accomplished through 'budgetary control. Master plan or master budget includes projected profit and **Loss** Account and Balance Sheet. These plans include all requirements for particular future period in terms of changes and improvements as well as financial aspects. All the departments or segments of a business enterprise are involved in preparation of master plans. Each segment prepares estimates which are coordinated by a staff department (known as planning department in many enlightened organizations). A budget committee reviews the various estimates for establishing coordination and consistency. All the estimates or plans are incorporated into one plan known as master plan. This master plan is presented before the top management for approval. After approval, the plan is administered. For effective overall control through the master plan, 'active, support of top-management is essential.

8.3 Management Information System (MIS):

MIS is an integrated technique for gathering relevant information from whatever source it originates and transferring it into usable form for the decision makers in management. It is a system of communication primarily designed to keep all levels of organisational personnel about the developments in the enterprise that affect them. MIS provides working tools for all the management personnel in order to take the best possible action at the right time with respect to the operations and functions of the enterprise for which they are largely responsible.

The emphasis of MIS is on information for decision-making. Let us not commit a serious error in failing to see the distinction between the information and data. Data represents raw facts available or known. Information on the other hand, denotes the data that has been carefully processed. That is to say, data is input whereas information is the output. A decision maker wants up-to-date, accurate, timely, germane, information and not data. Prior to the emergence of this concept-MIS-the traditional types of accounting and control reports that were supplied to the departmental managers, foremen and workers used to be far from satisfactory in content, form and timing. It was only a superficial furnishing of information and the reports ignored the primary purpose for which the information is furnished. The traditional reports represent only to casual examination of data. In sharp contrast, the modern organisation is characterised by an effective management information system that comprehensively processes, analysis, interprets the data and provides information so that best possible use can be made of by the decision makers. Further, the advent of electronic computer and subsequent developments in technology and communication system, have increased the importance of glittering vistas of real-time Control Information is accepted as the life of the decision-making, MIS facilitates control from several angles:

- (i) MIS performs a useful triple service function to management. Actually MIS itself is a three stage process, data generation, data processing and information transmission.

MIS enhances the management's ability to plan, measure, and control performance, and taking necessary and corrective action.

- (ii) MIS provides more specialised and technical kind of information for the concerned managers. It provides multiple types of information for all management levels on a baffling variety of organisational matters.
- (iii) It takes into account the rest time requirements, frequency of requirement, accuracy requirement, data reduction requirement, storage requirement etc. MIS objectively determines what information is needed by whom, and with what frequency.
- (iv) MIS stresses the information that is most useful to the decision maker, any firm, large or small that uses a formalised approach or electronic data processing system for its daily business has foundation of MIS. But normally, the larger the organisation the more likely that MIS can be used by top management in establishing company policies and plans, monitoring the company performance and adopting the company strategies in response to changing circumstances.

8.4 Control Aids:

There are a number of devices which help in controlling. The most widely used device for managerial control is budget. A budget is known as Profit Plan in many organizations. There are other control devices such as statistical data; special report and analysis.

Analysis of breakeven point, internal audit; personal, observation, standing limitation, standing, rules, orders and procedures, ensure disciplinary action. These devices are regarded as non-budgetary or traditional devices.

In order to improve the quality of control certain, newer control techniques have been evolved and used. These are (1) Improved information Technology, (2) Procedures Planning, (3) Logistic-systems. (4) Time-Event Network Analysis, (5) Formalized Product Development.

These devices and techniques help managers in their job of Controlling. A brief description of these devices and techniques is desirable to indicate the manner in which they control aids;

(a) Budget* :

A budget is a quantitative expression of plan of action. It serves as an aid to (a) Coordination of plan, (b) Implementation of plan and (c) Control of performance. A budget which is formulated for the organization as a whole is known as master budget. Budgets prepared for sub-units of functional areas of an organization such as, production, distribution and finance are known as functional budgets. The activities of budgets of all subunits of an organization are summarised in the master budget for the organization as a whole.

The chart on page 27 shows the involvement of functional sub-units', planning department and accounting department in the formulation and implementation of a master budget and the process of budgeting in manufacturing organization.

Stage II - Formulation of Budget:

A master budget may be regarded as the best practical approximation to a formal model of the total organization showing:

- (i) Objectives of the organization.
- (ii) Inputs of the organization, and
- (iii) Outputs of the organization.

Budgets are prepared for carrying out among others, following functions;

- (i) Planning.
- (ii) Evaluating Performance
- (iii) Coordinating Activities.
- (iv) Implementing Plans.
- (v) Communicating Plans and Performance.
- (vi) Motivating the people.
- (vii) Authorising Actions' (this function is seldom found important in business enterprise, in government organization and non-profit organization, this function is performed through budgeting for authorising the Management actions).

Budgetary system is advantageous for both large and small organisation. Some people hold the view that due to uncertainties budgets become impracticable. The principal reason for this attitude is the rigidity with which budget is taken. If budgets are administered wisely, they complete management planning, provide definite expectations for future subsequent performance and promote communication and coordination among the various segments of the business (Sec. C.T. Homgrew) Cost Accounting, 3rd edition, Chapters).

The budgets are classified on the basis of (i) time period covered (ii) activities covered, (iii) terms of measurement. The chart shows the principal kinds of budgets:

Kinds of Budgets

	Time Period Covered		Activities Covered		Terms of Budgets
(i)	Long-Range Budgets	(i)	Sales Budgets	(i)	Financial Budget
		(ii)	Inventory		(Revenue & Expense
		(iii)	Production		Nonfinancial
(ii)	Short-term Budgets	(iv)	General & Administrative Budget		budgets Direct Labour-

- | | | |
|--------|-----------------|---------------|
| (v) | Programme | hour budget, |
| | Budget | Machine hours |
| (vi) | Capital | Budget units |
| | Expenditure | Produced |
| | Budget | Budget |
| (vii) | Cash Budget . | |
| (viii) | Material Budget | |

A Master budget for overall control consists of (I) Operating Budget (2) Financial Budget. Operating Budgets include. (I) Budgeted Income Statement, (II) Sales Budget, (III) Production Budget, (iv) 'Cost' of goods sold Budget, (v) Selling Expense Budget, (vi) Administrative Expense Budget. Financial Budgets include (i) Cash Budget (Receipt and Disbursements) (ii) Budgeted Balance Sheet and (iii) Budgeted Statement of Source and uses of Funds (Fund Flow Statement).

While using budgeting as a device of Control, the following precautions should be taken up:

- (i) It should be as a tool of major planning and control. Efforts should not be made to cover such activities of operation which have small significance in relation to other activities.
- (ii) Budgetary goals should not be taken as more important than the goals of enterprise. They may be possible when there is excessive departmental Independence.
- (iii) Budgeting sometime hides inefficiencies of the actions taken in the past. It is, therefore, suggested that the reevaluation of decisions taken in the past should be undertaken. This step is very much suggested by the concept of 'Zero Base Budgeting'.
- (iv) The approach to budgets should not be rigid. There should be flexible or variable budgets. Variable budget provides for comparison of actual performance with budgeted and this budgeted performance fully takes into consideration the changes which have taken place between the time of implementation of plan (budget) and the time of measurement of actual performance.
- (v) It should be realised by managers that budgets are designed only tools and not to replace management. Budgets must be tailored to each job.
- (vi) It should be realised that budget does not have staff authority and the implementation of budget is the responsibility of the line managers. This kind of understanding is important for successful working of budgetary control.

(b) Statistical Data:

In order of control, statistical data pertaining to different operations of an organization are collected. With the help of such data an analysis of past performance is made for control purpose. Projections in future are also made to be used as guide for future operations and control. The accumulated data are presented in tables or by charts, graphs and diagrams.

Organizations using statistical data for control purposes generally present data on charts. This is because charts are easily comprehensible and understandable. The control standard in such organization may be the Return-on Investment. Return-on-investment technique has been involved and successfully used by "DuPont Company, in U.S.A, for controlling. Return-on Investment is the percentage figure

that results from a comparison of operating profits (either before or after tax) with total of working capital, plant and equipment (fixed capital) used to make such profits.

The tool of Return-on-investment (ROI) affects many important operating factors. Return-on-investment is based upon two factors (i) profit on sales and (ii) sales turnover.

Thus break-even point analysis is helpful in evaluating the various actions and decisions from the point of view of their impact upon profits. Profit Planning and cost control require an understanding of characteristics of costs and behaviour at different operating levels. Break-even analysis is used upon characteristics of costs and their analysis recognises the marginal cost concept, it is a useful tool of planning and control. Budgetary control and cost control in control steps like measuring performance, comparing performance and taking remedial actions.

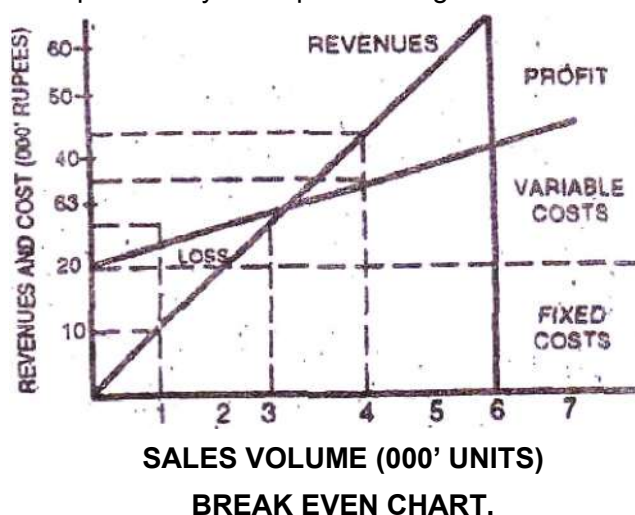
(c) Special Report and Analysis :

If control is to be exercised in particular problem areas special reports and analysis are prepared. Routine accounting and statistical reports cannot help adequately in exercising control in areas which have happened to have special problems. Special reports are needed. Investigations and analysis of operations needing control may be conducted by a consultant organization or agency and all the statistical charts for control purpose are prepared and developed around the central theme of the profit on sales and sales turnover.

As a control device Return-on-investment (i) stresses upon effective utilisation of facilities (ii) reveals weak areas of business by linking income with assets and suggests the need for control action (iii) provides an effective means of control over decentralised units or divisions and (iv) give complete guide to efficiency.

(d) Break-even-point Analysis :

It is known as analysis of cost-volume-profits relationships, it examines the inter-relationship of changes in costs, volume and profits. Break-even point is the point, of zero profits and zero loss i.e. revenues cost of doing the business (variable expenses, + fixed expenses). Break-even chart is prepared with the help of data pertaining to sales revenue, sales volume, fixed cost and variable cost. This chart serves as a control device. It predicts the profit at different level of sales revenue or production volume. Break even point analysis helps in making decision about (i) plant shut-down, (ii)



plant-expansion. (iii) product profitability, (iv) price change, (vi) product mix etc. Reports may be prepared for control purpose. In India National Productivity Council, among others, handles assignments of special investigations and presents special reports. Special reports and analysis are helpful in identifying exceptions, critical points, and limiting factor. And in the words of Koontz and O' Donnell. "Good management requires constant searching out of exceptions, critical points and limiting factors."

(e) Internal Audit:

Internal audit is conducted by the Internal auditor who is an employee of the organisation. Internal audit attempts at regular and independent appraisal of accounting, financial and other operations. The job of internal auditor includes auditing the performance of company's policies, practices and plans. It is the duty of internal auditor to point out defects, neglected situations or problems and to make suggestions based on his analysis. Internal audit covers whole range of activities of business. Internal audit is expected to:

- (i) ensure that the accounts are properly kept and reflect the facts.
- (ii) appraise policies, procedure use of authority, quality of management, effectiveness of methods and procedures etc.

Internal audit furnishes the manager with adequate control information as and when they are required, Internal auditing is also instrumental in toning up morale, and working efforts of employees in an organisation. Internal audit goes a long way in forcing events to conform to plans.

In view of the functions and advantages of internal audit mentioned above, it may be said that internal audit is an effective tool of managerial control. Internal audit should be regarded, recognised and accepted as Internal management consultancy agency for effective managerial control.

(f) Observation:

Personal observation is an essential device of managerial control. Since the objectives are to be accomplished by people and control device like budgets, charts, reports internal audit are deficient in giving information about any inverse change in attitude of people, personal observation is of a unique importance as a control device. By periodically observing the subordinates, their work methods and their results, a supervisor can exert a control influence. The possibility of being observed has an inevitable effect on workers. There is sufficient amount of truth in the saying that, "the cat is away, the mice will play."

Observation has a controlling effect because superiors are authorised to evaluate performance of subordinates and promotion or training of subordinates is guided by such an evaluation. For making personal observation an effective tool of control, it is important that superiors give importance to their personal observation. Therefore, observation should be planned and systematic.

(g) Standing Limitation, Rules, Orders and Procedures :

When subordinates are given freedom to make decision on behalf of superior, if becomes necessary to lay down limits for them. These limits are known as standing limits and check the subordinates from making decisions or acting beyond these limits without having the permission of their superior. For example, a sales agent may be given the freedom to entertain a prospective customer and incur expenditure in this connection. But in order to have control of the expenditure of such entertainment, the superior just put some limit say, Rs. 100 per customer and it should be made clear to the sales agent the expenditure beyond this amount must have prior approval of the superior.

It is important to note that the control limitation should be fixed having regard to the status of subordinate (level and authority and liking or disliking of the subordinate).

Clearly established rules, order and procedures also help in controlling-especially rational behaviour. They develop performance habit among the people and works as automatic controlling device. Rules specify prohibited form of behaviour. Standing orders give direction for performing Job under given sets of conditions which are generally recurring and continuous. For example, sales targets for individual salesman are a form of standing order. Standing procedures outline the sequence and arrangements of events which are desired to occur. For example for controlling, late-coming of the workers, a procedure may be evolved whereby a worker must report his being late and reasons thereof. Such report should be put in the form of official record and concerned worker should be informed officially. In order to check misuse of rules, orders and procedures their periodic audit should be undertaken to find out their effectiveness, suitability or absurdity. If need arises, they should be modified or eradicated.

(h) Censure and Disciplinary Action:

Both. ensure and disciplinary action are negative approaches to control. Sometimes negative measures are needed for controlling. But there is risk in applying the approach for securing control. The situation may improve, or if there is strong union employees, it may worsen. Censure implies giving, warning "to the subordinates for his undesirable behaviour.

For example, a salesman failing continuously to achieve his sales quota may be informed that a report is being maintained about this non-satisfactory performance and the superior is not happy and dislikes his slackness. Censure is not liked by personnel of management cadre or working force. Therefore, this tool of control should be used by superiors with great amount of caution, wisdom and understanding. The use of censure requires social skill of high order.

Besides censure, there are other disciplinary actions which may be taken up for controlling. The disciplinary actions serve their purpose only when they are made preventive and corrective in nature. Just like censure, exercising disciplinary actions is also difficult. Disciplinary actions are harder than censure and are exercised when censure does not bring out desired results. It is generally regarded that the very communication that disciplinary action may be taken for controlling undesirable or unwanted behaviour exerts control.

(i) Example:

Setting examples also help in controlling. The executive may himself set the example of good performance or behaviour or may give due recognition and importance to the good performance of an employee. It is assumed that example will be accepted by the group of persons. The superior should try to set example himself, if a superior can meet himself a particular target, his asking the subordinates to confirm to the plan is likely to bring controlling effect. Setting example is especially important for firstline supervisors. "It is important to note that for making example an effective tool of control, the superior should not go for such exceedingly good performance which makes his best subordinate to look inferior.

(i) Improved Information Technology :

For processing the data and making them readily available for control purposes, electronic equipments have been developed. One of the essential things for control is information. Modern information technology aims at making available such information which equips managers with such knowledge that can be weighted against goals.

In majority of the enterprises only accounting data are accumulated and used as source of information for control purpose. But non-accounting data are equally important for control. As such, accumulation of these data is very much desirable. Accumulation of all types of data and their processing, classification and presentation manually becomes a difficult task particularly when the organization is big and has decentralized operations, the use of computer and operation research techniques help the management to expand available managerial information for control. The technique of direct costing gives very useful data for managerial control, the use of Direct costing was first suggested in 1938. It was first used in 1947 by Pittsburg Plate Company in the West. Now, it is being used increasingly and aids in managerial control by providing useful information. Development of information system with the help of computer has increased in recent years. Use of computer has been especially important because (i) many individual items of input data may be useful for a number of different individual outputs and (ii) by products of basic data are needed for control purposes.

(j) Procedure Planning:

Procedures generally affect more than one area. Therefore, they should be planned, they should be considered systems that encompass various parts of the organisation. Procedure of Personnel, marketing, production and other functional areas affect each part of the enterprise. Procedures are control device. But they often come into conflict with each other. For example, procedures of accounting may conflict with selling procedures. Due to such conflict, procedures themselves get out of control. Therefore, they should be planned. In planning procedures, managers should try to (i) minimise procedures, (ii) design procedures in the form of plans and accomplish plan, (iii) avoid duplication, overlapping and conflict in procedures, (iv) recognise procedures as system, (v) evaluate in the cost of implementing procedures to determine their use, (vi) execute the procedures.

(k) Logistic System:

Operation research emphasises upon a study of logical relationship. Operation research has proved very useful in logistic systems. It has been applied to all types of production or distribution sub-systems. It has been more commonly applied to inventory control. Another systems approach to planning and control is known as "industrial Dynamics". This approach underlines the idea that a firm is "not a collection of separate functions". It is a system in which flows of materials-capital, manpower etc. establish such forces that determine the tendencies towards growth, fluctuation and decline.

(l) Time-events Network Analysis:

The technique is also called Programme Evaluation and Review Technique (PERT). This technique helps in watching how the parts of a programme fit together during the passage of time and events. This is much publicized planning and control technique. Construction and other organizations, with special engineer or product development projects regard this technique as an excellent control tool. PERT is a system of planning and control involving:

- (i) the identification of all important activities in a project;
- (ii) devising the sequence of activities;
- (iii) arranging a flow diagram of these activities; and
- (iv) allocating time of the completion of each activity.

Originally PERT technique was used for controlling time element in completing a project. Later on this technique is also applied in controlling cost which is known as PERT/cost. Costs are broken down

into different classes and costs of each category is associated with the relevant steps of an activity in the time process.

Another technique of time-even not work analysis is 'Milestone Budgeting'. A project is broken down into controllable parts and then completion of each part is tried within the given period of time.

(m) Formalised Product Development:

This is an organizational device to control. It is concerned with the development of new products which require use of scarce resources and time and affect future sales. There is danger that with the development of new products, some of the existing products may become obsolete. But development of new products is important for contact and appreciable growth in sales volume. In order to save the company from the adverse effect of product development, a special development or committee and special implementing procedures are set up. Ideas for product development are searched out by conducting studies about markets, technology consulting other research agencies. These ideas are then screened to find about product ideas of good promise. A preliminary evaluation of selected screened ideas is conducted to decide their priorities. The preliminary evaluation is followed by detailed feasibility studies. Selected products are developed, tested, and then commercial production of these products is undertaken. This procedure of product development provides a built-in control-machinery.

8.5 SELF CHECK EXERCISE

1. What do you understand by Cost Control? Discuss in brief.
2. Define MIS.
3. What do you mean by control aids? Write a short-note.
4. Define budget.
5. Write a brief about internal audit.
6. Write a short-note on Time-Events Network Analysis.

8.6 SUMMARY

'For effective controlling' it is important for a manager to know that what are the areas of control, tools and control techniques? There are a number of devices which help in controlling. These devices have been developed by various management experts and experienced factory managers. These devices, in other words, are commonly known as a control in the budget. There are a number of other control techniques such as managerial statistics, special reports, break-even analysis, internal audit, personal observation, standing rules, orders and regulations, etc. All of these are traditional **control** devices. In order to improve the quality of control, recently certain newer control techniques have been developed like PERT, IIT and Procedures Planning, etc.

8.7 GLOSSARY

- **Logistics system** (LS) is a network of organizations, people, activities, information, and resources involved in the physical flow of products from supplier to customer.

- **Management control system** is a system which gathers and uses information to evaluate the performance of different organizational resources like human, physical, financial and also the organization as a whole in light of the organizational strategies pursued.
- **Management information system** is an information system used for decision-making, and for the coordination, control, analysis, and visualization of information in an organization. The study of the management information systems testing people, processes and technology in an organizational context.
- **Public relations** is a strategic communication process that builds mutually beneficial relationships between organizations and their publics." Public relations can also be defined as the practice of managing communication between an organization and its publics.
- **PERT** stands for Program Evaluation Review Technique. PERT charts are tools used to plan tasks within a project - making it easier to schedule and coordinate team members accomplishing the work. PERT charts were created in the 1950s to help manage the creation of weapons and defense projects for the US Navy.

8.8 ANSWERS TO SELF CHECK EXERCISE

1. For answer to question number 1 refer to section 8.2.
2. For answer to question number 1 refer to section 8.3.
3. For answer to question number 1 refer to section 8.4.
4. For answer to question number 1 refer to section 8.4 (a).
5. For answer to question number 1 refer to section 8.4 (e).
6. For answer to question number 1 refer to section 8.4 (l).

8.9 TERMINAL QUESTIONS:

1. What do you understand by control aids ? Discuss the different control aids and their application.
2. Distinguish between budgetary and non-budgetary controls,
3. Write short note on :—
 - (i) Queuing Theory.
 - (ii) O.R.
 - (iii) Linear Programming,
4. Discuss the concept of break-even point with the help of a diagram.
5. How a master budget is formulated ? Illustrate it with the help of a diagram.
6. Write short note on :—
 - (i) Internal Audit .
 - (ii) Logistic System.

8.10 SUGGESTED READINGS

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LESSON-9

NATURE, IMPORTANCE AND PRINCIPLES OF ORGANIZATION

STRUCTURE

- 9.0 LEARNING OBJECTIVES
- 9.1 INTRODUCTION
- 9.2 SALIENT FEATURES OF ORGANISATION
- 9.3 FORMAL AND INFORMAL ORGANISATION
- 9.4 APPROACHES TO ORGANISATION
- 9.5 IMPORTANCE OF ORGANISATION
- 9.6 PRINCIPLES OF ORGANISATION
- 9.7 SELF CHECK EXERCISE
- 9.8 SUMMARY
- 9.9 GLOSSRY
- 9.10 ANSWERS TO SELF CHECK EXERCISE
- 9.11 TERMINAL QUESTIONS
- 9.12 SUGGESTED READINGS

9.0 LEARNING OBJECTIVES

After studying this lesson you will be able to understand :-

- The concept, meaning, features, types of organisation.
- The importance of Departmentation in an organisation.
- The principles and other aspects of organisation.

In this lesson we shall discuss about Organizing, which is one of the important managerial functions. In this lesson you will find details of the nature, importance and principles of organization.

The present lesson deals with the nature, Importance and principles of organization.

9.1 INTRODUCTION

Nature of Organization:

The term organization has been used in a number of ways. Broadly, the term Organization is used in relation to the management of a business enterprise in two different senses:

- (a) as a process and

(b) as a structure.

In the first sense/Organization is treated as a dynamic process and a managerial activity which is essential for bringing unity and harmony of efforts of people in enterprise in the pursuit of common objective. According to Allen, organization may be defined, "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". Prof. Halpenny defines organization as a process of defining and grouping the activities of the enterprise and establishing the authority relationship among them. "Organization is the framework within which people associate themselves for the attainment of some common objectives which is certainly pre-determined. Organization is one of the significant activities of any management affecting human relations because it determines which people will have authority over others, what work people will do and the types of relationships that they will have.

In the second sense organization refers to the structure of relationships among positions and jobs which are created for the realization of the objectives. In this the static sense of the term organization is concerned with the building, developing and maintaining a structure of working relationships so as to achieve the objectives of an enterprise. According to Koontz and O'Donnell "Organizing involves the establishment of an internal structure of roles through determination and enumeration of the activities required to achieve the goals of an enterprise and each part of it the grouping of these activities, the assignment of such groups of activities to a manager, the delegation of authority to carry them out and provision for co-ordination of authority and of normal relationships horizontally and vertically and in the organization structure'.

From the above discussion, it may be inferred that organization includes the identification of total task of job in the enterprise. Its divisionalisation into various departments/divisions/section/groups, etc. in such a way that every individual in the enterprise gets his work done through delegation and decentralization of authority at various levels to the people for the proper performance of their jobs and holding them responsible for the authority delegated and creation of relationships line, staff and functional. Organization is not only a mechanistic structure of duties, activities and relationships, but it is as well a human organization consisting of diverse social groups. Attitudes, aspirations, likes and dislikes of people play a crucial role in transforming the organization as an organ of productivity and creativity. Human factor must be taken into consideration in framing a suitable organization structure of an enterprise.

9.2 Salient Features of Organization:

On the basis of above discussion on the nature of organization we notice some salient points of steps involved in organizing any business enterprise. These may briefly be noted as below:-

- (1) **Outlining Objectives** : It is the first step in building an organization structure, as the entire structure is to be built around objectives. Objectives should be clear, precise and complete and must be free from any ambiguity or confusion. On the overall enterprise, objectives will depend on the immediate, the short-term and long term objectives, and on these will depend the jobs that will have to be accomplished.
- (2) **Identification and enumeration of activities**: After laying down the objectives, the manager must identify the total task involved for achieving the objectives. Thereafter, the total work (operating and managerial) is broken down into closely related components

activities that are to be performed by each individual. For instance, the total activities of an industrial concern may be broadly divided into production, finance, personnel/marketing including purchases, research and public relations etc.

- (3) **Grouping and assignment of activities:** Activities are grouped according to similarities and common purpose and function into division/department and thereafter, they are further divided into sub-division/ sub-departments and sections/groups, etc. Grouping of this type may be made on various bases such as function (sales, production, personnel marketing, etc.), different products manufactured territorial regions, geographical areas, types of customers, equipment uses, processes adopted, etc.
- (4) **Allocation of fixed duties to definite persons:** Having decided the various activities and their part to be done the next step will be to fix suitable and well-qualified persons into these activities. People will have to get precise duties for which they are held responsible for the performances.
- (5) **Grant of authority for action:** According to nature of duties, proper authority must be granted to the subordinates for enabling them to make work performance. There is to be established a very close relationship between authority and responsibility. Authority without responsibility and responsibility without authority will be useless the delegation of authority to take steps to complete the assigned part of the job is the next step in the organization. For establishing any organization structure, it is clear, therefore that delegation of authority is to be effected in some way or other.
- (6) **Creation authority relationships:** Creation of different authority relationships such as line, staff and functional is also essential for realization of the goals of the enterprise. Line authority is most essential and staff advice has also become more important these days.

9.3 Formal and Informal Organization :

Many people distinguish between formal and informal organization. The formal organization refers to the structure of jobs and positions with clearly defined functions and relationships. According to Chester Barnard, an organization is formal when the activities of two or more persons are consciously coordinated towards a common objective. The formal organization is a system of well-defined jobs, each bearing a definite measure of authority, responsibility and accountability. All this is consciously designed to enable the people of the enterprise to work most effectively for achieving objective. Formal organization is more or less, arbitrary structure to which the individual must adjust. It facilitates the determination of objectives and policies and sets the limits within which people are to work without disturbing the work of others. Formal Organization sets up boundaries and pathways which must be followed.

Informal organization, on the other hand, refers to the relationship between people in an organization based not on procedures, rules and regulations but on personal attitudes, whims, prejudices, like and dislike, etc. For example, an assistant manager in a particular department takes advice and orders from the Managing Director because the former considers the latter to be more sincere and effective, though the rule and procedures require him to consult and take orders from the departmental Manager concerned. Since the informal organization has its basis in the emotions and attitudes of people, management cannot be effective unless it recognises and makes use of the informal organization and realisation of organizational objectives.'

9.4 Approaches to Organization:

To solve the problems and remove the deficiencies of organization, different approaches have been suggested. These fall into three main categories :

- (1) **The Classical Approach**; associated with Taylor, Fayol, Urwick, Breach, etc.
- (2) **The Human Relation Approach** : associated with Elton Mayo and his team of Hawthorn experiments followed by Mary Parker Follet and McGregor, etc.
- (3) **The System Approach** : based on mathematical analysis, econometrics, operations research and other scientific methods.

The classical approach concentrates on determination of objectives, division of work, establishment of formal relationship and adherence of some principles derived from scientific study and experience. The central theme of this approach was the advocacy for separation of planning functions from doing functions. Analysing critically, this approach provided general principles for production, management and improving efficiency of workers but did not emphasise human aspects of the problems.

The human relations approach is of comparatively recent origin dating from the thirties of this century. It studies Organization from the standpoint of behaviour of the people who make it and how, they behave. Advocates of this approach attempt to predict behavior in different organizations and to provide some guidance about organizational arrangements. This approach is based on the findings and methods of studies in psychology, sociology, etc. for the purpose of understanding the organizational behavior. The approach emphasises the organization not merely as a formal arrangement of men and function but as the social system which can be operated successfully only with the application of principles of psychology and other behavior science.

The system approach relies on a system for setting up and running an organization. A system is just a set of interdependent parts which together make, up a consistent whole to perform a specific function. A system can be split into many sub-systems. The system approach consists of the following steps:

- (a) laying down specific objectives,
- (b) finding out sub-systems or main decision areas,
- (c) analysing these areas and evolving their information needs and
- (d) grouping decision areas to minimise the burden of communication.

9.5 Importance of Organization:

The importance of a sound organization for any enterprise or institution can hardly be over-emphasized. Organization sets the relationship between people, work and resources to get productive results. Good organization can contribute greatly to the continuity and success of the enterprise. Good management always concentrates on organizing and directing the cooperative efforts of human beings so as to achieve the best possible results. Organization is definitely the backbone of management through which operation of an enterprise are run. It is not an end in itself, but it is means by which problems of any enterprise connected with policies and programmes can be efficiently executed. Sound organization facilitates administration of any business enterprise, encourages growth and diversification and helps to improve the operation of the business as a whole. In brief, significance of organization in any business may be discussed as below:

- (1) ***It Facilitates Administration*** : A properly designed organization helps both management and operation of the enterprise, while inadequate organization may not only discourage but deteriorate effective demonstration. Poor organization may result in delay and duplication of work. Organization increases managerial efficiency. By analysing the enterprise objectives all pertinent activities are spelled out in order of their importance and assigned to different people and their duties fixed. It helps to add certainty and promptness in the performance of work without any shirking of responsibilities by the subordinates. Sound organization of authority is very important in implementing the plans and policies. By proper division of labor consistent delegation and clear job definition, the organization structure creates authority and responsibility relationship.
- (2) ***It facilitates growth and diversification*** : Organisation helps to consolidate growth and expansion of enterprise, it is the organizing practices that have encouraged the business enterprises to expand the sizes to an ever increasing level. Many giant enterprises are results of organizing function of management. Some types of organizations are ideally suited to the small enterprise in its early stage of growth the same structures may prove inadequate as expansion and diversification take place.

Organization structure, therefore, is built up in such a manner that whenever it faces problems due to expansion and growth, it can bring desired changes.. Realising the need for organization change to accommodate expansion and diversification, the enterprise must follow policy of decentralisation by establishing departments, section and groups of activities.
- (3) ***It provides for optimum use of technological improvement*** : New technological developments increasingly influence the need for sound organization structure so as to accommodate new improvements in the scientific and technological fields, Automatic techniques and data processing controls are now being evolved which require high cost of installing, operating and maintaining. Naturally, it requires proper organization which gives due emphasis on centralisation and decentralisation through which technological change can be utilised for achieving the desired objectives.
- (4) ***It ensures an optimum use of human resources*** : The organization structure can greatly affect the people of the enterprise, the organization has often been considered a problem of how to arrange work most efficiently with subsequent adaptation of people to work being done. Because of the detailed job specification right persons are placed, in the right position on the basis of their knowledge, skill and experience which facilitates them to do their job very smoothly. By matching jobs with individual and vice-versa, organization enlists the benefit of -both functional and occupational specialization.
- (5) ***It stimulates creativity***: Sound organization stimulates independent creative thinking and initiative by providing well defined area of work with sufficient freedom of development of new and improved ways of doing things. Some people feel that organization restricts and hinders the activities of the people, but this is not true, properly conceived the organization structure will demand creative results from creative people and will drain out routine and repetitive work to supporting position. By establishing clear-cut accountability, sound organization provides recognition of the professional and the specialist in terms of their achievement.

- (6) **It facilitates coordination in the enterprise:** Different department, division, section, jobs and positions, etc. are welded together by structural relationship of the organization. It will be difficult to achieve objective without structural relationship of the people and their work. By divisionalisation/departmentation of activities, a greater attention can be given on some more important jobs/tasks. Organization thus, places proportionate and balanced emphasis on various activities.
- (7) **It provides scope for training of and developing managers :** One of the important tasks in organizing is organization planning and management development programmes. The organization structure has strong influence on the development of managers. Managers, at different levels are always trained, developed and tested for assuring greater responsibilities or meeting new demand of managerial position. If the organization is to survive beyond the life of existing manager. There is bound to be proper management, development and training.

At the end it may be concluded that organization disposes conflicts between individuals, prevents duplication of work, makes communication easier through keeping the channels clear provides, a sound basis for appraisal and rating of individual performance and capabilities and helps in salary and wage administration. It also increases cooperation and feeling of freedom because each person works best with others when he knows "for what he is responsible, to whom he is responsible, and the value of cooperative relationship with others.

9.6 Principles of Organization:

For involving a sound organization structure, some principle must be followed. The success or failure of an organization would be known by its result. It is sound and effective. If it is able to achieve the desired objectives and it will fail otherwise. For a systematic approach to the formulation of organization structure there must be a body of accepted principles, that it is to say a set of agreed basic factors which will determine the effectiveness of an organization structure. Although as yet no agreed body of principles has emerged which can have the firm force of exact law, there is a large unanimity of opinion among those who have given thought to the subject. Following are the few principles of organization which need mention here:

- (1) **The Principle of Objective :** The organization structure is to be linked with clear definition of objectives of the enterprise which may be either explicit or implied.
- (2) **The Scalar Principle:** There must be clear lines of authority running from the top to the bottom of the organization. Authority should be delegated from top to bottom as far as possible. Clarity is achieved through delegation by steps of levels from the leader to the working level, from the highest executive to the employee who has least responsibility in the organization. This the of authority is sometimes referred to as "the chain of Command" or "Scalar principle". It is the vertical division of authority.
- (3) **The Principle of Unity of Command:** No one in the organization should report to more than one-line superior: Everyone in the organization should know to whom he reports and who reports to him. This is known as the "Unity of Command" principle. Dual subordination must be avoided. One subordinate should get order's and instruction from only one boss (superior). This principle is generally violated in the enterprises, The problem is that the harassed individual who receives orders from several superiors is faced with difficulty such as

whose orders to follow first, how to allocate his time so as to displease none and satisfy all what to do if he receives conflicting orders from different corners. The poor subordinate is afforded an excellent opportunity to avoid work by explaining to one superior that he cannot accept mere work as he is busy carrying out assignment given by another superior.

- (4) **The Principle of 'Authority' and Responsibility:** The responsibility and authority of each superior should be clearly defined. Putting his responsibility into writing enables the superior himself to know what is expected of him and the limits of his authority. It prevents overlapping of authority and avoids gaps between responsibilities, which ultimately enables quick determination of the proper point for decision. The responsibility should always, be coupled with corresponding authority. Those given authority, unless they are held accountable, may easily become dictators. The responsibility of higher authority for the acts of its subordinate is absolute. Another way of explaining it is that although a superior delegates authority, he still remains responsible for what is done by those to whom he has delegated it. Accordingly, the superior cannot disassociate himself from the acts of his subordinates. The number of levels of authority should be kept at a minimum. The greater number of levels the longer is the chain of command and longer it takes, or instructions to travel down and for information to travel up and down within the organization.
- (5) **The Principle of Specialisation:** The work of every person in the organization should be confined as far as possible to the performance of a single leading function. This is known as the 'principle of specialisation'. It applies to departments and divisions as well as to individuals, it concerns delegation of authority horizontally, rather than vertically, as in the case of the scalar principle. Total activities in the organization are divided according to function and every department/division is made responsible for each. There may be functional division according to the kind of work to be done, such as production, finance, marketing and personnel, etc. or on some other basis. In organization which have been allowed to grow without design, on the basis of specialisation, individuals are frequently found who are performing two or more unrelated duties. It is not considered a good organization if, there is a combination of all related assignments.
- (6) **The Principles of Span of Control:** There is a limit to the number of persons (subordinates) that can be supervised by a superior. This is known as 'Span of Control' or 'Span of Supervision' or more appropriately, 'Span of Management'. The Span of control is rarely uniform throughout the organization. At the levels, where position are interdependent and dissimilar, many organization specialists urge that the Span of Control should not be more than five to six subordinates. At the lower supervisory level, organization specialists suggest that the Span of Control should be twenty to twenty-five subordinates. All attention has been given to the human relations aspects of the superior's responsibilities, there has been a tendency to shorten the span of Control even at the lower level. While a supervisor might be able to supervise the work of twenty, twenty-five persons he might not give them individual attention and may not have time to communicate information on company policies, listen to their suggestions or grievances, team the cause of poor performance. For these reasons the Span of Control should as far as possible be minimum. The Span of Control depends on the factors, which are :

- (a) The similarity and dissimilarity of the subordinate position and how interdependent they are.
 - (b) How far the people and activities are apart geographically,
 - (c) The complexity of the duties of each of the positions to be coordinated.
 - (d) The stability of business.
 - (e) The frequency with which new types of problem arise.
 - (f) The capability of subordinates to be supervised.
 - (g) The supervisor's ability also determines the Span of Control. When the ability is high, a large number of subordinates can be supervised while the poor ability results in limiting the Span of Supervision,
 - (h) Nature and importance of work supervised. The work involving routine operation does not require much attention and time on the part of supervisors.
 - (i) Degree of decentralization also decides the Span of Control :. As the executive is free from the task of taking many decisions because of higher decentralization, he can successfully supervise a large number of subordinates.'
- (7) **The Principle of Exception:** There should not be concentration of decision making at higher level. Less important decision making and routine matters should be delegated at the lower levels and only most important matter should be tackled at higher level. This is called the principle of exception.
- (8) **The Principle of Unity of Direction:** 'There should be one plan, objective or goal for each group of people so that their efforts are directed towards those objectives.
- (9) **The Principle of Flexibility :** The organization should be flexible, so that it can be adjusted to changing conditions. The organization structure, should permit expansion and contraction without disrupting the basic design.
- (10) **The Principle of Simplicity :** The organization should be kept as simple as possible. Too many levels of authority, as has been noted, make communication difficult and impede rather than achieve coordination.
- (11) **The Principle of Definition:** The content of every position should be spelt out clearly so as to indicate the nature of duties and the organizational relationship with other position.
- (12) **The Principle of Balance:** For effective grouping and assigning activities, this principle calls for putting balance and emphasis on all factors and adjusting their conflicting claims through analytical study and objective judgement
- (13) **The Principle of Continuity :** The organization must evolve measures for continuous existence of the enterprise through redefining objectives, adjusting plans, reorganizing structural components and developing future managers in the context of every changing business environment.

9.7 SELF CHECK EXERCISE

1. What do you understand by organisation? **Discuss** in brief.
2. Discuss in brief the salient features of organisation.
3. Write a short-note on system approach.
4. Discuss in brief the principle of authority and responsibility.
5. Write a short-note on span of control.

9.8 SUMMARY

Organisation deals with the whole task of business. The total work of the enterprise is divided into activities and functions. Various activities are assigned to different persons for their efficient accomplishment. This brings in division of labour. It is not that one person cannot carry out many functions but specialisation in different activities is necessary to improve one's efficiency. Organisation helps in dividing the work into related activities so that they are assigned to different individuals. An organisation consists of various positions arranged in a hierarchy with well defined authority and responsibility. There is always a central authority from which a chain of authority relationship stretches throughout the organisation. The hierarchy of positions defines the lines of communication and pattern of relationships.

9.9 GLOSSRY

- **Formal Organization** is an organisation in which job of each member is clearly defined, whose authority, responsibility and accountability are fixed.
- **Human relations approach** is also known as New Classical approach. **Elton** Mayo termed it Clinical approach. It attempts to explain the informal relations among employers and employees are concerned with moral and psychological rather than legal aspects of an organization.
- **Informal Organization** is formed within the formal organisation as a network of interpersonal relationship when people interact with each other.
- **Organisation** is a group of people who work together. Organizations exist because people working together can achieve more than a person working alone.
- **Organising** is the process of defining and grouping the activities of the entire process and establishing the authority and relationship among them" Organising in management refers to the relationship between people, work and resources used to achieve the common objectives organizing in management.

9.10 ANSWERS TO SELF CHECK EXERCISE

1. For answer to question number 1 refer to section 9.1.
2. For answer to question number 2 refer to section 9.2.

3. For answer to question number 3 refer to section 9.4.
4. For answer to question number 4 refer to section 9.6 (4).
5. For answer to question number 5 refer to section 9.6 (6).

9.11 TERMINAL QUESTIONS

1. Discuss the nature and importance of organization.
2. Enumerate some of the more important principles of organization.
3. Explain the principle of "span of control."
4. Write short notes on :—
 - (i) The scalar principle.
 - (ii) The principle of unity of command.

9.12 SUGGESTED READINGS

- Prasad, L M, "Organisational Behaviour" Sultan Chand and Sons, 2011.
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LESSON-10**ORGANIZATION STRUCTURE****STRUCTURE**

- 10.0 LEARNING OBJECTIVES
- 10.1 INTRODUCTION
- 10.2 MEANING OF ORGANISATION STRUCTURE
- 10.3 BASES OR PATTERNS OF **DEPARTMENTATION**
- 10.4 COMPOSITE ORGANISATION STRUCTURE
- 10.5 PREPARATION FOR DEPARTMENTATION
- 10.6 FACTORS IN PREPARATION FOR DEPARTMENTATION
- 10.7 ASSIGNMENT OF ACTIVITIES
- 10.8 ISSUES IN ASSIGNING ACTIVITIES
- 10.9 GUIDELINES IN ASSIGNING ACTIVITIES
- 10.10 SELF CHECK EXERCISE
- 10.11 SUMMARY
- 10.12 GLOSSARY
- 10.13 ANSWERS TO SELF CHECK EXERCISE
- 10.14 TERMINAL QUESTIONS
- 10.15 SUGGESTED READINGS

10.0 LEARNING OBJECTIVES

After studying this lesson you will be able to understand: -

- The concept, meaning, composition of organisation structure.
- The patterns, preparation and factors of **departmentation**.
- The assignment, issues and guidelines in assigning activities.

10.1 INTRODUCTION

After having discussed organization. Its meaning, importance and principles in the previous lesson. We will now discuss other facts of organization structure. In the first part of the lesson, we will understand organization structure very briefly. Therefore, we will discuss the departmentation, which forms the very basis of organization structure of any enterprise. The various 'basis' of departmentation

have been discussed in detail, as also the various factors which guide the departmentation. In the second part of the lesson, you will know about the assignment of activities which further facilitates departments of organization. The various issues involved in the assignment of activities have also been discussed.

10.2 MEANING OF ORGANIZATION STRUCTURE :

The structure of an organization is the arrangement of departments and of work assignments to department. As you have seen in the earlier lesson, departmentation or division of the total activity into various self-contained units is the important point in organization. Now, we shall discuss the salient points of departmentation, its basis and factors basic to the sound departmentation.

You have already noticed that organization involves the dividing and grouping of the work to be performed in the enterprise on some logical basis so that team spirit can be developed. This grouping of activities into units for the purpose of administration is called departmentation or divisionalization. Departmentation is a means of dividing the large monolithic functional organization into smaller flexible administrative units. Divisionalized structure is formed by creation of a series of relatively small autonomous units at the periphery of the organisation. A Department is a distinct area of activity over which a manager has been given authority and for which he has accepted responsibility. The manager has a great number of alternatives as to how he can group these activities.

Departments comprise a framework for an organization and are an agency of management. This structuring enables management to expand an organization indefinitely without collapse. Grouping activities and employees into departments makes it possible to expand organization to an indefinite degree. Departmentation can provide a necessary degree of specialization of executive activity for efficient performance. It can simplify the tasks of management within a workable span. It can provide a basis on which top management can co-ordinate and control the activities of sub-units.

There are three basis for primary grouping of activities at the second level of the organization just below the top level. Units at this second level are commonly called departments when enterprise functions are adopted as the basis of grouping activities. Such units go by the name of division when either products manufactured or geographical territories are adopted as the basis of classifying activities. There are two approaches to departmentation..... "top-down" and "bottom-up" approaches. In the former one activities are divided step by step downward from 'chief-executives' job to operative job. In the latter one, the division of activities is carried out in the reverse order. Starting from operating job, there arise sections from combining some correlated jobs, departments from combining some sections, and finally the chief executive position from putting departments together. While the top-down approach gives emphasis on co-ordination and managerial action, the bottom-up approach focuses attention on employee's performance, in practice however, both the approaches are used for departmentation.

10.3 BASES OR PATTERNS OF DEPARTMENTATION :

After understanding the meaning of departmentation or divisionalization, you should know the basis methods or patterns of departmentation or of dividing responsibilities within an organization structure.

These are mentioned below:

(1) **Functional Basis:** A widely accepted practice of departmentation is to group activities in accordance with the functions of the enterprise. Broadly, the enterprise functions may be divided into production, distribution (marketing); finance, personnel, research and public relations, etc.

Production and marketing are ordinarily treated as basic functions of any enterprise while others mentioned above are treated as secondary: supporting or service, functions. Generally enterprises are departmentalized on the basis of these functions. Almost every enterprise being its 'existence' with a functional organization structure. It is the best type of organization, structure for a new and smaller enterprise, in the beginning functional type of organization structure is most logical to a new enterprise.

Departmentation by enterprise function means to group all the work to be done into major functional departments. Basic and main functions such as production and marketing should be given higher organization status than the status enjoyed by service functions like personnel and R and D. Besides the size and the nature, the volume of business has an important bearing in creating departments; Whenever activities are grouped into major functional departments, they will naturally be located in the organization structure at the primary level, while minor functional departments may be found anywhere below the first level.

Functional classification is the usual choice of smaller enterprise for creating major departments. Large-size enterprises also adopted this pattern at some point of their organization structure. Their first choice is for divisional pattern based either on product lines or on geographical areas. The traditional emphasis on functional classification has been shifted in recent years by two reasons. One is the growing importance of team-work at the executive level for facilitation coordination and the other is the requirement of job enlargement at the operating level for securing individual motivation.

Functional departmentation has many advantages and disadvantages as well. The most important advantage is that functional departmentation is a logical reflection of function in the enterprise. It maintains power and prestige of basic and major functions, it follows the principles of specialization. It also facilitates the effective utilization of man-power, facility of inter-departmental co-ordination and economy of operation, it is a good means of tight control at the top.

When the enterprise grows in size and diversity, the functional departmentation turns into many disadvantages. It may lead to excessive centralization, delay in decision making, and unsatisfactory handling of diversified product lines. It also makes effective control defective. The production department may produce many products but it is very difficult, if not impossible, to single out the cost of any one product. Another disadvantage is that it does not offer a good training ground for all-round manager. A manager in functional structure has little opportunity to learn to manage the entire range of different functions. The entire responsibility lies for profits at the top only.

(2) Products Basis : To departmentalise on a product basis means to establish each product or groups of closely related products in a product line as a relatively autonomous and integrated unit within the overall organization of choice when maximum emphasis is to be placed on product expansion and diversification and when the product and market characteristics are favorable. Under product departmentation, an executive will be in charge of and responsible for all activities relating to a particular product. He will have extensive authority over the manufacture, sales, service and other functions which relate to this particular product or products or product line. Products or services may be made the basis or major divisions by a departmental store, a booking concern and an Insurance Co. Again manufacturing and marketing concern may divide their activities on the basis of product.

Like functional departmentation, product departmentation has also its merits and demerits. The first benefit of product departmentation is that it permits to make maximum use of specialization in

technical skills, managerial knowledge and capital equipment. It also allows a division into small administrative units which encourage and help in expansion, improvement and diversification of product. It places responsibility for profits at the division level and, therefore, divisional managers are very cautious in their efforts. Product departmentation improves co-ordination of functional activities and furnishes training ground for general managers. It ensures growth and diversity of products and services.

The demerits of product departmentation include the duplication of services functions required at the top and operating levels of the organization and wasteful use of equipment. This results in increased managerial cost which prevents many small and medium size enterprises to adopt this basis for departmentalising their activities. It also presents increased product top management control. Enterprises that operate with products divisions should take care and control at the top level so that entire enterprise does not disintegrate.

(3) Territory Basis: Territorial or geographical departmentation involves grouping of the primary activities of the business in terms of the geographical regions or area to be served. The territorial department becomes a relatively complete administrative unit in itself, capable of catering to the needs of the region which constitutes its boundaries; The pattern of departmentation is generally found in physically dispersed enterprise where the various branches produce the same goods or perform similar services at the various location. This basis is possible when the needs of customer or the characteristics of the products, can best be satisfied on a territorial departmentation permits the manager to take into consideration particular local circumstances which would be overlooked if the activities were departmentalized on functional basis.

Territorial departmentation is particularly attractive to large scale enterprise or other enterprise whose activities are geographically spread, this pattern is good when its purpose is to encourage local participation in decision-making and take advantage of certain economics of localised operation. The characteristics of the market to be served is an important consideration for departmentation.

It has almost similar advantages and disadvantages that are found in departmentation by product. The territorial department is capable of serving the local market with greatest effectiveness. Being nearer the market and becoming familiar with local condition, this pattern of departmentation helps to cater to the needs of the local people more satisfactorily. Economy in transport cost, local supply of raw-materials or services and convenience of supervision makes significant contribution towards lower cost of operation. Departmentation on this basis places responsibility, at lower levels and emphasis on local markets* and its problems. It improves coordination in region and takes economics of local operation. It also provides better face-to-face communication with local interest and furnishes measurable training ground for general managers. From many indications; this kind of departmentation has obvious advantages in enterprise engaged in insurance, telephone, oil, railroad and daily activities, etc.

The main disadvantage of organizing geographically is that it requires more persons with general managerial abilities and therefore increase the problem of top management (headquarter) control. It also leads to duplication of many services which could be performed centrally in a function organization.

(4) Processes and Equipment Used Basis: Manufacturing enterprise very often adopted the grouping of their activities on the basis of processes involved or the type of equipment used. Similar machines are grouped into separate sections; that are utilized for a distinct operation of the job. For instance, lathe machine, drill machine, grinding machine and milling machine are placed in each separate unit. In offices work also, this basis of grouping activities has become very common, e.g. filing department, mail handling department, duplicating department and soon.

One of the common examples of equipment departmentation is the existence of electronic data processing departments. As installations become more expensive and complex and have ever increasing capacities, they have tended to be isolated in a separate departmentation. Large-sized enterprises can afford such type of departmentation because it is very costly. Departmentation by process or equipment is generally decided on the basis of cost, that is maintain economic considerations.

(5) **Customers Basis** .-The grouping of activities to reflect a supreme interest in the customer is called customer departmentation and it is found in a variety of enterprise. Businessmen frequently arrange activities on this basis to cater to the requirements of clearly defined customer groups. The special and widely varied needs of customers for clearly defined service compel businesses to departmentalise their activity on this basis. Departmental stores are generally departmentalised in some respects to customers in addition to their typical product grouping. There is also bound departmentation classifying customers according to their age or income, etc. For example, a restaurant may serve drinks and costly eatables on the first floor thus catering to the needs of rich customers and there may be cafeteria for the less well-to-do customers on the ground floor.

Considering the problem on which functions are departmentalised on customer, it may be said that in most cases it is the marketing activity which is grouped along customer lines. A salesman who is only to deal with industrial users is better able to deal with them if he would also deal with distributors and Institutional customers. The various groups of customers have different needs to which the enterprise must cater. However, there is practically no departmentation along customer lines. When it comes to the production function of an enterprise. It is possible that various customers may demand different types of a product, but this should result in a departmentation by product within the production operation rather than by customers.

Customer departmentation is not enjoyed without certain drawbacks. There may be the difficulty of coordination between this type of department and those organised on other basis, with constant pressure from managers of customer departments for special treatment. Another disadvantage is the possibility of underemployment of capabilities and manpower specialised in terms of customer groups. However, in some cases these disadvantages are overshadowed by the advantages of customer departmentation. The underlying thought is that by catering to the special and individual needs of the customer, the enterprise may have much to gain.

(6) **Time Basis** :One of the oldest forms of departmentation, normally used at the lower levels of organization, is to group activities on the time basis. The use of shifts, e.g. day shift or night shift, is common in many enterprises for economic, technological or any other reasons: thenormal work day will not satisfy needs. To cope with the volume and rush of work, the activities may be departmentalised on time basis. No doubt these activities are similar and often the same as those which are performed during the regular working shifts. Despite this, these activities are departmentalised by time. Such groupings create serious organizational problems of how self-contained each shift should be and what relationships should exist between the regular shifted and special shift executives. This type of departmentation is generally found in the production of the enterprise.

(7) **Marketing Channel Basis**: One of the new forms of basic departmentation is to organise an enterprise around channels of marketing. It is not uncommon for the same product not to be sold through widely different marketing channels. This may appear to be customer departmentation and in many respects it is similar to that. The essential point in this departmentation is the marketing channel-used and the customer himself.

It is reasonable to expect that basic departmentation around marketing channels may increase as time passes, like all types of organization pattern, the purpose of any grouping of activities must be to facilitate successful operation to create an environment for effective performance.

10.4 A Composite Organization Structure :

Departmentation is not an end in itself. In the grouping of activities, the main concern of the executive should be to set up departments that will enable the realisation of the enterprise objective. For this purpose, the manager will have to use many guides for departmentation. Because each method of departmentation has its own advantages and disadvantages; the manager must balance the gains derived from one kind of departmentation as against the disadvantages of another. In practice, therefore, most enterprises have composite organization structure.

The departmentation of activities should be done in such a manner that coordination is possible for the realisation of the objectives. Once the major departments have been created with the help of functions, territory, product, customers or any other basis, sub-departments may be created by any one of basis discussed above. In fact, sales activity is generally grouped on one basis while manufacturing and other activities can be divided on different bases, it is possible that within the selling function, the departments are first organised on territory basis, then at the bottom of the line the selling function can be regrouped on customer's basis.

10.5 Preparation for Departmentation:

Departmentation is no universal remedy for solving all organization problems. It is a radical procedure which involves dismemberment of the existing organization structure, institution of far-reaching changes in the social grouping which have developed and frequently, physical separation of the component part of the enterprise. It is to be accomplished successfully, it should be treated as a major task otherwise it may create more problems than it solves. Before reorganization takes place, departmentation requires proper administrative preparation. They include provision for decentralisation, coordination, controls management development and many other factors which are to be considered for having sound departmentation of an organization.

10.6 FACTORS IN PREPARATION FOR DEPARTMENTATION:

- (1) **Specialisation** : DEPARTMENTATION should be such as to yield the advantages of specialisation which is the most commonly recognized characteristic modern enterprises. Benefits of specialisation, should be secured by way of functional and occupational specialisation. The skill that is acquired through experience in a particular job becomes a speciality on the part of employees and such speciality ensures successful operation.
- (2) **Control**: Departmentation should simplify the manager's task of control. It may have a direct bearing on Independence of checks, clear-out accountability. As a general rule one activity intended to serve as a check on another should be under a separate executive, physical convenience of supervision should be kept in mind as aspect of control while grouping activities. For setting performance standards and comparing results, the establishment of two or more parallel operating unit is of great help. In exercising control, encouraging healthy competition and improving performance.

- (3) **Coordination** : Quite different activities may be grouped under a single executive because they need to be coordinated for effective performance. Activities having a specified common objective are to be assigned to the same department for coordinated action.
- (4) **Securing Attention**: An activity which is considered to be the basis to the success of an enterprise may be given greater attention than others and may, for this purpose, be placed in a separate department and also at a higher level in the administrative hierarchy according to its importance.
- (5) **Recognition of local Condition** : The departmentation should take into consideration local conditions at the places concerned e.g. the places of individuals who will 'make the organization, the pattern of informal relationships among the people or the need to combine activities into full-time jobs.
- (6) **Economy** : The expenses involved in creating departments for any activity is an important factor that should be considered. But too much importance can not be attached to this factor because the least expensive arrangement is not necessarily the best one if it is relatively ineffective.
- (7) **Human Consideration**: An organization has a social aspect in addition to its technical aspect, human consideration also has some bearing on departmentation. The availability of competent managers, the existence of informal groups and the employee behaviour and attitude will have a significant influence on the way the activities are departmentalised in an organization structure.

10.7 ASSIGNMENT OF ACTIVITIES ;

There is another very important part of organization structure, which is known as assignment of activities. There are some activities that defy logical and practical classification on the basis of functions, products, territory etc., that we have already discussed in the first part of this lesson. Requirements of coordination, economical operation and effective performance dictate the assignments of such activities to different places of organization structure. Even after the manager has decided to follow any basis of departmentation (already discussed as above), there are still many questions left as to exactly which activities belong in each grouping. There are many questions about what should be included and where to draw the dividing line between two closely related activities. Any successful manager will have to classify questions of this nature much more than he will have need to establish major departments. Any enterprise of dynamic character may find it difficult, if not impossible in assigning a new activity and shifting an old one. The various factors of departmentation that we have already discussed in the beginning of this lesson, do not provide much guides for dealing such types of question. The manager must have additional bases on which he makes allocation of various activities i.e. where to assign a new activity and where to shift an old one.

10.8 ISSUES IN ASSIGNING ACTIVITIES:

There are three fundamental issues involved in assigning activities to a particular department. First is the need to identify and determine whether to recognise those activities where analysis is required in order to recognise these activities which are essential to the realization of the enterprise objective. Second is the decision to combine the recognized activities as to realise efficient performance and balanced operation without increasing the number of management levels, Each major department consists of a combination of subsidiary activities narrower in importance. This is the need for guides or

principles whereby activities may logically be combined. There are two main principles of techniques or assigning and allocating activities:

- (a) Similarity of functions and
- (b) closeness of association.

There Two Terms Need Some Explanation :

Similarity of functions is useful primarily as a basis for classifying activities at the lower levels of the organization structure where duties are not yet highly differentiated. Grouping of typists into a general typing pool is an example. The basis purpose of this principle is to secure full benefits of specialisation.

The association of activities merely on the ground that they are dissimilar would, of course, be inconveniences. The diversity must be of a particular kind and there must be very good reasons for using it as basis for grouping. Such reasons are found to the guides for assignment of activities by intimate association. Which occurs when diverse activities are so closely-related in the achievement of departmental purpose that they are carried out most effectively when grouped in the **same** organizational unit.

10.9 ASSIGNING ACTIVITIES:

There are certain guiding principles of key factors in assigning activities which may briefly be examined as below :

- (1) **Assignment by 'Most Use':** This principle indicates that a given activity will be placed in that department which makes most use of it. Such functions as traffic process engineering and purchasing are very often placed in production department. Cost accounting may be assigned to the production department rather than to accounting department of the grounds that it is most used there. This principle of most use is widely practised because it is simple, logical, sensible and probably the most economic.
- (2) **Assignment by 'Executive Interest':** An activity may be assigned to a particular manager if he is particularly interested in it and has the capacity and ability to direct it intelligently with success. Sometimes, a certain activity is of special interest to a manager and he probably best able to direct it. This particular has been found that an activity is usually assigned to the one who proposed it and supports its adoption strongly on the assumption that he has the greatest interest in its turning out to be successful.
- (3) **Assignment by 'Policy Central':** Policies have been defined as a broad guide to thinking for the executives. It is of great importance to the enterprise that the policies are interpreted in such a way that they reflect the intention of those who formulated them. In assigning activities, therefore, the manager will base his decision of where to assign a particular activity on the criterion of where the policy will best be interpreted and reflected. For example, credit and collection may, as a matter of policy of control be placed in the finance department rather than in the sales department. ...
- (4) **Assignment by 'Competition':** Encouraging competition between departments/divisions and other units enables the enterprise to make comparisons that greatly help in control. For example, similar measures of efficiency can be applied to the domestic and foreign sales department of company. From such records as cost of sales, gross profit, etc. the manager is able to compare the relative efficiency of competitive enterprise. If two sister

units begin to compete undesirably to the detriment of the enterprise as a whole, both might be placed under the charge of one executive so as to eliminate unhealthy managerial friction.

- (5) **Assignment by Coordination** : Coordination is an important point a manager must keep in his mind when he performs his organising function. It follows therefore, that the achievement of coordination is an important consideration in assigning activities to various departments. If the need for coordination becomes the deciding factor, different activities may be grouped under a single executive because they must be closely coordinated. For example, in a departmental store, the departmental manager is not only responsible for making purchase of various goods but also for their sale. In view of this these two activities should be assigned to him in order to achieve close coordination. If these two activities were put under separate authorities, the selling could tell its failure on the ground that the goods were not purchased properly and buying would reply that the goods were all right but that the lack of sales was due to poor salesmanship.
- (6) **Assignment by Supervision** : In these cases, activities are assigned with the thinking that the supervision can be performed with most ease. The executive on the spot can supervise activities more efficiently than an absentee executive ever more efficient.
- (7) **Assignment by Independent Check** : Assignment by independent check means that one activity intended to serve as a check on another should be placed under a separate executive and it must not be placed under department whose activities it checks. This principle is very useful particularly in assigning activities at lower levels.

The various guides which have been highlighted above for assigning activities may present a problem to the manager to make a choice of these guides. The manager must assign activities so as to provide an optimum arrangement under prevailing circumstances. The correctness of the guide chosen and the good judgement with which it is applied certainly lead to good and sound organization structure.

10.10 SELF CHECK EXERCISE

1. Discuss in brief the meaning of organisation structure,
2. Write a short-note on Time Basis Pattern of departmentation.
3. What do you understand by assignment of activities? Discuss in brief.
4. Write a short-note on composite organisation structure.
5. Define policies.

10.11 SUMMARY

An organisation structure is a framework within which managerial and operating tasks are performed. This is because it defines the extent of management or the span of management. In other words, it specifies authority by clearly stating the subordinates to a superior and to whom the superior is subordinate himself. In effect, this highlights the levels of management in an enterprise and allows for correlation and coordination among individuals. Talking about the significance of an organization structure, it facilitates growth and changes within an enterprise. As a matter of fact, an enterprise with a static structure and thus resistance to change can soon go out of fashion in the dynamic business

world. Thus it is important to realise that an enterprise needs a change in the organisation structure whenever it expands and grows in complexity. Also, an efficient organisational structure facilitates smooth business operations. Lastly, it also facilitates coordination and regulation of responsibilities within the enterprise. Consequently, this enables the enterprise to function as an integrated unit.

10.12 GLOSSARY

- **Competition** is the rivalry between companies selling similar products and services with the goal of achieving revenue, profit, and market share growth. Market competition motivates companies to increase sales volume by utilizing the four components of the marketing mix, also referred to as the four **P's**.
- **Composite organization** blends the functional, matrix, and **projectised** types of organizations. A composite is just two or more models that are adapted for a special project, for simplicity, or to keep power in check. Most modern businesses are of the composite type.
- **Departmentation** means division of work into smaller units and their re-grouping into bigger units (departments) on the basis of similarity of features. Each department is headed by a person known as departmental manager.
- **Organizational structure defines** how activities such as task allocation, coordination, and supervision are directed toward the achievement of organizational aims.
- **Territory management** is a customer group or geographic area over which either an individual salesperson or a sales team has responsibility. These territories are usually defined based on geography, sales potential, its history or a combination of these factors.

10.13 ANSWERS TO SELF CHECK EXERCISE

1. For answer of question number 1 refer to section 10.2.
2. For answer of question number 2 refer to section 10.3.
3. For answer of question number 3 refer to section 10.7.
4. For answer of question number 4 refer to section 10.4.
5. For answer of question number 5 refer to section 10.9.

10.14 TERMINAL QUESTIONS

1. Define departmentation. Discuss the various bases for departmentation; explaining their merits and demerits.
2. In what respects departmentation is different from decentralisation ? Give suitable examples.
3. Are there any guides to the assignment of activities of departments ? If so discuss them.
4. Write short notes on :—
 - (i) a composite organisation structure.
 - (ii) assignment of activities.

10.15 SUGGESTED READINGS

- Prasad,LM, "Organisational Behaviour" Sultan Chand and Sons, 2011.
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LESSON-11**ORGANISATION BEHAVIOUR****STURCTURE**

- 11.0 LEARNING OBJECTIVES
- 11.1 INTRODUCTION
- 11.2 MEANING OF ORGANISATION BEHAVIOUR
- 11.3 BEHAVIOUR: A CONCEPT
- 11.4 SKILLS OF A MANAGER
- 11.5 INGREDIENTS FOR EFFECTIVE HUMAN SKILLS
- 11.6 HUMAN BEHAVIOUR
- 11.7 MOTIVES
- 11.8 GOALS
- 11.9 EMERGENCE OF ORGANISATION BEHAVIOUR
- 11.10 ETHICAL ISSUES IN ORGANISATION BEHAVIOUR
- 11.11 CONTRIBUTING DISCIPLINES
- 11.12 PRINCIPLES OF ORGANISATION BEHAVIOUR
- 11.13 CHALLENGES AND OPPORTUNITIES FOR ORGANISATION BEHAVIOUR
- 11.14 SELF CHECK EXERCISE
- 11.15 SUMMARY
- 11.16 GLOSSARY
- 11.17 ANSWERS TO SELF CHECK EXERCISE
- 11.18 TERMINAL QUESTIONS
- 11.19 SUGGESTED READINGS

11.0 LEARNING OBJECTIVES

After studying this lesson you will able to understand: -

- The meaning, concept and aspects of organisation behaviour.
- The concept of behaviour, motives, goals.

- The emergence and ethical issues in organisational behaviour.
- The disciplines contributing in the field of organisational behaviour.
- The principles, challenges and opportunities for organisational behaviour.

11.1 INTRODUCTION :

We are fast becoming a part of new era of management. 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 relations, flexible work structures and more. High productivity and high quality of work-life are going hand in hand. The management is becoming more and more aware that an organisation has no life but for people in it. A lot of changes have taken place since Frederick Taylor's scientific management principles, where the emphasis was on productivity rather than people. While these principles were considered to be valid and valuable and gained a considerable attention by the industrial world at that time, the Hawthorne experiments of the late 1920s shifted focus from productivity to people and it was recognised that productivity, as a by-product, automatically increased when workers were truly happy with their jobs.

The field of organisational behavior took roots and considerable research and study focussed on the human behaviour in the work environment. Even though, intuition and common sense can help us understand, predicting and controlling human behaviour, these are poor substitutes for systematic and analytical approach to the field. Organisational behaviour is the study of individual and group behaviour in work settings. The study, complex as it is, has acquired new dimensions with the dynamic social and technological changes of the past two decades. Changing demographics, cultural diversity, more educated work force and awareness of rights and privileges and promoted a new look at the entire organisational, structure and systems.

A well known fact that the success of any organisation is a direct reflection of its managerial efficiency and effectiveness. A well managed organisation can survive and even prosper during the most difficult economic times. Badly managed companies declared bankrupt even during economic upturns. Even though, organisational effectiveness depends upon a number of factors such as general state of the economy, management and the chosen field.

Organisation, according to Gary Johns, "are social inventions for accomplishing goals through group efforts." This definition, though simple, covers a wide variety of groups such as businesses, schools, hospitals, religious bodies, government agencies and the like. An organisation is a unique living organism whose basic components are individuals and the groups and in organisational behavior, the focus is on behaviour within organisations and not between organisations.

11.2 MEANING OF ORGANISATIONAL BEHAVIOUR DEFINED

Organisational Behaviour (OB) is a field of study that investigates the impact that individuals, groups and structure have on behaviour within organisations, for the purpose of applying such knowledge toward improving an organisation's effectiveness. Organisational Behaviour is a field of study. This means that it is a distinct area of expertise with a common body of knowledge. What does it study? It studies three determinants of behaviour. In organization Individuals, groups and structure, Additionally, OB applies the knowledge gained about individuals, groups, and the effect of structure on behaviour in order to make organisation work more effectively.

To sum up one definition, OB is concerned with the study of what people do in an organisation and how that behaviour affects the performance of the organisation. And because OB is specifically

concerned with employment related situations, you should not be surprised to find that it emphasized behaviour as related to job absenteeism, employment turnover, productivity, human performance and management.

There is increasing agreement, as to the components or topics that constitute the subject area of OB. While there is considerable debate as to the relative importance of each, there appears to be general agreement that OB includes the core topics of motivation, leader behaviour and power, interpersonal communication, group structure and process, bearing, attitude, development and perception, change processes, conflict, job design, and work stress.

Organisation behaviour is an applied science that is built upon contributions from a number of behavioural disciplines. The predominant areas are psychology, sociology, social psychology, anthropology and political science. As we shall learn, psychology's contributions have been mainly at the individual or micro level of analysis, while the other four disciplines have contributed to our understanding of macro concepts such as group processes and organisation.

Each of us is a student of behaviour. Since our earliest years, we have watched the actions of others and have attempted to interpret what we see. Whether or not you have explicitly thought about it before, you have been "reading" people all your life. You watch what others do and try to explain to yourself why they have engaged in their behaviour. Additionally, you have attempted to predict what they might do under different sets of conditions.

11.3 A CONCEPT BEHAVIOUR,

You have already developed some generalisations that you find helpful in explaining and predicting what people do and will do. But how you arrive at these generalisations? You did so by observing; sensing, asking, listening and reading. That is your understanding comes either directly from your own, experience with things in the environment, or second hand, through the experience of others.

How accurate are the generalisations that you hold? Some may represent extremely sophisticated appraisals of behaviour and may prove highly effective in explaining and predicting the behaviour of others. However most of us also carry with us a number of beliefs that frequently fail to explain why people do as they do? To illustrate, consider the following statements about work related behaviour.

1. Happy workers are productive workers.
2. All individuals are most productive when their boss is friendly, trusting and approachable.
3. Interviews are effective selection devices for separating job applicants who would be high performing employees from those who would be low performers.
4. Everyone wants a challenging job.
5. You have to scare people a little to get them to do their jobs.
6. Everyone is motivated by money.
7. Most people are much more concerned with the size of their own salaries than the others.
8. The most effective work groups are devoid of conflict.

How many of these statements do you think are true? For the most part, they are false. But whether these statements are true or false is not really important at this stage. What is important is to be

aware that many of the views you hold concerning human behavior are based on institution rather than on fact. As a result, a systematic approach to the study of behaviour can improve your explanatory, predictive abilities and skills.

11.4 SKILLS OF A MANAGER:

It is generally agreed that there are at least three areas of skill necessary for carrying out the managerial responsibility: technical, human and conceptual.

- (i) **Technical Skills.** Ability to use knowledge, methods, techniques and equipment necessary for the performance of specific tasks acquired from experience, education and training.
- (ii) **Human Skills.** Ability and judgement in working with the people including an understanding of motivation and an application of effective leadership.
- (iii) **Conceptual Skills.** Ability to understand the complexities of the overall organisation and where one's own operation fits into the organisation. This knowledge permits one to act according to the objective of the total organisation rather than only on the basis of the goals and needs of one's own immediate group.

The appropriate mix of these skills varies as an individual advances in management from supervisory to top-management positions. To be effective, less technical skills tend to be needed as one advances from lower to high levels in the organisation but more conceptual skill is necessary. Supervisors at lower levels need considerable technical skills because they are often required to train and develop technicians and other employees in their sections. At the other extreme, executives in a business organisation do not need to know how to perform all the specific tasks at the operational level. However, they should be able to see how all these functions are interrelated in accomplishing the goals of the total organisation.

While the amount of technical and conceptual skills needed at these different levels of management varies, the common denominator that appears to be crucial at all levels is human skills: The emphasis on human skills was considered important in the past, but it is of primary importance today. For example, one of the great entrepreneurs, John D. Rockefeller, stated, "I will pay more for the ability to deal with people than any other ability under the sun." These words of Rockefeller are often echoed. According to a report by the American Management Association, an overwhelming majority of the two hundred managers who participated in a survey agreed that the most important single skill of an executive is ability to get along with people. In this survey, management rated this ability more vital than intelligence, decisiveness, knowledge of job and skills.

11.5 INGREDIENTS FOR EFFECTIVE HUMAN SKILLS :

If one accepts the fact human skill development is important, one may ask what kind of expertise managers and leaders need to be effective in their ability to have an impact on the behaviour of other people. Managers need three levels of expertise.

(i) **Understanding' past behaviour.** First, managers need to understand why people behave as they do. If you are going to get things done through other people, you have to know why other people engage in behaviour that is characteristic of them. So understanding of past behaviour is the first area that managers need to examine.

(ii) **Predicting future behaviour :** Although understanding past behavior is important for development effective human skills, it is not enough by itself. If you are supervising other people, it

is essential that you understand why they did what they did yesterday, but perhaps even more important is being able to predict how they are going to behave today, tomorrow, next week and next month under similar as well as changing environmental conditions. Therefore, the second level of expertise that managers need is predicting future behaviour.

(iii) Directing Changing, and Controlling behaviour : If you are going to be effective in your role as a manager or leader, you need to do more than just understand and predict behaviour. You need to develop skills in directing, changing, and controlling behaviour. You must also accept the responsibility for influencing the behaviour of others in accomplishing tasks and reaching goals.

11.6 HUMAN BEHAVIOUR :

The study of human behaviour is a search for answer to perplexing questions about human nature. Behaviour is basically goal oriented. In other words, behaviour is generally motivated by a desire to attain some goal. The specific goal is not always consciously known by the individual. All of us may wonder at times, "Why did I do that" ? The reason for action is not always apparent to the conscious mind. The drives that motivate distinctive individual behavioural patterns ("personality" are to a considerable degree subconscious, and therefore, not easily accessible to examination and evaluation.

The basic unit of behaviour is, an activity. In fact, all behaviour is a series of activities. As human beings we are always doing something : walking, talking, eating, sleeping, working and the like. In many instances, we are doing, more than one activities at a time, such as talking with someone as we walk or drive to work. Any given moment we may decide to change from one activity or combination of activities and begin to do something else. This raises some important questions. Why do people engage in one activity and not another ? Why do they change activities ? How can we as manager understand, predict, and even control what activity or activities a person may engage in at a given moment ? To predict behavior managers must know which motives or needs of people evoke a certain action at a particular time.

11.7 Motive: People differ not only in their ability to be but also in their will to do, or motivation. The motivation of people depends on the strength of their motives. Motives are sometimes defined as needs, wants, drives or impulses within the individuals. Motives are directed towards goals, which may be conscious or subconscious.

Motives are the 'Why' of behaviour. They arouse and maintain activity and determine the general direction of the behaviour of an individual. In essence motives or needs are the mainsprings of action. Motives mean something within an individual that prompts person to action.

11.8 Goals : Goals are outside an individual, they are sometimes referred to as "hoped for" rewards towards which motives are directed. These goals are often called incentives by psychologists. However, we prefer not to use this term since many persons in our society tend to equate incentives with tangible financial rewards, such as increased pay, and yet most of us would agree that there are many tangible rewards; such as praise or power which are just as important in evoking behaviour

11.9 Emergence of Organisational Behaviour : Organisational behaviour is relatively a new area of study and research and even though its importance was understood at the same time as scientific management proposed by Fredrick Taylor, it emerged as a distinct area of academic and managerial specialisation in the late 1950s and early 1960s. There became a growing awareness that all managerial problems were not technical in nature and that productivity and organisational 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 workplace and that an understanding and predictability of human behaviour could help managers make their organisations more effective. Hence, the emphasis shifted to social sciences as well as to psychologists, anthropologists and others who had been studying management problems from behavioural perspective and trying to develop a valid and unified body of knowledge concerning organisation behaviour.

11.10 Ethical Issues in Organisation Behaviour: Members of organisations often confront ethical dilemmas. A few examples to illustrate this point : How about using the company telephone for personal long-distance calls or using company postage on personal mail ? Is it wrong to use insider information for personal financial gains ? Should someone follow orders that he or she personally does not agree with ? Is it wrong for a manager to show favouritism in selection decisions or disciplinary practice ? Is it unethical to play politics in an organisation ?

Ethics refers to the rules or principles that define right and wrong conduct. Ethical questions like those stated in the previous paragraph have no "right" answers. These answers fall into a gray area where individuals must make judgements based on some ethical standards. Basically to deal with these issues, there are three different ethical positions that can provide guidance in evaluating your own ethical standards.

The first is the unitarian view of ethics, in which decisions are made solely on the basis of their outcomes or consequences. The goal of utilitarian is to provide the greatest good for the greatest number. This view tends to dominate business decision making. It is consistent with goals like efficiency, productivity, and high profits. By maximizing profits, for instance, a business executive can argue that he/she is securing the greatest good for the greatest number.

Another ethical perspective is the rights view of ethics. This calls upon individuals to make decisions consistent with fundamental liberties and privileges as set forth in documents like the Fundamental Rights. The rights view of ethics is concerned with respecting and protecting the basic rights of individuals, such as the right to privacy, to free speech, and to due process. For instance, this position would protect employees who report unethical or illegal practices by their organisation to the press or government agencies on the ground of their right to free speech.

A third perspective is the justice view of ethics, this requires individuals to impose and enforce rules fairly and impartially so there is an equitable distribution of benefits and costs. Union members typically favour this view. It justifies paying people the same wage for a given job, regardless of performance differences, and it uses seniority as the criterion in making lay off decisions.

Each of these perspectives has advantages and liabilities. The utilitarian view promotes efficiency and productivity, but it can result in ignoring the rights of some individuals, particularly those with minority representation in the organisation. The rights perspective protects individuals from injury and is consistent with freedom and privacy, but it can create an overly legalistic work environment that hinders productivity and efficiency. The justice perspective protects the interests of the under represented and less powerful, but it can encourage a sense of entitlement that reduces risk-taking, innovation and productivity.

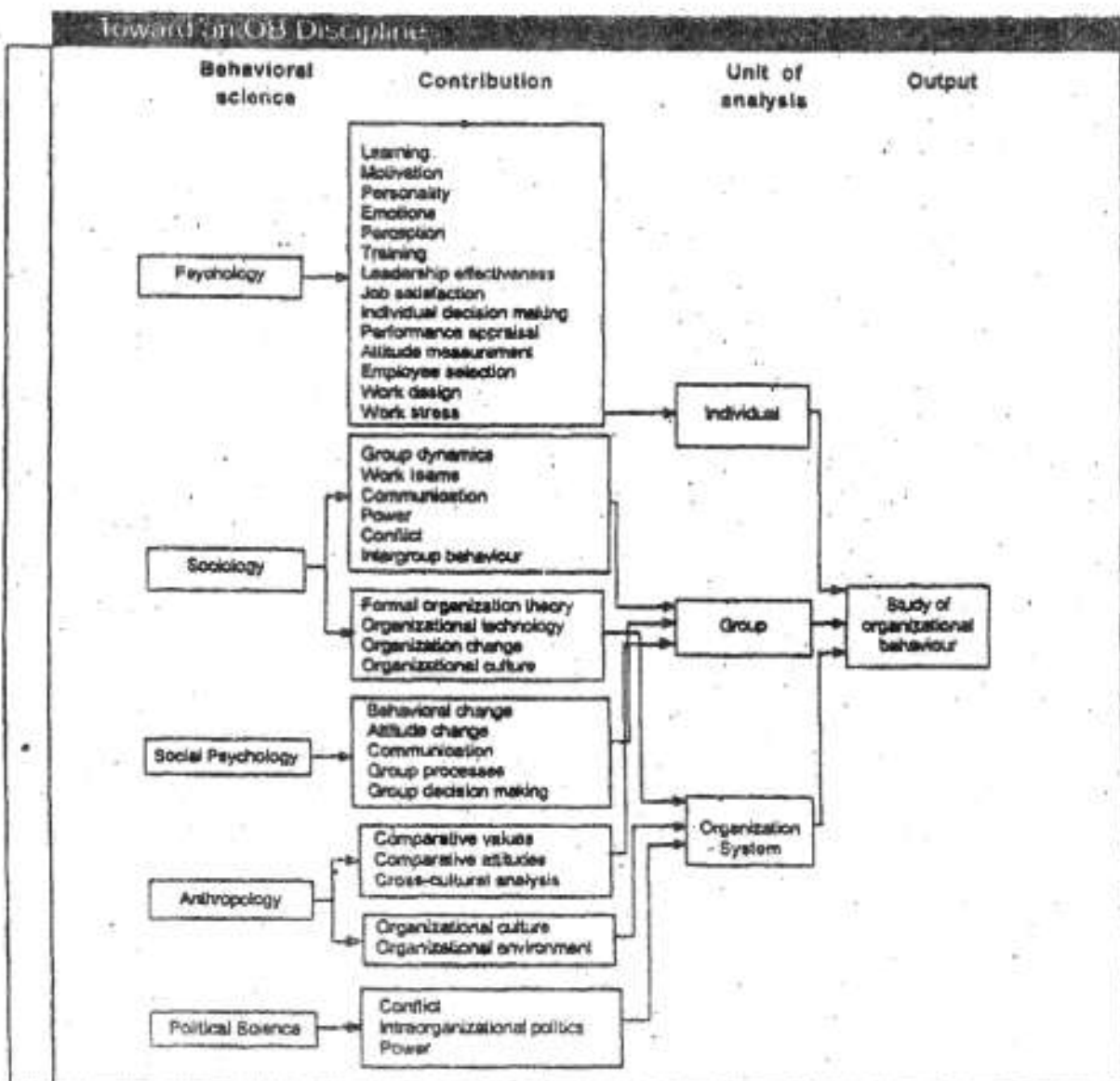
11.11 CONTRIBUTING DISCIPLINES TO THE OB FIELD

Organizational behaviour is an applied behavioral science that is built upon contributions from a number of behavioral disciplines. The predominant areas are psychology, sociology, social

psychology, anthropology, and political science. As we shall see, psychology's contributions have been mainly at the individual or micro level of analysis, while the other four disciplines have contributed to our understanding of macro concepts such as group processes and organization. Exhibit 1.1 overviews the major contributions to the study of organizational behavior.

(a) PSYCHOLOGY

Psychology is the science that seeks to measure, explain, and sometimes change the behaviour of humans and other animals. Psychologists concern themselves with studying and attempting to understand individual behaviour. Those who have contributed and continue to add to the knowledge of OB are teaming theorists. Personality theorists, counseling psychologists, and most important, industrial and organizational psychologists.



Early industrial and organizational psychologists concerned themselves with problems of fatigue, boredom; and other factors relevant to working conditions that could impede efficient work performance. More recently, their contributions have been expanded to include learning, perception, personality, emotions, training, leadership effectiveness, needs and motivational forces, job satisfaction, decision-making processes, performance appraisals, attitude measurement, employee selection techniques, work design, and job stress.

(b) SOCIOLOGY

Whereas psychologists focus their attention on the individual, sociologists study the modal system in which individuals fill their roles, that is, sociology studies people in relation to their fellow human beings. Specifically, sociologists have made their greatest contribution to OB through their study of group behavior in organizations, particularly formal and complex, organizations. Some of the areas within OB that have received valuable input from sociologists are group dynamics, design of work teams, organisational culture, formal organization theory and structure, organizational technology, communications, power, and conflict.

(c) SOCIAL PSYCHOLOGY

Social psychology is an area within psychology, blending concepts from both psychology and sociology. It focuses on the influences of people on one another. One of the major areas receiving considerable investigation from social psychologists has been changing how to implement it and how to reduce barriers to its acceptance. Additionally, we find social psychologists, making significant contributions in patterns; the ways in which group activities can satisfy individual needs; and group decision-making processes.

(d) ANTHROPOLOGY

Anthropology is the study of societies to learn about human beings and their activities. Anthropologists' work on cultures and environments, for instance, has helped us understand differences in fundamental values, attitudes, and behaviour among people in different countries and within different organizations. Much of our current understanding of organizational culture, organizational environments, and differences among national cultures is the result of the work of anthropologists or those using their methodologies.

(e) POLITICAL SCIENCE

Although frequently overlooked, the contributions of political scientists are significant to the understanding of behaviour in organizations. Political science studies the behaviour of individuals and groups within a political environment. Specific topics of concern here include structuring of conflict, allocation of power, and how people manipulate power for individual self-interest.

11.12 PRINCIPLES OF OB

There are few, if any, simple and universal principles that explain organizational behaviour. There are laws in the physical sciences—chemistry, astronomy, physics—that are consistent and apply in a wide range of situations. They allow scientists to generalize about the pull of gravity or to confidently send astronauts into space to repair satellites. But as one noted behavioural researcher aptly concluded, "Human beings are complex. Because they are not alike, our ability to make simple, accurate, and sweeping generalizations is limited. Two people often act very differently in the same situation, and

the same person's behavior changes in different situations. For instance, not everyone is motivated by money, and you behave differently at church on Sunday than you did at the beer party the night before.

*"God gave **all** the easy problems to the physicists."*

That doesn't mean, of course, that we can't offer reasonably accurate explanations of human behaviour or make valid predictions. It does mean, however, that OB concepts must reflect situational, or contingency, condition. We can say that x leads to y but only under conditions specified in z (the contingency variables). The science of OB has developed by using general concepts and then altering their application to the particular situation. So, for example, OB scholars would avoid stating that effective leaders should always seek the ideas of their followers before making a decision. Rather, we shall find that in some situations a participative style is clearly superior, but, in other situations, an autocratic leadership style is contingent upon the situation in which it is used.

As you proceed through this text, you'll encounter a wealth of research-based theories about how people behave in organizations. But don't expect to find a lot of straightforward cause-and-effect relationships. There aren't many! Organizational behaviour theories mirror the subject matter with which they deal. People are complex and complicated, and so too must be the theories developed to explain their actions.

11.13 CHALLENGES AND OPPORTUNITIES FOR OB

Understanding organizational behaviour has never been more important for managers. A quick look at a 'lew of the dramatic changes now taking place in organizations supports this claim. For instance, the typical employee is getting older; more and more women and nonwhites are in the workplace; corporate downsizing and the heavy use of temporary workers are severing the bonds of loyalty that historically tied many employees to their employers; and global competition is requiring employees to become more flexible and to team to cope with rapid change.

In short, there are a lot of challenges and opportunities today for managers to use OB concepts. In this section, we review some of the more critical issues confronting managers for which OB offers solutions—or at least some meaningful insights towards solutions.

(a) RESPONDING TO GLOBALIZATION

Organizations are no longer constrained by national borders. Burger King is owned by a British firm, and McDonald's sells hamburgers in Moscow. Exxon, a so-called American company, receives almost 75 percent of its revenues from sales outside the United States. Toyota makes cars in Kentucky; General Motors makes cars in Brazil; and Ford (which owns part of Mazda) transfers executives from Detroit to Japan to help Mazda manage its operations. These examples illustrate that the world has become a global village. In turn, managers have to become capable of working with people from different cultures.

Globalization affects a manager's people skills in at least two ways. First, if you're a manager, you're increasingly likely to find yourself in a foreign assignment. You may be transferred to your employer's operating division or subsidiary in another country. Once there, you'll have to manage a workforce that is likely to be very different in needs, aspirations, and attitudes from the ones you were used to back home. Second, even in your own country, you're going to find yourself working with bosses, peers, and other employees who were born and raised in different cultures. What motivates you may not motivate them. Your style of communication may be straightforward and open, but they may find this style

of uncomfortable and threatening. To work effectively with these people, you'll need to understand their culture, how it has shaped them, and how to adapt your management style to their differences. As we discuss OB concepts throughout this lesson, we'll frequently address how cultural differences might require managers to modify their practices.

(b) MANAGING WORKFORCE DIVERSITY

One of the most important and broad-based challenges currently facing organizations is adapting to people who are different. The term we use for describing this challenge is workforce diversity. Whereas globalization focuses on differences among people from different countries, workforce diversity addresses differences among people within given countries.

Workforce diversity means that organizations are becoming more heterogeneous in terms of gender, race, and ethnicity. But the term encompasses anyone who varies from the so-called norm in addition to the more obvious groups—women, African Americans, Hispanic Americans, Asian Americans—it also includes the physically disabled, gays and lesbians, and the elderly. Moreover, it's an issue in Canada, Australia, South Africa, Japan, and Europe as well as the United States. Managers in Canada and Australia, for instance, are having to adjust to large influxes of Asian workers. The "new" South Africa will increasingly be characterized by blacks holding important technical and managerial jobs. Women, long confined to low-paying temporary jobs in Japan, are moving into managerial positions. And the creation of the European Union cooperative trade arrangement, which opened up borders throughout much of western Europe, has increased workforce diversity in organizations that operate in countries such as Germany, Portugal, Italy, and France.

We used to take a melting-pot approach to differences in organizations, assuming people who were different would somehow automatically want to assimilate. But we now recognize that employees don't set aside their cultural values and lifestyle preferences when they come to work. The challenge for organizations, therefore, is to make themselves more accommodating to diverse groups of people by addressing their different lifestyles, family needs, and workstyles. The melting-pot assumption is being replaced by one that recognizes and values differences. Haven't organizations always included members of diverse groups? Yes, but they were a small percentage of the workforce and were, for the most part, ignored by large organizations. Moreover, it was assumed that these minorities would seek to blend in and assimilate. For instance, most members of the U.S. workforce prior to 1980 were male Caucasians working full-time to support a nonemployed wife and school-aged children. Now such employees are the true minority! Currently, 46 percent of the U.S. labor force are women. Minorities and immigrants make up 23 percent. As a case in point, Hewlett-Packard's workforce is 19 percent minorities and 40 percent women. A Digital Equipment Corporation plant in Boston provides a partial preview of the future. The factory's 350 employees include men and women from 44 countries who speak 19 languages. When plant management issues written announcements, they are printed in English, Chinese, French, Spanish, Portuguese, Vietnamese, and Haitian Creole.

Workforce diversity has important implications for management practice. Managers will need to shift their philosophy from treating everyone alike to recognizing differences and responding to those differences in ways that will ensure employee retention and greater productivity while, at the same time, not discriminating. This shift includes, for instance, providing diversity training and revamping benefit programs to make them more "family friendly." Diversity, if positively managed, can increase creativity and innovation in organizations as well as improve decision making by providing different perspectives on

problems. When diversity is not managed properly, there is potential for higher turnover, more difficult communication, and more interpersonal conflicts.

(c) **IMPROVING QUALITY AND PRODUCTIVITY**

William French manages in a tough business. He's director of manufacturing at Alcatel Network Systems' plant in Raleigh, North Carolina. The plant makes broadband telecommunication and data network products, and those products face a multitude of aggressive competitors. To survive, French has had to cut fat, increase productivity, and improve quality. And he's succeeded. From 1993 to 1997, he cut the cycle time for a typical product by 75 percent, reduced in-plant defects by 40 percent, and drastically increased employee productivity. By using self-directed work teams, streamlining processes, and implementing continuous improvement programs, this Alcatel plant is now a model of manufacturing efficiency.

More and more managers are confronting the challenges that William French is facing. They are having to improve their organization's productivity and the quality of the products and services they offer. Toward the goal of improving quality and productivity, they are implementing programs such as total quality management and reengineering programs that require extensive employee involvement.

As described, total quality management (TQM) is a philosophy of management that is driven by the **constant** attainment of customer satisfaction through the continuous improvement of all organizational processes. TQM has implications for OB because it requires employees to rethink what they do and become more involved in workplace decisions.

In times of rapid and dramatic change, it's sometimes necessary to approach improving quality and productivity from the perspective of "How would we do things around here if we were starting over from scratch?" That, in essence, is the approach of reengineering. It asks managers to reconsider how work would be done and their organization structured if they were starting over. To illustrate the concept of reengineering, consider a manufacturer of roller skates in the 1960s. His product was essentially a shoe with wheels beneath it. The typical roller skate was a leather boot with shoelaces, attached to a steel platform that held four wooden wheels. If our manufacturer took a continuous improvement approach to change, he would look for small incremental improvements that he could introduce in his product. For instance, he might consider adding hooks to the upper part of the boot for speed lacing; or changing the weight of leather used for improved comfort; or using different ball bearings to make the wheels spin more smoothly. Now, most of us are familiar with inline skates. They represent a reengineering approach to roller skates. The goal was to come up with a skating device that could improve skating speed, mobility, and control. Roller blades fulfilled those goals in a completely different type of shoe. The upper was made of injected plastic, made popular in skiing. Laces were replaced by easy-close clamps. And the four wooden wheels, set in pairs of two, were replaced by four to six in-line plastic wheels. The reengineered result, which didn't look much like the traditional roller skate, proved universally superior. The rest of course, is history. In-line skates have revolutionized the roller skate business.

What is Total Quality Management ?

1. *Intense focus on the customer.* The customer includes not only outsiders who buy the organization's products or services but also internal customers (such as shipping or accounts payable personnel) who interact with the serve others in the organization.
2. *Concern for continuous improvement.* TQM is a commitment to never being satisfied. "Very good" is not good enough. Quality can always be Improved.
3. *Improvement in the quality of everything the organization, does.* TQM uses a very broad definition of quality. It relates not only to the final product but also to how the organization handles deliveries, how rapidly it responds to complaints, how politely the phones are answered, and the like.
4. *Accurate measurement.* TQM uses statistical techniques to measure every critical performance variable in the organization's operations. These performance variables are then compared against standards or benchmarks to identify problems, the problems are traced to their roots and the causes are eliminated.
5. *Empowerment of employees,* TQM involves the people on the line in the improvement process. Teams **are** widely used in TQM programs as empowerment vehicles **for** finding, and solving problems.

Contemporary managers understand that, for any effort to improve quality and productivity to succeed, it must include their employees. These employees will not only be a major force in carrying out changes but increasingly will participate actively in planning them. OB offers important insights into helping managers work through those changes.

(d) IMPROVING PEOPLE SKILLS

If you pick up any popular business periodical nowadays, you'll read about the reshaping of the relationship between managers and those they're supposedly responsible for managing, you'll find managers being called coaches, advisers, sponsors, or facilitators. In many organizations, employees are now called associates. And there's a blurring between the roles of managers and workers. Decisionmaking is being pushed down to the operating level, where workers are being given the freedom to make choices about schedules and procedures and to solve work-related problems, work-related divisions. Now, managers are going considerably further by allowing employees full control of their work. An increasing number of organizations are using self-managed teams, where workers operate largely without bosses.

What's going on ? What's going on is that managers are empowering employees. They are putting employees in charge of what they do. And in so doing, managers are having to learn how to give up control, and employees are having to learn how to take responsibility for their work and make appropriate decisions. In later lesson, we'll show how empowerment is changing leadership styles, power relationships, the way work is designed, and the way organizations are structured.

(e) Coping with "Temporariness"

Managers have always been concerned with change. What's different nowadays is the length of time between changes. It used to be that managers needed to introduce major change programs once or

twice a decade. Today, change is an ongoing activity for most managers. The concept of continuous improvement, for instance, implies constant change.

Managing today is more accurately described as long periods of ongoing change, interrupted occasionally by short periods of stability I

In the past, managing could be characterized by long periods of stability interrupted occasionally by short periods of change. Managing today would be more accurately described: as long periods of ongoing change, interrupted occasionally by short periods of stability I The world that most managers and employees face today is one of permanent temporariness. The actual jobs that workers perform are in a permanent state of flux, so workers need to continually update their knowledge and skills to perform new job requirements. For example, production employees at companies such as Caterpillar, Daimler Chrysler, and Reynolds Metals now need to know how to operate computerized production equipment. That was not part of their job description 20 years ago. Workgroups are also increasingly in a state of flux. In the past, employees were assigned to a specific work group, and that assignment was relatively permanent. There was a considerable amount of security in working with the same people day in and day out. That predictability has been replaced by temporary work groups, teams that include members from different departments and whose members change all the time, and the increased use of employee rotation to fill constantly changing work assignments. Finally, organizations themselves are in a state of flux. They continually reorganize their various divisions, self-off poor-performing businesses, downsize operations, subcontract noncritical services and operations to other organizations, and replace permanent employees with temporaries.

Today's managers and employees must learn to cope with temporariness. They have to learn to live with flexibility, spontaneity, and unpredictability. "The study of **OB** can provide important **insights** into helping you better understand a work world of continual change, how to overcome; resistance to change, and how to create an organizational culture that strives on change.

11.14 SELF CHECK EXERCISE

1. What do you understand by OB? Discuss in brief.
2. Define OB.
3. Write a short-note on skills needed for managers.
4. What do you mean by human behaviour? Discuss in brief.
5. Define **Temporariness**.

11.15 SUMMARY

Organisational structure means a developed enterprise being operated to achieve the given goals. It involves the structure of relationships among positions and jobs with the object of accomplishment of enterprise objectives. It is a systematic combination of people, functions and facilities. It may take the form of line staff and line and staff. As a function it refers to establishing relationship between activities and authority pertaining to an enterprise. An organisational structure should be designed to clarify who is to do what takes and who is responsible for what results, to remove obstacles

toperformance caused by confusion and uncertainty of assignment, and to furnish decision-making and communications networks reflecting and supporting enterprise objectives.

11.16 GLOSSARY

- **Behavior** is an action that is observable and measurable. Behavior is observable. It is what we see or hear, such as a student sitting down, standing up, speaking, whispering, yelling, or writing.
- **Human behavior** is the response of individuals or groups of humans to internal and external stimuli. It refers to the array of every physical action and observable emotion associated with individuals, as well as the human race.
- **Organization** is a group of people who work together. Organizations exist because people working together can achieve more than a person working alone.
- **Organizational Behavior** (OB) is the study of human behavior in organizational settings, the interface between human behavior and the organization, and the organization itself.
- **Skill** or technique is a learned ability to do something. It could be playing a musical instrument or playing a kind of sport or even doing something simple like using a corkscrew. Skill does not always have to be something physical: it may refer to the way a person approaches a problem.
- **Workforce diversity** means similarities and differences among employees in terms of age, cultural background, physical abilities and disabilities, race, religion, gender, and sexual orientation. No two humans are alike.

11.17 ANSWERS TO SELF CHECK EXERCISE

1. For answer of question number 1 refer to section 11.1.
2. For answer of question number 2 refer to section 11.2.
3. For answer of question number 3 refer to section 11.4.
4. For answer of question number 4 refer to section 11.6.
5. For answer of question number 5 refer to section 11.13 (e).

11.18 TERMINAL QUESTIONS

1. Define OB. Discuss the features of OB.
2. What do you mean by manager? Enumerate the skills needed for managers.
3. Discuss the ethical issues in organisation behaviour.
4. Discuss the contribution of different disciplines in the field of organisation behaviour.

11.19 SUGGESTED READINGS

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LESSON 12**VALUES ATTITUDES AND PERCEPTION****STRUCTURE**

- 12.0 LEARNING OBJECTIVES
- 12.1 INTRODUCTION ABOUT VALUES
- 12.2 IMPORTANCE OF VALUES
- 12.3 TYPES OF VALUES
- 12.4 CONTEMPORARY WORK CHOROS
- 12.5 ATTITUDES
- 12.6 TYPES OF ATTITUDES
- 12.7 PERCEPTION
- 12.8 FACTORS INFLUENCING PERCEPTION
- 12.9 SELF CHECK EXERCISE
- 12.10 SUMMARY
- 12.11 GLOSSARY
- 12.12 ANSWERS TO SELF CHECK EXERCISE
- 12.13 TERMINAL QUESTIONS
- 12.14 SUGGESTED READINGS
- 12.0 LEARNING OBJECTIVES**

After studying this lesson you will be able to understand:-

- Concept, meaning, importance, types of values.
- Concept, meaning and types of attitudes.
- Concept, meaning of perception
- The factors influencing perception.

12.1 INTRODUCTION ABOUT VALUES

Is capital punishment right or wrong? How about racial quotas in hiring—are they right or wrong? If a person likes power, is that good or bad? The answers to these questions are value laden. Some might argue, for example, that capital punishment is right because it is an appropriate retribution for crimes such as murder and treason. However, others might argue, just as strongly, that no government has the right to take anyone's life.

Values represent basic convictions that a specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence. They contain a judgmental element in that they carry an individual's ideas as to what is right, good, or desirable. Values have both content and intensity attributes. The content attribute says that a mode of conduct or end-state of existence is important. The intensity attribute specifies how important it is. When we rank an individual's values in terms of their intensity, we obtain that person's value system. All of us have a hierarchy of values that forms our value system. This system is identified by the relative importance we assign to such values as freedom, pleasure, self-respect, honesty, obedience, and equality.

Are values fluid and flexible? Generally speaking, values tend to be relatively stable and enduring. A significant portion of the values we hold is established in our early years—from parents, teachers, friends, and others. As children we are told that certain behaviors or outcomes are always desirable or always undesirable. There were few gray areas. You were told, for example, that you should be honest and responsible. You were never taught to be just a little bit honest or a little bit responsible, it is this absolute or "black-or-white" learning of values that more or less assures their stability and endurance. The process of questioning our values of course, may result in a change. We may decide that our underlying convictions are no longer acceptable. More often, our questioning merely acts to reinforce those values we hold.

*Values tend to be relatively
Stable and enduring*

12.2 IMPORTANCE OF VALUES

Values are important, to the study of organizational behaviour because they lay the foundation for the understanding of attitudes and motivation and because they influence our perceptions. Individuals enter an organization with preconceived notions of what "ought" and what "ought not" to be. Of course, these notions are not value free. On the contrary, they contain interpretations of right and wrong. Furthermore, they imply that certain behaviors or outcomes are preferred over others. As a result, values cloud objectivity and rationality.

Values generally influence attitudes and behavior. Suppose that you enter an organization with the view that allocating pay on the basis of performance is right, while allocating pay on the basis of seniority is wrong or inferior. How are you going to react if you find that the organization you have just joined rewards seniority and not performance? You're likely to be disappointed—and this can lead to job dissatisfaction and the decision not to exert a high level of effort since "it's probably not going to lead to more money, anyway." Would your attitudes and behavior be different if your values aligned with the organization's pay policies? Most likely.

12.3 TYPES OF VALUES

Can we classify values? The answer is Yes! In this section, we review two approaches to developing value typologies.

(a) **Rokeach Value Survey.** Milton Rokeach created the Rokeach Value Survey (RVS). The RVS consists of two sets of values, with each set containing 18 individual value items. One set called terminal values, refers to desirable end-states of existence. These are the goals that a person would like to achieve during his or her lifetime. The other set, called Instrumental values, refers to preferable modes of

behavior, or means of achieving the terminal values. Exhibit gives common examples for each of these sets.

Terminal and Instrumental Values in Rokeach Value Survey	
Terminal Values	Instrumental Values
A comfortable life (a prosperous life)	Ambitious (hardworking, aspiring)
An exciting life (a stimulating, active life)	Broad-minded (open-minded)
A sense of accomplishment (lasting contribution)	Capable (competent, effective)
A world at peace (free of war and conflict)	Cheerful (lighthearted, joyful)
A world of beauty (beauty of nature and the arts)	Clean (neat, tidy)
Equality (brotherhood, equal opportunity for all)	Courageous (standing up for your beliefs)
Family security (taking care of loved ones)	Forgiving (willing to pardon others)
Freedom (independence, free choice)"	Helpful (working for the welfare of others)
Happiness (contentedness)	Honest (sincere, truthful)
Inner harmony (freedom from inner conflict)	Imaginative (daring, creative)
Mature love-(sexual and spiritual intimacy)	Independent (self-reliant, self-sufficient)
National security (protection from attack)	Intellectual (intelligent, reflective)
Pleasure (an enjoyable, leisurely life)	Logical (consistent, rational)
Salvation (saved, eternal life)	Loving (affectionate, tender)
Self-respect (self-esteem)	Obedient (dutiful, respectful)
Social recognition (respect, admiration)	Polite (courteous, well-mannered)
True friendship (close companionship)	Responsible (dependable, reliable)
Wisdom (a mature understanding of life)	Self-controlled (restrained, self-disciplined)

Several studies confirm that the RVS values vary among groups. People in the same occupations or categories (e.g., corporate managers, union members, parents, students) tend to hold similar values. For instance, one study compared corporate executives, members of the steelworkers' union, and members of a community activist group. Although a good deal of overlap was found among the three groups, there were also some very significant differences. (See next Exhibit). The activists had value preferences that were quite different from those of the other two groups. They ranked "equality" as their most important terminal value; executives and union members ranked this value 12 and 13, respectively. Activists ranked "helpful" as their second-highest instrumental value. The other two groups both ranked it 14. These differences are important, since executives, union members, and activists all have a vested interest in what corporations do. "When corporations and critical stakeholder groups such as these [other] two come together in negotiations or contend with one another over economic and social policies, they are likely to begin with these built-in differences in personal value preferences... Reaching agreement on any specific issue or policy where these personal values are importantly implicated might prove to be quite difficult."

Mean Value Ranking of Executives, Union Members, and Activities (Top Five Only)

Executives		Union Members		Activists	
Terminal	Instrumental	Terminal	Instrumental	Terminal	Instrumental
1. Self-respect.	1. Honest	1. Family security	1. Responsible	1. Equality	1. Honest
2. Family security	2. Responsible	2. Freedom	2. Honest	2. A world of peace	2. Helpful
3. Freedom	3. Capable	3. Happiness	3. Courageous	3. Family security	3. Courageous
4. A sense of accomplishment	4. Ambitious	4. Self-respect	4. Independent	4. Self-respect	4. Responsible
5. Happiness	5. Independent	5. Mature love	5. Capable	5. Freedom	5. Capable

Source; .Based on W.C. Frederick and J. Weber. The Values of Corporate Managers and Their Critics: An Empirical Description and Normative Implications." In W.C. Frederick and L.E. Preston (eds.). Business Ethics :Research Issues and Empirical Studies (Greenwich, CT: JAI Press. 1990). pp. 123-44.

12.4 CONTEMPORARY WORK COHORTS :

One author has integrated a number of recent analyses of work values into a four-stage model that attempts to capture the unique values of different cohorts or generations in the U.S. workforce. (No assumption is made that this framework would universally apply across all cultures). Exhibit proposes that employees can be segmented by the era in which they entered the workforce. Because most people start work between the ages of 18 and 23, these eras also correlate closely with the chronological age of employees.

Workers who grew up influenced by the Great Depression, World War II. U.S. leadership in world manufacturing, the Andrews Sisters, and the Berlin blockade entered the workforce from the early 1940s through the early 1960s believing in the Protestant work ethic. Once hired they tended to be loyal to their employer.

Dominant Work Values In Today's Workforce

State	Year Born	Entered the Workforce	Approximate Current Age	Dominant Work Values
I. Protestant work ethic	1925-1945	Early 1940s to *	55-75 early 1960s	Hard work, conservative; loyalty to the organization
II. Existential	1945-1955	1960s to mid-1970s	45-55	Quality of Work. non conforming, seeks autonomy, loyalty to self
III. Pragmatic	1955-1965	Mid-1970s to late 1980s	35-45	Success; achievement, ambition-hard work;.

IV. Generation X	1985-81	Late 1980s to present	Under 35	loyalty to career Flexibility, Job satisfaction, balanced lifestyle; loyalty to relationships
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12.5 ATTITUDES

Attitudes are evaluative statements—either favorable or unfavorable—concerning objects, people, or events. They reflect how one feels about something. When I say "I like my job," I am expressing my attitude about work.

Attitudes are not the same as values, but the two are interrelated. You can see this by looking at the three components of an attitude: cognition, affect, and behavior.

The belief that "discrimination is wrong" is a value statement. Such an opinion is the cognitive component of an attitude. It sets the stage, for the more critical, part of an attitude—its affective component. Affect is the emotional or feeling segment of an attitude and is reflected in the statement "I don't like Jon because he discriminates against minorities." The behavioural component of an attitude refers to an intention to behave in a certain way toward someone or something. So, to continue our example, I might choose to avoid Jon because of my feeling about him.

Viewing attitudes as made up of three components—cognition, affect, and behavior—in. helpful toward understanding their complexity and the potential relationship between attitudes and behavior. But for clarity's sake, keep in mind that the term attitude essentially refers to the affective part of the three components.

Also keep in mind that, in contrast to values, your attitudes are less stable. Advertising messages, for example, attempt to alter your attitudes toward a certain product or service: If the people at Ford can get you to hold a favorable feeling toward their cars that attitude may lead to a desirable behavior (for them)—your purchase of a Ford product.

In organizations, attitudes are important because they affect job behavior; If workers believe, for example, that supervisors, auditors, bosses, and time-and-motion engineers are all in conspiracy to make employees work harder for the same or less money, then it makes sense to try to understand how these attitudes were formed, their relationship to actual job behaviour, and how they might be, changed.

12.6 TYPES OF ATTITUDES

A person can have thousands of attitudes, but OB focuses our attention on a very limited number of job-related attitudes. These job-related attitudes tap positive or negative evaluations that employees hold about aspects of their work environment. Most of the research in OB has been concerned with three attitudes: job satisfaction, job involvement, and organizational commitment.

(a) Job Satisfaction

The term job satisfaction refers to an individual's general attitude toward his or her job. A person with a high level of job satisfaction holds positive attitudes toward the job, while a person who is dissatisfied with his or her job holds negative attitudes about the job. When people speak of

employee attitudes more often than not they mean job satisfaction. In fact the two are frequently used interchangeably. The high importance of job satisfaction, researchers have given to job satisfaction.

(b) Job Involvement

The term Job Involvement is a more recent addition to the OB literature. While there isn't complete agreement over what the term means, a workable definition states that job involvement measures the degree to which a person identifies psychologically with his or her job and considers his or her perceived performance level important to self-worth. Employees with a high level of job involvement strongly identify with and really care about the kind of work they do.

High levels of job involvement have been found to be related to fewer absences and lower resignation rates. However, it seems to more consistently predict turnover than absenteeism, accounting for as much as 16 percent of the variance in the former.

(c) Organization Commitment

The third job attitude we shall discuss is organization commitment, which is defined as a state in which an employee identifies with a particular organization and its goals, and wishes to maintain membership in the organization. So, high job involvement means identifying with one's specific job while high organizational commitment means identifying with one's employing organization.

As with job involvement, the research evidence demonstrates negative relationships between organizational commitment and both absenteeism and turnover. In fact, studies demonstrate that an individual's level of organizational commitment is a better indicator of turnover than the far more frequently used job satisfaction predictor, explaining as much as 34 percent of the variance. Organizational commitment is probably a better predictor because it is a more global and enduring response to the organization as a whole than is job satisfaction. An employee may be dissatisfied with his or her particular job and consider it a temporary condition, yet not be dissatisfied with the organization as a whole. But when dissatisfaction spreads to the organization itself, individuals are more likely to consider resigning.

The foregoing evidence, more of which was drawn more than two decades ago, needs to be qualified to reflect the changing employee-employer relationship. The unwritten loyalty contract that existed 20 years ago between employees and employers has been seriously damaged; and the notion of an employee staying with a single organization for more of his or her career has become increasingly obsolete. As such, "measures of employee-firm attachment, such as commitment are problematic for new employment relations. This suggests that organization commitment is probably less important as a job-related attitude than it once was. In its place we might expect something akin to occupational commitment to become a more relevant variable because it better reflects today's workforce.

12.7 PERCEPTION

Perception can be defined as a process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment. However, what one perceives can be substantially different from objective reality. It need not be, but there is often disagreement. For example, it's possible that all employees in a firm may view it as a great place to work—favorable working conditions, interesting job assignments, good pay, an understanding and responsible management—but, as most of us know, it's very unusually to find such agreement.

Why is perception important in the study of OB ? Simply because people's behaviour is based on their perception of what reality is, not on reality itself. The world **as** it is perceived is the world that is behaviourally important.

11.8 FACTORS INFLUENCING PERCEPTION

How do **we** explain that individuals may look at the same thing, yet perceive it differently? A number of factors operate to shape and sometimes distort perception. These factors can reside in the perceiver, in the object or target being perceived, or in the context of the situation in which the perception is made.

(a) The Perceiver

When an individual looks at a target and attempts to interpret what he or she sees, that interpretation is heavily influenced by personal characteristics of the individual perceiver. Have you ever bought a new car and then suddenly noticed a large number of cars like yours on the road ? It's unlikely that the number of such cars suddenly expanded. Rather, your own purchase has influenced your perception so that you are now more likely to notice them. This is an example of how factors related to the perceiver influence what he or she perceives. Among the more relevant personal characteristics affecting perception are attitudes, motives, interests, past experiences, and expectations.

Teri likes small classes because she enjoys asking a lot of questions of her teachers. Scott, on the other hand, prefers the anonymity of large lectures. On the first day of classes this term, Teri and Scott find themselves walking into the university auditorium for their introductory psychology courses. They both recognize that they will be among some 800 students in this class. But given the different attitudes held by Teri and Scott, it shouldn't surprise you to find that they interpret what they see differently. Teri sulks while Scott's smile does little to hide his relief in being able to blend unnoticed into the large crowd. They both see the same thing, but they interpret it differently.

Unsatisfied needs or motives stimulate individuals and may exert a strong influence on their perceptions. This fact was dramatically demonstrated in research on hunger. Individuals in the study had not eaten for varying numbers of hours. Some had eaten an hour earlier; others had gone as long as 16 hours without food. These subjects were shown blurred pictures, and the results indicated that the extent of hunger influenced the interpretation of the blurred pictures. Those who had not eaten for 16 hours perceived the blurred images, as pictures of food far more frequently than did those subjects who had eaten only a short time earlier.

It should not surprise you that a plastic surgeon is more likely to notice an imperfect nose than a plumber is. The supervisor who has just been reprimanded by her boss for the high level of lateness among her staff is more likely to notice lateness by an employee tomorrow than she was last week. If you are preoccupied with a personal problem, you may find it hard to be attentive in class. These examples illustrate that the focus of our attention appears to be influenced by our interests. Because our individual interests differ considerably, what one person notices in a situation can differ from what others perceive.

Just as interests narrow one's focus, so do one's past experiences. You perceive those things to which you can relate. However, in many instances, your past experiences will act to nullify an object's interest.

Objects or events that have never been experienced before are more noticeable than those that have been experienced in the past. You are more likely to notice the operations along an assembly line if this is the first time you have seen an assembly line in the late 1960s and early 1970s, when women and minorities were in managerial positions of white males. Today, women and minorities are more widely represented in the managerial ranks, so we are less likely to take notice that a manager is female, African American, Asian American, or Latino.

Finally, expectations can distort your perceptions in that you will see what you expect to see. If you expect police officers to be authoritative, young people to be unambitious, personnel to "like people," or individuals holding public office to be unscripted, you may perceive them as such regardless of their actual traits.

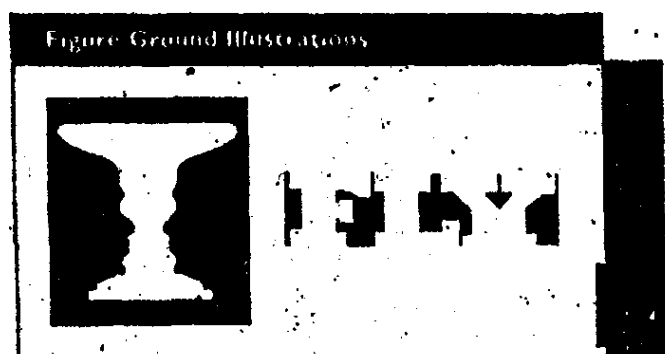
(b) The Target

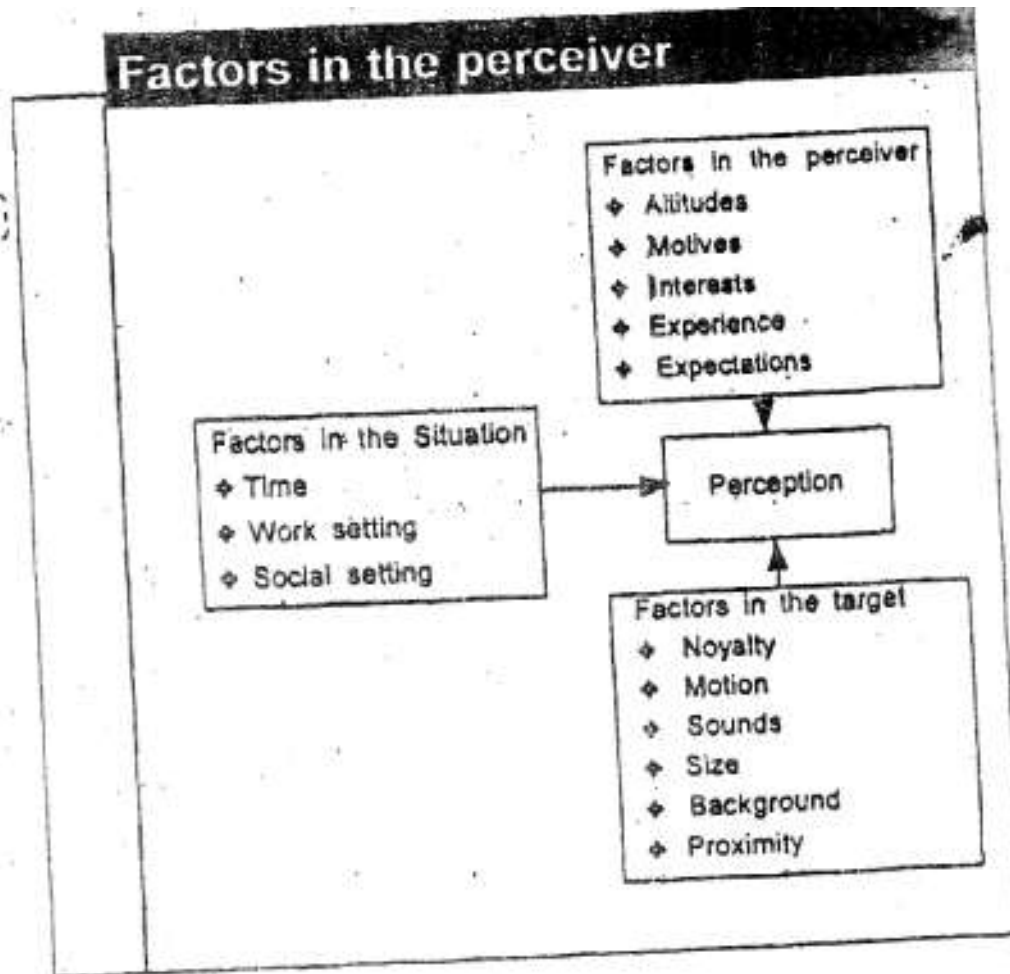
Characteristics of the target that is being observed can affect what is perceived. Loud people are more likely to be noticed in a group than are quiet ones. So, too are extremely attractive, or unattractive individuals. Motion, sounds, size, and other attributes of a target shape the way we see it.

Because targets are not looked at in isolation, the relationship of a target to its background influences perception, as does our tendency to group close things and similar things together.

What we see depends on how we separate a figure from its general background. For instance, what you see as you read this sentence is black letters on a white page. You do not see funny-shaped patches of black and white because you recognize these shapes and organize the black shapes against the white background. Exhibit dramatizes this effect. The object on the left may at first look like a white vase. However, if white is taken as the background, we see two green profiles. At first observation, the group of objects on the right appears to be some green modular figures against a white background. Close inspection will reveal the word FLY once the background is defined as green.

Objects that are close to each other will tend to be perceived together rather than separately. As a result of physical or temporal proximity, we often put together objects or events that are unrelated. Celebrities Michael Kennedy and Sonny Bond died in similar ski accidents within a week of each other. Suddenly, many people concluded that skiing was a dangerous sport. Although the two incidents were totally unrelated, their proximity in time led many to perceive them from skiing in a new light.





Persons, objects, or events that are similar to each other also tend to be grouped together. The greater the similarity, the greater the probability that we will tend to perceive them as a common group. Women, blacks, or members of any other group that has clearly distinguishable characteristics in terms of features or color will tend to be perceived as alike in other, unrelated characteristics as well.

The Situation

The context in which we see objects or events is important. Elements in the surrounding environment influence our perceptions. I may not notice a 25-year-old female in an evening gown and heavy makeup at a nightclub on Saturday night. Yet that same woman so attired for my Monday morning management class would certainly catch my attention (and that of the rest of the class): Neither the perceiver nor the target changed between Saturday night and Monday morning, but the situation is different. Similarly, you are more likely to notice your employees goofing off if your boss from the head office happens to be in town. Again, the situation affects your perception. The time at which an object or event is seen can influence attention, as can location, light, heat, or any number of situational factors.

12.9 SELF CHECK EXERCISE

1. Write a short-note on values.

2. Discuss in brief the importance of values.
3. Define attitudes.
4. Define perception.
5. Write a short-note on factors influencing perception.

12.10 SUMMARY

In ethics, value denotes the degree of importance of something or action, with the aim of determining what actions are best to do or what way is best to live (normative ethics), or to describe the significance of different actions. Value systems are prescriptive and prescriptive beliefs; they affect ethical behavior of a person or are the basis of their intentional activities. Often primary values are strong and secondary values are suitable for changes. What makes an action valuable may in turn depend on the ethical values of the objects it increases, decreases or alters. An object with "ethic value" may be termed an "ethic or philosophic good." Perception is our sensory experience of the world around us and involves both recognizing environmental stimuli and actions in response to these stimuli. Through the perceptual process, we gain information about the properties and elements of the environment that are critical to our survival. Perception not only creates our experience of the world around us; it allows us to act within our environment. Perception includes the five senses: touch, sight, sound, smell, and taste. It also includes what is known as proprioception, a set of senses involving the ability to detect changes in body positions and movements. It also involves the cognitive processes required to process information, such as recognizing the face of a friend or detecting a familiar scent.

12.11 GLOSSARY

- Attitudes are evaluations people make about objects, ideas, events, or other people. Attitudes can be positive or negative. Explicit attitudes are conscious beliefs that can guide decisions and behavior. Implicit attitudes are unconscious beliefs that can still influence decisions and behavior.
- **Organizational commitment** is an individual's psychological attachment to the organization. Organizational commitment predicts work variables such as turnover, organizational citizenship behavior, and job performance.
- **Perceiver**, percipient, observer, beholder (noun) a person who becomes aware (of things or events) through the senses.
- **Perception** is the process of getting, interpreting, selecting, and organizing sensory information. It includes the collection of data from sense organs through to the interpretation made by the brain. Perception is a lot more than just "information coming in".
- **Values** is Important and lasting beliefs or ideals shared by the members of a culture about what is good or bad and desirable or undesirable. Values have major influence on a person's behavior and attitude and serve as broad guidelines in all situations.

12.12 ANSWERS TO SELF CHECK EXERCISE

1. For answer of question number 1 refer to [section 12.1](#).
2. For answer of question number 2 refer to [section 12.2](#).
3. For answer of question number 3 refer to [section 12.3](#)
4. For answer of question number 4 refer to section 12.7
5. For answer of*question number 5 refer to section 12.9

12.13 TERMINAL QUESTIONS

1. Define OB. How it is differentiated from Management ? Discuss.
2. Contrast on intuitive approach to studying behavior with a systematic approach. It intuition always inaccurate ?
3. "Behaviour is generally predictable". Do you agree or disagree ? Explain.

12.14 SUGGESTED READINGS

- [Prasad,LM](#), "Organisational Behaviour" Sultan [Chand](#) and Sons, 2011.
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LESSON-13**COMMUNICATION IN MANAGEMENT****STRUCTURE**

- 13.0 LEARNING OBJECTIVES
- 13.1 INTRODUCTION
- 13.2 IMPORTANCE OF COMMUNICATION
- 13.3 MODEL OF COMMUNICATION PROCESS
- 13.4 VERBAL AND NON-VERBAL COMMUNICATION
- 13.5 ORAL COMMUNICATION
- 13.6 CHOOSING YOUR WORDS
- 13.7 USE OF BODY LANGUAGE
- 13.8 CHANNELS OF COMMUNICATION
- 13.9 BARRIERS TO COMMUNICATION
- 13.10 MAKING COMMUNICATION EFFECTIVE
- 13.11 SUGGESTIONS TO MAKE COMMUNICATION EFFECTIVE
- 13.12 SELF-CHECK EXERCISE
- 13.13 SUMMARY
- 13.14 GLOSSARY
- 13.15 ANSWERS TO SELF CHECK EXERCISE
- 13.16 TERMINAL QUESTIONS
- 13.17 SUGGESTED READINGS

13.0 LEARNING OBJECTIVES

After studying this lesson you will be able to understand: -

- The concept, meaning, importance, types of communication.
- The use of body language and choosing words for effective communication.
- The channels of communication.
- The barriers to communication.
- The suggestions to improve communication.

13.1 INTRODUCTION

Communication refers to sharing of ideas, facts, opinions, information and understanding. Simply stated, communication can be said to be the passing of information and understanding from one person to another. It will be seen that there are at least three elements involved here, the sender at one end, the receiver at the other, and in between is the message or information that is to be passed on from one end to the other. The information is passed from the sender to the receiver, and the knowledge of its effects is passed from the receiver to the sender in the form of a feedback. Whether the effect produced is the desired one will depend upon how well the receiver understands the meaning of the information. Communication can, therefore, be aptly said to be the transmission of meaning.

13.2 IMPORTANCE OF COMMUNICATION

One of the important roles of the manager is the informational role wherein a manager seeks information from his peers, subordinates and others about anything relating to their jobs and responsibilities. He is at the same time disseminator of information about his job and the organization to those who are concerned with it. As such a considerable part of his time is devoted to receiving or disseminating information i.e. in communication inside or outside the organisation. Some of the studies made in the USA show that between 40 to 60 per cent of the work time in a typical manufacturing plant is involved in some phase of communication. Further, the top and middle level managers typically devote 60 to 60 per cent to their total working hours to communicating.

According to Peter Drucker, good communication is the foundation for sound management. The managerial functions of planning, organising, directing and controlling depend on communication in an enterprise. For planning to be realistic, it is essential that it is based on sound information which is not possible without a good system of communication existing in an enterprise. The latest developments in the market may not be communicated to the planners, making their future plans totally meaningless. Adaptation to external environment on which rests the survival of the business may not be possible without good communication. Again in order to reach the objectives, it is necessary that leadership is exercised, decisions made, efforts coordinated, people motivated and operations controlled. Each of these functions involves interaction with the people motivated and operations controlled. Each of these functions involves interaction with the people in the organisational life for a manager is communication, and his success will depend upon how effectively he can communicate with others in the organisation; in other words, how successfully he can put his ideas across to those who work with him and thereby, persuade others to work in the direction of the achievements of goals of the organisation.

Let us take a relevant example. What is our objective in preparing lessons like these? Simply stated, it is to put across your mind the essence of managerial functions and enable you to understand how these can be discharged effectively; In other words, we are trying to communicate to you the concepts of management, and whether we have been successful in meeting our objective will depend upon the extent to which you are able to "understand" what we are trying to communicate to you. Communication, therefore, aims at developing understanding.

13.3 MODEL OF COMMUNICATION PROCESS

The most simple model of the communication process can be:

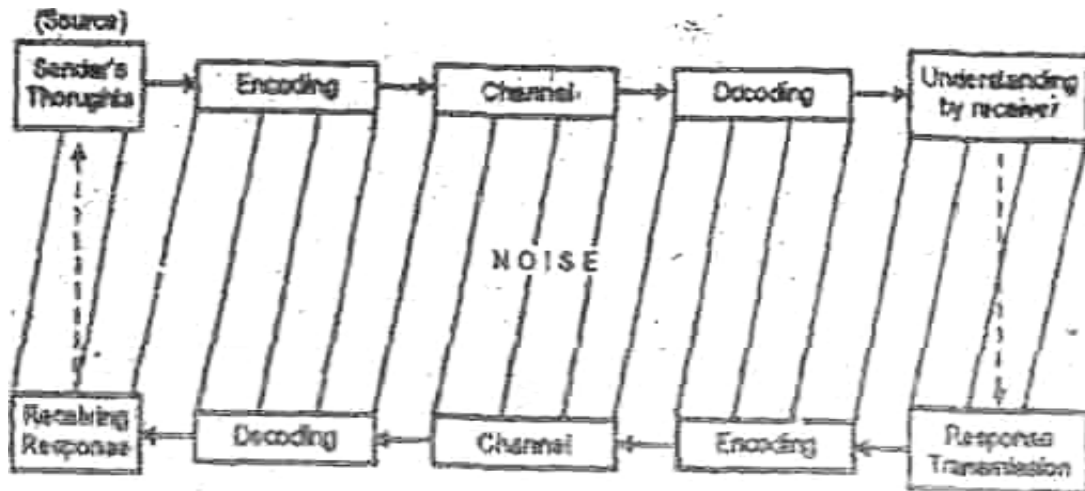
Sender..... > Message

.....> Receiver

The model indicates the. Essential elements of communication, viz., the sender and the receiver, and the message that is exchanged between them. If any one of the three elements is missing, communication does not take place.

However, the process of communication is a much more complex phenomenon consisting of at least five elements which are subject to various influences. The model can be put as follows:

Figure I: Mode) of Communication Process



FEEDBACK

We shall see briefly what the various elements of this model mean.

Source

In this model the first element is the source of the communication, from where the communication originates. The source or sender can be a person, a number of persons, or even a machine. The sender initiates communication because he has some need, thought, idea or information that he wishes to convey to the other person, persons or machine. If, for example, an accidental fire has broken out in a part of a down of the factory the security officer (source) will need to convey the message immediately to the fire station (receiver). Fire alarm (machine) will do the same in place of the security officer,

Encoding Message

The next element in the process is that of encoding the information to be transmitted. Encoding enables the thoughts to be put in the form of symbols. Normally language provides the symbols that are used in the transmission of thoughts to another person. However, language is not the only means to convey the thoughts, needs or information. There are non-verbal means, e.g., gestures, which provide another form through which thoughts can be transmitted. The more complex the ideas, needs or information to be communicated, the more complex becomes the process of encoding them. While an involuntary shriek may adequately convey the degree of alarm felt by the victim, even a carefully worded statement or letter may fail to convey the essential purpose of the communication. This can happen if the language or symbols used convey different meanings to the sender and the receiver.

Encoding of the thoughts produces a message which can be either verbal or non-verbal. Verbal message is in the form of words and language, while non-verbal would be in the form of body gestures like wink, smile, grunt, frown, wave of hand, etc.

Channel

The next element in the process of communication is the channel through which the communication is transmitted. It is the link that joins the sender and the receiver. The most commonly used channels are sight and sound. In the organisational environment, the channel could take the form of face-to-face conversation, written memos, telephonic exchanges, group meetings, etc. Outside the organisation, the channels could be letters or circulars, magazines, radio programmes or TV shows, etc. For communication to be effective the channel used should be appropriate for the message as well as the receiver. For an urgent message telegram, telephone or radio would be the appropriate channel. Again, the channel chosen would be influenced by the consideration as to whom the message is being directed.

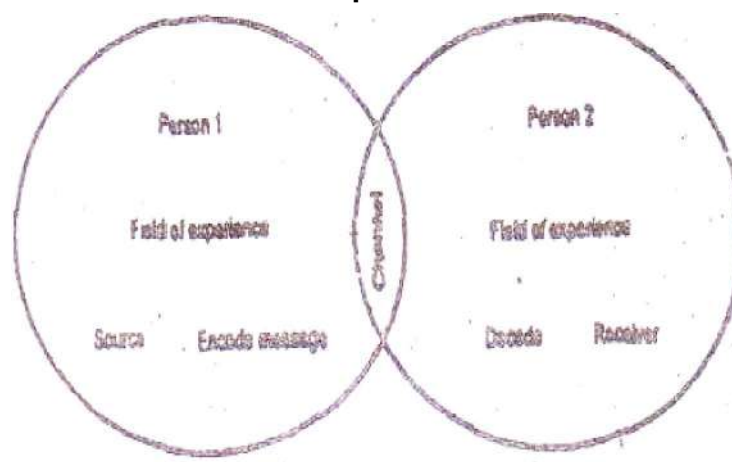
Decoding

Decoding and understanding the message constitute the last two elements in the process of communicating from sender to receiver. The receiver in the first instance receives the message and decodes it, that is to **say**, interprets and translates it into thoughts, understanding and desired response. A successful communication occurs when the receiver decodes the message and attaches a meaning to it which very nearly approximates the idea, thoughts or information the sender wished to transmit.

Decoding and understanding are affected by several factors. For example, a receiver cannot decode a message which is in a language not known to him. This applies to symbols also. The same symbol may carry a different meaning to the receiver. Again, the receiver's past, experience, as well as his expectations colour the meaning that is attached to the message. All this tends to bring about a divergence between the 'intended' meaning and 'perceived' meaning.

In order that this does not happen, it is necessary to develop greater degree of homogeneity between the sender and the receiver both of whom have their own fields of experience. The field of experience constitutes an individual's attitudes, experience, knowledge, environment, and socio-cultural background. The greater the overlap of the source and receiver's field of experience, the greater the probability of successful communication, in other words, they have things in common that facilitate better communication. An individual engaged in communication with another person of a significantly different educational or cultural background will have to put in greater effort to ensure successful communication. A model of communication credited to Wilbur Schramm illustrates this point.

Fields of Experience Model



The greater the overlap of the two persons' fields of experience, the higher is the probability of successful communication. The shaded area shows the overlap.

Feedback

Response and Feedback complete the two-way process of communication. It is through the feedback that the source (sender) comes to know if his message was correctly received and understood. In case it is found that the message has been received incorrectly, it is possible to make corrections subsequently if response is timely.

Sender's efforts to communicate are aimed at eliciting the desired response. However, a communication may result in producing any of the three outcomes: a desired change may occur, an undesired change may occur or no change may take place. We consider communication as successful only when it produces the desired response.

Noise

Surrounding the entire spectrum of communication is the noise that affects the accuracy and fidelity of the message communicated. Noise is any factor that disturbs, confuses or otherwise interferes with communication. It can arise at any stage in the communication process. The sender may not be able to encode the message properly or he may not be properly audible. The message may get distorted by other sounds in the environment. The receiver may not hear the message, or comprehend it in a manner not entirely intended by the sender of the message. The channel also may create interference by 'filtering', i.e. allowing some information to pass through and ????. We will see later in this unit why distortion takes place and what can be done to minimise the distortion of communication.

13.4 VERBAL AND NON-VERBAL COMMUNICATION

A communication in which words are used - can be called verbal communication. Communication over long distance, takes place usually through verbal communication. As an adjunct to this is the non-verbal communication which refers to the use of "body language" in communicating ideas from sender to the receiver. Non-verbal communication most often takes place unconsciously, and it may either fortify and supplement the verbal communication or may at times negate the very purpose of verbal communication.

Let us examine each of these one **by** one.

The main characteristics of verbal communication is the **use** of words, either written or spoken.

Written communication includes personal letters, memoranda, policy **and** procedure manuals, and **notices** placed on the noticeboards.

Examples of oral communications **are** conferences, committee meeting, telephone conversation, loudspeaker announcements, etc.

Both written and oral communication have their merits, and demerits.

A written communication has the advantage of being easily verified and of being more precisely defined if there arises a need for subsequent correction. Spoken messages cannot always be verified so easily.

Secondly, because a written communication is likely to **be** a permanent record, we are more particular in making it precise and accurate.

Thirdly, lengthy and **complicated** messages **are better** understood if they **are** put in writing. It would **be** difficult to understand and retain a lengthy **message** if it were **only** in oral form.

Together with these advantages, written communication **have some** drawbacks **also**.

Firstly, it is a slower method of communication if we consider the total amount of time involved from the formulation of Idea by the sender to the understanding of the idea by the receiver. A written communication competes with all other written material that reaches the desk of an executive. As such there can be a gap between the time when a communication reaches the manager's desk and the time when he reads it. Moreover, if clarifications are needed because the message is not clear to the receiver, further delay would take place.

Secondly, despite the fact that a greater degree of preciseness is aimed at while preparing a writing communication, there is always a possibility of ambiguity or lack of clarity creeping in leading to misunderstanding on the part of the receiver. Clarification naturally means delay.

Lastly, over-reliance on written communication can lead to too much of paper-work in the organisation. This not only consumes time, money and energy, but also indicates a lack of trust among the employees of the organisation. It has been observed that when trust is low and suspicions are high in an organisation, an over-reliance on written communication is likely to occur.

13.5 ORAL COMMUNICATION

Although an organisation cannot function without written communication of various kinds, yet by far greater percentage of information is communicated orally, it has been observed that managers spend 60 to 80 per cent of their worktime in oral communication. Oral communication has the merit of being more rapid. Generally, the spoken word is a quicker and less complicated way of getting one's ideas across to another person. Again, it offers the potential of two-way information flow, and therefore less possibility of misunderstanding the communication. The creation of a less formal atmosphere and generation of fellow feeling are the additional advantages brought about through oral communication.

However, the oral communication is not entirely free from **defects**. It is less effective as means of presenting complicated and lengthy data. It is also subject to misinterpretation and the effects of barriers arising from **interpersonal** relationships.

Can you determine which of the two, oral or written, is a better means of communication? You will see that the choice between the two is generally speaking, determined by the situation. However, the use of both together will very often strengthen and reinforce a message.

Take your own case. The material in your hand is the written communication which will be fortified subsequently through oral communication in the contact classes or educational TV programmes. The two together, we hope, will further increase your understanding of the concepts and application of management.

13.6 CHOOSING YOUR WORDS

You have read earlier that communication refers to the transmission of meaning from the sender to the receiver. Such transmission takes place through the use of symbols, whether verbal or non-verbal. In verbal, communication the symbol is a word. In order that the transmission of meaning takes place it is important that the particular symbol (word) used must create within the mind of the receiver the same image which was in the mind of the sender of the communication. It is only then that the basic purpose of communication which is to influence the behaviour of the receiver, will be achieved. It has been found that words do not necessarily have commonly understood meanings. The abstract words like "participation" or "democracy" or "satisfactory" suffer from the difficulty that different people are likely to attach different meanings to these words. The greater the use of such abstract words; the bigger

the difficulty in bringing about an understanding of the message and a change, in behaviour through communication.

Keith Davis in his well known book "Human Behaviour at Work: Organizational Behaviour", has suggested a few guidelines **for** making verbal communication more effective. These **are**:

Use simple words and phrases.

Use short and familiar words.

Use personal pronouns (such as "you") whenever appropriate.

Give illustration **and examples**.

Use short sentences and paragraphs.

Use active verbs such as in "**The manager plans**".

Economise on adjectives.

Express thoughts logically **and in a direct way**.

Avoid unnecessary words.

13.7 USE OF BODY LANGUAGE

In determining the effectiveness of communication, in the sense effecting a change in behaviour, non-verbal communication has an important role to play. Experts in the field of human communication have found that, in a typical message between two persons, only about 7 percent of the meaning or content of the message is carried by the actual words being used. Another 38 per cent of the message is carried by one's tone of voice (which includes pacing, timing, pauses, accents). The major part of 55 per cent of the content of the message is in non-verbal form, in other words, in the form of our physical attitude going along with our verbal message. The physical attitude is also referred to as body language.

Non-verbal communication can take place with our actions or with our body gestures. For example, a manager who pounds his fist on the table while announcing that from now on participative management will be practised in his organisation creates a credibility gap between what he says and what he practices. A manager who says that he believes in an open door policy for all his employees but is busy with his own files while an employee is giving him certain suggestions towards improvement in work environment, is making non-verbal communication quite in conflict with his verbal communication. In such situations the non-verbal message is the stronger one and the verbal message will cease to be effective.

Body gestures that "communicate" may relate to your handshake, your smile, your eye-contact, your posture while standing or sitting, your facial expression while listening, the shrug of your shoulders, indeed, the movement of any part of your body. You must, therefore, be watchful of your body language so that it does not contradict your verbal message. This is indeed difficult because **the** body language is so involuntary that we are not even aware of it.

Some of the non-verbal actions which assist communication include:

Maintaining eye contact

Occasionally nodding the head in agreement

Smiling and showing animation

Leaning towards the speaker.

Speaking at moderate rate, in a quite tone

Some of the non-verbal actions that impede the communication are:

Looking away or turning **away from the speaker**

Sneering or using other contemptuous gestures

Closing your eyes

Using an unpleasant tone of voice

Speaking too slow or too **fast**

13.8 CHANNELS OF COMMUNICATION

An organisation structure provides channels for the flow of information on which the decisions of the organisation will be based. As such an organisation can be described as the network of communication channels. These channels can be either intentionally designed, or, they may develop of their own accord. When a channel is intentionally prescribed for the flow of communication, in the organisation, we call a formal communication. On the other hand, when communication takes place through channels not intentionally designed, in other words, outside the formal channels, such channels are referred to as informal channels, and the communication as informal communication.

(a) Formal Communication

An organisation chart shows the direction of formal communication flow in an organization it identifies the various transmitters and receivers, and the channels through which they must communicate. The authority relationships indicate the direction of communication flow in an organisation. A formal communication takes place between a superior and subordinate in the form of instruction and directions. Such a flow takes place in the downward direction.

Another formal communication takes place between subordinate and superior when reporting on performance is made by the subordinate. Since the subordinate initiates communication to the superior, the flow is upward.

We can see upward communication, the upward communication can take the form of progress reports, budget reports profit and loss statements, requests for grants, etc.

Again formal communication may take place between one division of an organization and another. This could be either lateral or diagonal. There is substantial formal communication between production foreman and maintenance foreman, or, between production manager and quality control manager. Formal communication may pass across organizational levels also: for example, communication between line and staff units takes place very frequently across organisational levels. Such communication helps, tremendously in the coordination of activity.

Finally, formal communication may also arise between the organisation and outside parties, e.g., suppliers, customer. Government, etc. This may happen when the management is required to provide information of certain aspects of working of the organisation. Communication of this kind is usually one-way.

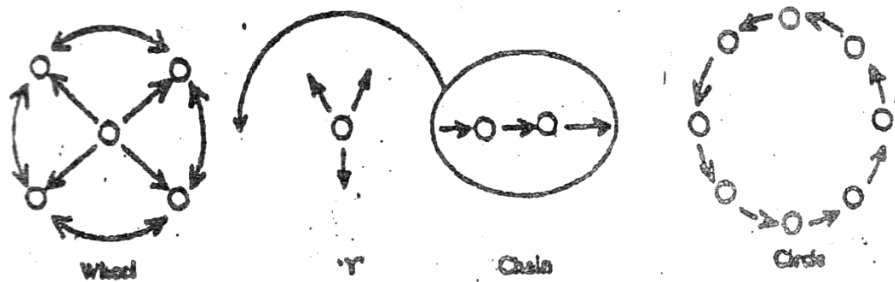
Networks in Formal Communication

You have seen earlier how the formal organisational structure prescribes the channels through which communication flows takes place. These channels are designed to keep the flow of information in

an orderly manner and to protect the higher level managers from an overload of unnecessary information. However, the way in which these channels are designed and work can affect the speed and accuracy of information as well as the task performance and satisfaction of members of the group. As such, managers have to think of how best to design the organizational structure and the communication network which meets the requirements of the situation.

Some research in the design of communication networks has been carried out which indicates their relative merits for use in different situations. Although these networks can assume many forms, the most frequently discussed are four, known as the wheel, chain, 'Y' and circle, shown in the diagram below;

Formal Networks



These forms can well be looked at as an organisational structure made up of five members.

The 'circle' network represents a three-level hierarchy in which there is communication between superiors and subordinates, with crosscommunication at the operative level.

The 'chain' can represent a five-level hierarchy, in which communication can take place only upward and downward, and across organisational lines.

The 'wheel' or 'star' represent an administrator and four subordinates with whom he interacts. There is no interaction among the subordinates.

In the 'Y' network two subordinates report to the superior. It may be regarded as a four-level hierarchy.

To test the effect of various communication structures a series of experiments "involving simple as well as complex problems" were conducted. The studies demonstrated that network centrality was the critical feature that determined whether a particular communication pattern was effective and satisfying to the members for a particular type of task. An index of relative centrality was developed for this purpose in order to determine who occupied the central position in each network. It was found that 'Y' and 'star' networks are highly centralised, with 'C' occupying the central position. The 'circle' and 'chain' networks were found to be decentralised with no member being able to influence all other members.

Further experiment to determine how performance and attitudes were affected by different communication networks showed that centralised networks performed faster and more accurately than decentralised networks, provided tasks were comparatively simple. For complex tasks, however, the decentralised networks were comparatively quicker and more accurate.

The emergence of a leader and the satisfaction of group member was also affected by the centrality of networks. In centralised groups whether the tasks were simple or complex, one person who

occupied the central position by virtue of the control of information emerged as the leader. In decentralised networks no one position could emerge as the leadership position.

As far as the satisfaction of group members is concerned, it was found to be higher in decentralised networks in all types of tasks. Satisfaction was higher in the 'circle', higher in the 'chain' 'lower in 'Y' and the least in the 'star' pattern. The reason for higher satisfaction in decentralised networks was that members of those networks could participate in problem-solving.

These experiments have certain implications for the design of organizational structure and the communication networks:

Firstly, an organisation with mostly routine, simple tasks is likely to work more efficiently with a formally centralised network of communication while more complicated tasks would require decentralised networks.

Secondly, the problem-solving objectives of speed and flexibility cannot be achieved by the same pattern of communication. Rather, speed in problem-solving can be achieved at the expense of flexibility, and vice-versa. As such the communication pattern should be designed with reference to the objective that is regarded as most important.

Thirdly, the pattern that leads to highest average morale and greatest flexibility in adapting to changed conditions is the one in which there are large numbers of active participants in the decision-making process.

Lastly, access to information is an important source of power in an organisation.

We were so far explaining to you the communication patterns that are made use of in formal communication in an organisation. You are of course, aware that along with the formal organisation exists another organisation known as an informal organisation which has its own channels for communication. We shall now have a look at the informal communication and its channels.

(b) Informal Communication

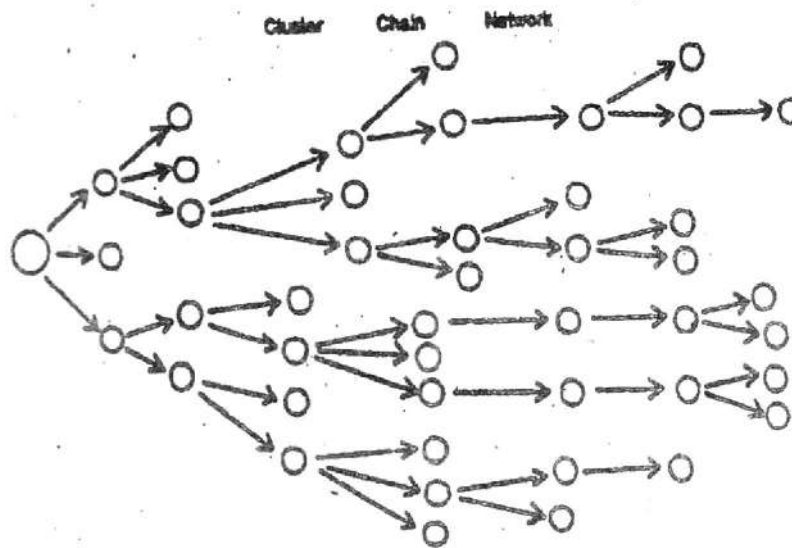
Communication that takes place without following the formal lines of communication is said to be informal communication. This channel is not created by management and is usually not under the control of management. An informal system of communication is generally referred to as the 'grapevine' because it spreads throughout the organisation with its branches going out in all directions in utter disregard of the levels of authority and linking members of the organization in any direction.

The informal communication arises as a result of employee needs for information which are not met by the formal channels. It has been observed that problems relating to work and unfavourable reactions to various organizational practices are transmitted through informal communication. Since the channels are flexible and establish contacts at personal levels among members of an organisation at different hierarchical levels; the grapevine spreads information faster than the formal system of communication. As it is pointed out that about 10 to 40 per cent of employees receive information (or misinformation) about the organisation and its members through informal channels of communication.

In contrast to the formal communication which moves on slowly from one person at one hierarchical level to another at the next hierarchical level, the grapevine transmits information from one person to a group of persons much more rapidly in a cluster chain arrangement. The cluster chain is made up of individuals who act as information sources. Each individual passes the information to several others, some of whom repeat that message to others. Some of those who receive that message may not pass on the information to others but the information may lead to a change in their thinking on the subject.

and may sometimes affect their behaviour as well. The following diagram illustrates the cluster chain networks of informal communication.

Cluster Chain Network



Though it has been found that informal communication carries accurate information about three-fourth of time, yet there are strong possibilities of its communication being distorted. This happens because of the process of filtering whereby each member of the cluster chain acting as a kind of filter passes on only that part of communication which he regards as important, the receiver is left to fill in the gaps and complete story according to his own imagination. This naturally leads to a very great distortion of the real situation and may at times cause serious problems in the organisation.

The characteristics of grapevine have been summarised by Keith Davis as follows:

- a) People talk most when the news is recent
- b) People talk about things that affect their work.
- c) People talk about people they know.
- d) People working near each other are likely to be on the same grapevine.
- e) People who contact each other in the chain of procedure to be on the same grapevine.

You have seen that the grapevine is a fast and a substantially accurate channel of communication, it has tremendous capacity to carry information both helpful and harmful to the formal organisation. In most cases it carries information which the formal channel may not or will not carry. The manager's responsibility, therefore, lies in minimising the negative aspects of this channel.

In order to do this, what the manager can do is to identify the members of the organization who usually seek and spread information. It is possible that different individuals are active at different times but usually it will be found that some individuals tend to be more active carriers of information than the others. After identifying such people a manager can use them as soundingboards. If it is discovered that misleading rumours are circulating, it may be desirable policy on the part of the manager to release the official information in order to clarify the situation. At times management may even find the

informal communication channel more useful in transmitting information than the formal channel. A common method of using informal communication is by 'planned leaks, or strategically planned "just between you and me" remarks, which would obviously reach all parts of the organisation much more quickly than any kind of communication through formal channels.

By now you are familiar with what communication is. You will recollect that in the earlier part of this unit, communication has been defined as the transmission of meaning or understanding. Yet by far, most of the communication in organisations or between persons fails to satisfy this criterion.

Communication quite often fails to convey the meaning or develop an understanding of the communication sufficient enough to bring about a change in the behaviour of the recipient. According to Peter Drucker, "We have more attempts at communication today, that is, more attempts to talk to others, and a surfeit of communication media..... yet communication has proved as elusive as the Unicorn. The noise level has gone up so fast that no one can really listen any more to all that babble, about communication. But clearly there is less and less of communication. The communication gap within institutions and between groups in society has been widening steadily to the point where it threatens to become an unbridgeable gulch of total misunderstanding." (Management Tasks, Responsibilities and Practices p. 481.).

One of the biggest dangers in communication is to assume that communication has taken place. Most of us indeed make a great effort in formulating ideas, and finding appropriate words for communicating them to other. In organisation, too, much money and energy is used to develop its system of communication. And yet, if you try to assess how far the system has led to effective communication in terms of the desired response, you will be surprised at the results. There is fifty-fifty chance of the communication not being understood to the degree you would be satisfied with. This has been proved by a number of experiments and observations made by communications specialists. There is a story from the army which tells of an instruction starting at one end of the line as 'Send reinforcements and ending up at the other end of the line as 'send three shilling and six pence. You can perhaps test it yourself. Try to recollect the news items of the previous evening's news telecasts or broadcast, how many items can you recollect? Most likely less than half. These examples indicate what happens to most of the communication between person or within organization. It is not only important that a communication be sent. It is much more important that it be understood. When an understanding of the communication does not take place, we can hardly expect a desired change in the behaviour of the receiver. What causes a failure of communication?

The failure in communication arises because of certain blockages or barriers between the sender and the receiver. In order to make a communication effective, it must be ensured that these barriers are removed. What the commercial media men these days try to achieve is to overcome the barriers and reach the target audience. What kind of barriers interfere with the effectiveness of communication? In the paragraphs that follow, we shall discuss the various reasons which either prevent the communication from reaching the receiver or distort it in such a manner that it ends up either as non-communication or as miscommunication. Since a manager has to use communication as a means of getting the work done through his subordinates/he must ensure that barriers are minimised and effective communication takes place.

13.9 BARRIERS TO COMMUNICATIONS

The barriers that interfere with the understanding of the communication are of three kinds: semantic, psychological and organization. We shall discuss them one by one.

(a) Semantic Barriers

Most of the difficulties arise because the same word or symbol means different things to different individuals. Perhaps you remember what happened to Shiny Abraham at the recent (1986) Asian Games at Seoul. Despite coming first by a very wide margin in the 800 m. race, she was disqualified and lost her gold medal for having crossed the track at the place where she should not have done. According to her, she mistook the symbol, i.e. the colour of the flag. Whereas in our country the red flag indicates danger, in South Korea white flag is used for the same purpose. Misinterpreting the white flag which had been put up at that point, she crossed the track at the wrong place and suffered a setback. Words, which are in reality symbols representing a thing, an action or a feeling; can have several meanings. As explained earlier, words which represent concrete things, e.g. car or house, tend to be understood in the same way, while abstract words like merit, effectiveness or responsibility, tend to be interpreted by different persons in different ways. Difficulty in understanding may arise even in the case of ordinary words which have different contextual meanings. Lately such difficulties are being experienced increasingly by people working in the international development field. One such problem arose in international training the meaning of the word 'steps'. In a training programme of health workers relating to the family health in Jamaica when a Question, "What are some of the steps that a mother should take to make sure that her baby keeps healthy?" was asked, it was found that there was no response to it. The trainees who were accustomed to only one meaning of the word 'steps' based on their experience, could not just make any sense of the question.

Semantic difficulty may arise because of unfamiliarity with words, for example, a word of some foreign language of which the receiver has no knowledge. A technical word may also create such a problem as it may be beyond the ability of the receiver to understand it.

In order to make it effective, a communication must be put into words which are appropriate to the environment and mental framework of the receiver. This ensures the communication to be grasped properly and implemented effectively. A very interesting example of a communication made effective by the use of words appropriate to the environment in which they were used is provided by the following incident that took place in one of the agricultural states of the USA.

A proposal for using the salaries of the faculty members of an agricultural college was under discussion. The farmers' bloc was totally against giving the raise to the college teachers as they could not see why they should pay those college teachers \$5,000 a year just for talking 12 or 15 hours a week. Faculty representatives made no headway in their negotiations until one of them who had some farming experience, got an inspiration.

"Gentlemen," he told the members of the administrative body, "a college teacher is a little like a bull. It is not the amount of time he spends but the importance of what he does".

The faculty members got the raise. Semantic barriers can further be created by body language being inconsistent with the verbal communication. A manager who praises the honesty and sincerity of his subordinate in a sarcastic tone creates doubts in the minds of the subordinate as to the course of action he should adopt in a given situation in future. The same kind of barrier is created by a divergence between the verbal language and the action language of the superiors. When action and language are used jointly, the actions often have more powerful influence on others, actions than do words. A manager may, for example, profess his belief in being guided by the merit of employees while making promotions. Yet if employees observe that in actual practice promotions are made on considerations other than merit, the manager's professed policy is bound to be affected.

by a semantic barrier-it is not likely to communicate anything, only the actions will communicate and what they communicate will be contrary to what had been said in so many words.

(b) Psychological Barriers

Psychological barriers are the prime barriers in inter-personal communication. The meaning that is ascribed to a message depends upon the emotional or psychological status of both the parties concerned. As such the psychological barriers, may be set up either by the receiver or the sender of the message.

You have already **seen** that **the** effectiveness of any communication depends upon the perception of the right meaning **of the message**, **on** the part of **the receiver**. **The** perception **of** meaning is very much affected **by** the mental frame of the receiver at the time the message is received; Emotions which dominate our mood at the time, e.g., anger, anxiety, fear, happiness, etc... will affect our interpretation **of the message**. The phrase "viewing with **coloured glasses**" or 'seeing with Jaundiced eyes' explain vividly how our inner feelings may vitiate **our** perception of the message or the situation. **Past** experience of the receiver in such situations would also lead to the same effect. **The** something may happen when different individuals interpret the same event or situation. For example, take the case of a supervisor watching a group of employees resting and gossiping on the lawns. How will this situation be perceived ?

To the supervisor who believes that employees are basically lazy, the situation communicates to him that they are playing truant with their work, and therefore should be given more work to do and disciplined.

To the supervisor who believes that his workers are self-motivated and are sincere workers, the situation communicates that they are enjoying a well-earned rest.

To the supervisor who is personally insecure, the situation communicates that they are conspiring against him.

You win, therefore, see that a particular kind of situation, event, happening or words and symbols are capable of being interpreted by different ways according to their own psychological states. A receiver who is suspicious or hostile, either as a consequence of his feeling of insecurity or because of his past experience with the sender of the communication, is more likely to start 'reading between the lines' and ascribe a distorted meaning to the message.

To the receiver's mind a communication gets tied up with the personality of the source. This is what some people call the halo effect. Thus if we receive a message from a person we admire, we are more likely to agree with it and act accordingly. On the other hand, our immediate reaction will be one of disagreement with a message that has been received from a person we do not like or trust. Thus our perception of meaning of the communication is coloured by our own value judgements about the source of the communication.

A receiver of the communication suffers from another problem which psychologists refer to as cognitive dissonance. Since an individual tends to be fed with too much of information from different sources, which is commonly the case in an organisational setting, he becomes selective in receiving and responding to the communications. He is most likely to 'hear' only those messages that conflict with his own viewpoint tend to be ignored. Often the 'other' point of view may not only be ignored, it might indeed be regarded as unfriendly or even hostile. If this happens frequently, subordinates may start questioning

whether their superior really wants to hear the 'bad' news, i.e., opinions contrary to his own. As a consequence, much of the unfavourable news in an organization would never get reported to higher levels until the problem has assumed the form of a crisis.

One common phenomenon with all communications is the effect of filtering. This effect is produced when the communication passes through a large number of persons. Each individual through whom the information is passed interprets facts differently, judges from his own point of view what is important or relevant, and passes it on with his own interpretations, with the result that the original communication gets altered in the process. The process of filtering involves a biased choice of what is communicated, on the part of either the sender or the receiver. Thus filtering refers to the process of 'selective telling' or 'selective listening'. For example, a subordinate may tell the boss what he (the boss) wants to hear. Similarly, though several factors affecting productivity in the organisation may have been identified by the staff, yet the manager may hear and respond only to those factors that fit his preconceived view of the situation. In either case a selectivity is introduced in the process of communication leading to a distortion in communication.

Organisations are particularly prone to the effect of filtering, in large organisations whether there are several levels through which a communication must pass, filtering takes place at each level. In order to save the time of the busy executive and to save him from information overload, it is common in organisations for subordinates to prepare notes or abstracts of the communication before passing it on to the superior. The higher an information has to travel the higher is the degree of abstraction, with the possibility that significant pieces of information may be entirely missed or their significance diluted or distorted. The larger the number of filtering points in an organisation, the greater are the chances of distortion. This may happen even outside an organisation when communication is passed on verbally from one to another, as in a grapevine.

(c) Organisation Barriers

Organisations provide a formal framework through which communication is designed to flow. The structuring of the flow itself tends to act as a barrier against free flow of communication between persons and levels in the organisation. Rules may prescribe how communication between persons and levels in the organisation. Rules may prescribe how communications are to move from one level to another in upward or downward directions. Not only is there a possibility of delay in the communication reaching its destination, but also there is every possibility of communication getting distorted through the process of filtering described in the previous paragraphs, it has been found that when information is channelled through different levels of organisation, it became altered as people interpreted facts differently. In an organizational setting this can be a very big problem since senior level executives who work through others have to depend more and more on the information and interpretations of their subordinates. A critical information that has been lost because of the actions of the intervening levels may jeopardise the position of the manager as well as the organisation itself.

It has been observed that the upward communication is particularly subject to the influence of filtering in large organisations. Upward communication serves essentially two purposes in an organisation. First, it helps in coordinating and controlling the activities of the organisation. Second, it enables the superior to appraise the performance of his subordinates. While the former does not create only problems, the latter has behavioural implications. It is human nature to show one's performance in a better light than what it actually is.

This tendency of an individual naturally brings about a filtering through conscious or unconscious altering, withholding or interpreting facts to be transmitted upward.

Dependency syndrome of the subordinate heightens the tendency to filter information. In a superior-subordinate relationship, the subordinate generally speaking, dependent on the superior for his advancement. Studies show that the greater the dependency of the subordinate on his superiors for the satisfaction of his needs, the more his tendency to filter information of an unfavourable kind. It has been found that subordinates are generally unwilling to communicate unfavourable information when they feel that their superior has the power to punish them in some way. Only positive aspects of performance are likely to be communicated upwards.

Another barrier in organisational setting is created by the superior-subordinate relationship itself which develops a distance between the two. People are more comfortable in communicating with persons of similar status as their own. Communication with persons of higher or lower status is likely to be formal and recent rather than informal and free. The distance between the superior and subordinate and the difficulty in freer communication between them tends to be heightened through status symbols which might be used to show the hierarchical status of the person concerned. Status symbols within an organisation may be in the form of separate parking space, separate bathrooms, separate refreshment rooms, cabins with stylished furniture, carpets, etc. Such symbols accentuate the distance between the different hierarchical levels and tend to widen the communication gap. All these are intended to reduce the difference between the workers and the managers and bring about a better understanding of the problems of the organization which is the chief objective of organizational communication.

You have read in the last few pages about the problems that crop up in communicating with others, whether inside or outside the organisation. These problems create an interference in the process of sharing of the meaning of a communication, and thus interference in the process of sharing of the meaning of a communication, and thus block its effectiveness. As a manager you will be continuously required to make use of your communication abilities in the performance of your job. Since your success as a manager will be judged in terms of the results that you produce the effectiveness of your communication is, therefore, of prime importance to you. We shall explain to you in a few paragraphs below what you can do to make your communications effective.

13.10 MAKING COMMUNICATION EFFECTIVE

In order to make your inter-personal communication more effective, the following are some of the points that you should bear in mind:

Use direct, simple language and avoid words which can have ambiguous meaning: Keep the receiver (audience) in mind while choosing the words and phrases. Your communication will be effective if the words you use are appropriate for the level of receivers for whom the communication is aimed at.

If you look through history, you will find that the great messages have been simple and short. Moses had only ten commandments and they hardly add up to sixty words, and the 17 Rock Edicts of Ashoka are equally brief and to the point.

Use face-to-face communication : Face-to-face communication allows more accurate feedback to be achieved through two-way communication. Generally speaking, people express themselves more freely while talking rather than through writing. Face-to-face communication permits a manager to see and understand the non-verbal signs also.

Use feedback: Feedback enables the sender to judge whether his ideas have been received in the manner as they were originally sent. Most often it is assumed that communication has taken place

because a notice has been put on the notice board, or an order issued. You must devise ways to separate fact from distortion.

Listen with understanding : The biggest block to interpersonal communication is said to be the inability to listen intelligently and skillfully to another person. We tend to confuse listening with hearing; which is a physical process. Listening actually is much more than hearing. It involves understanding. Real communication takes place when the listener truly hears and understands the position and intent of the speaker. Most managers are, however, poor listeners. Apart from other reasons for poor listening performance, the main reason is the discrepancy in the speeds of speaking and of listening, while an average person can speak at the rate of 150 words per minute, one can listen and think at the rate of over 1,000 words per minute. The difference obviously leaves idle time for the mind to wander about and lose some part of the message that is sought to be conveyed. In order to be a successful manager you must attempt to develop your listening ability by utilising your idle time, in projecting yourself into the mind of the other party and understanding the factual and emotional content of the message, without making any attempt at criticising, approving or disapproving it until after you have fully heard and understood the remarks. The empathetic listening, as it is called, vastly improves the understanding of both the parties, bringing in its wake improved interpersonal relationship in the organisation.

Create constructive environment for the expression of ideas: If you can create a climate in which people can be confident that what they say will be listened to with sympathy and considered constructively, you can be sure of a successful and creative communication. This is however, possible only in an environment of trust which has to be generated by management through its policies and actions.

Be careful about your non-verbal communication. Because, you hold a status higher than your subordinates, your gestures are observed and 'felt' by your subordinates, your body language, therefore must be supportive of your communication through words.

One of the powerful means of communication are your actions which speak louder than words. If you expect your communication to be effective, ensure that your actions are consistent with your words.

Develop and use organizational structures which minimise the chances of filtering the communication:

Decentralisation of authority and broadening of span of control can be attempted to reduce the levels in the organisation and minimise the authority filters.

13.11 SUGGESTIONS TO MAKE COMMUNICATION EFFECTIVE

The American Management Association has developed a set of ten suggestions for improving communication, referred to as "The ten Commandments of Good Communication." Briefly these suggestions are :

1. Clarity before attempting to communicate.
2. Examine the purpose of communication.
3. Understand the physical and human environment when communicating.
4. In planning communication, consult others to obtain their support, as well as the facts.
5. Consider the content and the overtones of the message.
6. Whenever possible, communicate something that helps, or is valued by the receiver.
7. Communication, to be effective, requires following up.

8. Communicate messages that are of short-run and long-run importance.
9. Actions must be congruent with communication.
10. Be a good listener.

13.12 SELF CHECK EXERCISE

1. Define Communication.
2. Discuss in brief the importance of communication.
3. Write a short-note on communication process.
4. Define formal communication.
5. Write a short-note on barriers to communication.

13.13 SUMMARY

Communications is fundamental to the existence and survival of humans as well as to an organization. It is a process of creating and sharing ideas, information, views, facts, feelings, etc. among the people to reach a common understanding. Communication is the key to the Directing function of management. A manager may be highly qualified and skilled but if he does not possess good communication skills, all his ability becomes irrelevant. A manager must communicate his directions effectively to the subordinates to get the work done from them properly. Communications is a continuous process which mainly involves three elements viz. sender, message, and receiver.

13.14 GLOSSARY

- **Body language** is a form of non-verbal communication. Body language is about using behaviour to communicate. The forms of behaviour used in body language include body posture, gestures, facial expressions, and eye movements. Body language may provide clues as to the attitude or state of mind of a person.
- **Communication** is simply the act of transferring information from one place, person or group to another. Every communication involves (at least) one sender, a message and a recipient. These include our emotions, the cultural situation, the medium used to communicate, and even our location.
- **Communication barrier** is anything that prevents us from receiving and understanding the messages others use to convey their information, ideas and thoughts. They can interfere with or block the message you are trying to send.
- **Communication channel** is the medium, mean, manner or method through which a message is sent to its intended receiver. The basic channels are written (hard copy print or digital formats), oral or spoken, and electronic and multimedia.
- **Communication process** is the steps we take in order to successfully communicate. Components of the communication process include a sender, encoding of a

message, selecting of a channel of communication, receipt of the message by the receiver and decoding of the message. Noise is anything that hinders communication.

13.15 ANSWERS TO SELF CHECK EXERCISE

1. For answer of question number 1 refer to section 13.1.
2. For answer of question number 2 refer to section 13.2.
3. For answer of question number 3 refer to section 13.3.
4. For answer of question number 4 refer to section 13.8.
5. For answer of question number 5 refer to section 13.9.

12.16 TERMINAL QUESTIONS

1. Describe the communication process and identify its key components. Give an example of how this process operates with both oral and written messages.
2. What characterizes a communication that is rich in capacity to convey information ?
3. "Informal communication can facilitate a group's effectiveness." Do you agree or disagree ? Discuss.

13.17 SUGGESTED READINGS

- Prasad, L M, "Organisational Behaviour" Sultan Chand and Sons, 2011.
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LESSON-14**MOTIVATION****STRUCTURE**

- 14.0 LEARNING OBJECTIVES
- 14.1 INTRODUCTION
- 14.2 MEANING OF MOTIVATION
- 14.3 THEORIES OF MOTIVATION
- 14.4 PRACTICES ADOPTED FOR MOTIVATING EMPLOYEES
- 14.5 MONEY: AS A MOTIVATOR
- 14.6 SELF CHECK EXERCISE
- 14.7 SUMMARY
- 14.8 GLOSSARY
- 14.9 ANSWERS TO SELF CHECK EXERCISE
- 14.10 TERMINAL QUESTIONS
- 14.11 SUGGESTED READINGS

14.0 LEARNING OBJECTIVES

After studying this **lesson** you will be able to understand: -

- The concept, meaning, theories of motivation.
- The practices adopted for motivating employees.
- How money acts as a motivational factor.

14.1 INTRODUCTION

Motivating the subordinate is an important function of managers. In fact, interest in this concept of management science aroused after the introduction of human relations approach in management. Soon after the Hawthorne experiments, the philosophy of management was profoundly diverted toward the human aspects of organized life. It is the primary responsibility of the executives to encourage their people to accept and perform the assigned work willingly. Goals can never be achieved without group's willingness. You can purchase the labour of an individual but to seek his cooperation and drive is a very difficult task. People are productive resources but only when they put their hand and heart in work. This subtle phenomenon is a matter for anxiety for the executives and a lot of their time is devoted towards creating the concept of motivation.

This lesson is an exercise depicting the concept, nature and mechanics of motivation. Herein you will get a clear idea of what for the motivation is needed/What is the significance of this managerial aspect and how the executives can possibly earn the loyalty and motivate employees?

14.2 MEANING OF MOTIVATION

Motivating is a term derived from the word "motive". We can define motive "that which makes person act in a particular way". It is inner impulse causing man to action. Motivation has been defined by Michael J. Jucias as "the act of stimulating someone or oneself to get desired course of action". Since it is a term borrowed from the discipline of psychology, it is very much concerned with the human behaviour. The beginning of any action is the tension in mind. Tension release is one of the needs of human being. Efforts, then, are being made by the individual to translate his tension into behavior. Thus, by nature; motivation refers to the way in which urges, drives, desire, aspiration, striving, or needs direct, control or explain the behavior of human beings. Apart from this conceptual inference, motivating is related with the instigation of employees towards the goal of the enterprise. An executive is having a specific purpose in his mind while encouraging people at work. Productivity and human satisfaction are the twin objects that he wants to serve while encouraging people. It seeks to know the motives for work and to find out ways and means, by which their realisation can be helped and encouraged.

This problem of managers can be solved squarely understanding the nature and necessity, values and attitudes, of the people working. As the leaders of the groups, their main interests to understand the human aspects thoroughly. Explaining the importance of motivation, E.F. L. Breach states, "The problem of motivation is the key to management action; and in its executive form, it is among the chief tasks of the General Manager. We may safely lay it down that the tone of an organization is a reflection of the motivation from the top." Motivated employees are the real assets of many organizations. Technology/systems and methods become ineffective in case the people lack zeal and enthusiasm for work. You can well imagine/therefore, how important this aspect of management is. It is important from the other angle also. Motivation makes it possible to harness the capabilities of the people to the fullest extent resulting in increased productivity; it fosters the cooperative spirit among the people and their satisfaction level is a little bit high. In other words, to achieve organizational and individual goals, motivation is as important a tool in the hands of management to direct the behaviour of subordinates in the desired and appropriate direction and thus minimise the wastage of human and other resources.

Motivating juniors is a complex problem. An executive needs to know some of the determinants of motivation thoroughly. The literature on the subject is too vast that one gets lost. For the sake of clarity let us identify three bases for attacking the problems of motivation, viz,

- (1) Individual characteristics.
- (2) Job characteristics.
- (3) Environmental characteristics.

This classification helps one in having a comprehensive plan of motivation. Unfortunately, a piece-meal approach is adopted while planning a motivational system and it does not help much in managing motivation. It is impossible to understand motivation without considering what people want and expect from their jobs.

14.3 THEORIES OF MOTIVATION

Motivation is a function not merely of monetary compensation but it is also related to certain non-monetary factors. The basis of motivation was supposed to be the need of employees. Maslow was the

pioneer in contributing a systematic scheme of need hierarchy. He arrived at a conclusion after proper research, that there are certain perceived needs of the employees and when they join any organization they somehow believe that these needs can be better satisfied by doing so. They have a perceived expectation from the organization. If the perceived needs are satisfied according to their expectation, they feel satisfied and motivated. On the other hand, if there is a big gap between these, they become slow or refuse to work. In order to motivate the employees, therefore, the need for a close observation, on the part of the managers, is highly emphasised. Maslowian scheme of need hierarchy further outlines that every individual brings to his job certain inputs or investment like skill, ability, experience, time and effort etc. and seeks to exchange these for appropriate "outputs". If his hopes are belied, he becomes frustrated over the job and in no case he can be put as motivated employee. The point that is being carried here is to offer the managers with a proper understanding of the need-patterns of their employees. There exists a good, greater scope to satisfy different types of needs.

(a) Maslow's investigation is important as it stated, in essence, that there are certain needs which people have. He tried to classify these various needs according to "hierarchy of prepotency". His theory states that there are five types of human needs which are common to everyday. The needs to be mentioned here.

- (1) **Physiological needs:** These needs are concerned with maintaining the physiological position of an individual and include such needs as hunger, thirst and sex. These may be termed as biological needs as they are concerned with the keeping up the body fit.
- (2) **Safety need:** The needs concern themselves with the physical security and financial security. Physical security implies the freedom from bodily threat and financial security is concerned with the security on the job e.g. permanency on the job, compensation packet etc.
- (3) **Social Needs:** These needs refer to the needs of love and social activity. Every individual aspires to be loved by others to be associated with others and to get affection from his group members.
- (4) **Esteem and Self Respect Needs:** People at work like to feel important and to have their work recognised as important. They are conscious of the relative social importance attached to them and to the different jobs they do. Thus needs of status, prestige and self-respect are to be included in this category.
- (5) **Self-realization or self-Actualization Needs:** These needs are known as self-accomplishment needs also. These needs refer to the opportunity for creativity and for continual development of the individual's skill and powers.

One should take note of the following points to understand the Maslowian theory of human needs.

- (1) Human needs are of varied nature.
- (2) There is definite order of occurrence of these needs i.e. once a particular set of needs is fairly well satisfied, a man strives for satisfying the other set of needs.
- (3) The first three types of needs are "lower order" needs and the next two are "high order needs".
- (4) A satisfied need no longer provides motivation.

The utility of this need classification is that it has suggested the priority and nature of needs. The hierarchical concept of needs is important for understanding the managerial task in relation to human resources working in organization. It can be concluded from this, that high order needs provide great motivation as they are the only needs that cannot be completely satisfied. Maslow, further, has pointed out that this hierarchy of needs is not a rigid fixed order, that is the same for all individuals. Persons who are high in position in the organization are able to satisfy their high order needs but the lower level people are unable to do so.

The practical value of this theory lies in the fact that managers should try to identify the needs and expected satisfaction gap before they plan for motivating the employees.

Self-Actualisation Needs

Social Needs

Safety Needs

Physiological Needs

(b) Maslow's Hierarchy of Needs:

The second important element in the motivational process is the Job and its environment. It can be mentioned here that people are willing to work, as they like working, provided they are asked to perform meaningful work. As a result, of man's production technology it has become rather difficult to escape from repetitive jobs. The contents of the job are so framed that people do not derive satisfaction after working over it. Job and its environment come in focus as a result of the "Two factor Theory" propounded by Professor Frederick Herzberg and others. This research was conducted by him in relation to different executives of middle level management.

By means of content analysis, he made an important distinction between two kinds of factors—one group of factors dealt with the nature of job and the others were related to the environment in which the job was done. The former were named as Motivational factors and latter as Hygienic Factors.

Motivational Factors

These factors are termed as "Satisfiers" or job content factors also. The individual feels satisfied if these factors are present in the job itself. Herzberg stated that their presence in the job satisfies the needs of the individuals but absence does not dissatisfy them.

He named the following as motivations :

- (1) Achievement
- (2) Recognition
- (3) Work itself
- (4) Responsibility
- (5) Advancement
- (6) Psychological growth.

The above listed factors according to Herzberg, are Instrumental in satisfying an individual with his job. He feels such a job and motivating him is not very much difficult. The essence of such an approach is that motivation is related with the psychological feelings of a man and physical conditions have a very limited role to play.

Hygians Factors

These factors refer to the environmental factors of the job. Factors like working conditions policies and practices, job security, salary and wages, relation with the subordinate: relation with the supervisors, status and personal life can be grouped together as hygiene factors. These factors are extrinsic to the job and provide the context of the job. These are called "Job Context factors" also. Herzberg outlined that their presence in the organization does not provide satisfaction to the individuals, but their absence is the cause of dissatisfaction, if an employee does not find these factors in his work situation, he will feel dissatisfied. In case they are being provided by the management they cannot satisfy the workers. This set of factors, therefore, is known as "dissatisfies" also.

The main thesis that Herzberg established was that satisfaction and dissatisfaction were the two separate, distinct and independent feelings. Gellerman rightly said that Hygiene factors are necessary for motivation but by themselves they cannot motivate people. Herzberg's two factor theory, therefore, added a new approach to the motivation literature by diverting the attention from the needs and put the job and its environment in focus. Job and its elements should be properly evaluated if one thinks of motivating individuals. It should be a folly on the part of managers to lay undue emphasis on the monetary inducement and improved welfare conditions. No doubt, these are of value in keeping the employees satisfied but the real sources of motivation are behavioral by nature. There is a need for identifying the "motivator seekers" and "hygiene seekers". This is essential for motivating people.

While comparing the Maslowian theory of need hierarchy with Herzberg's Two factor Theory, it can be said that the difference between the two is not much. Although the former has studied needs as the basis of motivation and the latter has emphasized job attitudes, they have tried to convey the same meaning in different forms. Maslowian physiological, safety and social needs resemble with Herzberg's Hygiene factor. What has been termed as "High order needs" (Esteem and self respect, self-actualisation) by Maslow in the two factor theory these are the "satisfies" or "job content factors".

A brief reference of some other theories would not be out of place here. Rather, they would prove useful in understanding the subject further.

(c) Participation Theories :

Traditionalists supported the idea of "economic man" as they believed that money alone moves the man. Their belief was based on the fact that money is a good motivator. As a consequence of it, the compensatory part of the working life was more emphasised.

Mc Gregor has termed this situation as Theory X. The main characteristics of this Theory are :

- (i) The average human being has an inherent dislike of work and will avoid it if he can.
- (ii) This is also known as "Carrot-and-stick" theory of management as it assumes that it is only the money which motivates people.
- (iii) The average human being prefers to be directed, wants to avoid work, is not ambitious and wants security of job.

With the advent of Human Relations school the myth of economic man was exploded. Authors like McGregor made a forceful attempt in bringing in time-light the inadequacies of the old beliefs. He advocates that people in organizations have a keen desire to participate in fulfilling the corporate goal. This awareness regarding participation can prove to be a good motivator. The views expressed by McGregor in this regard are valid. He says, "Building an effective work group, therefore, requires a motivating sense of unity of purpose; a group mission around which the interests of individuals and the group may be balanced." The

essence of Theory" propounded by McGregor is largely based on the assumption that people have a liking for work they have the required wisdom also, if they are being provided, with an opportunity to express themselves in the matters that affect them and the work situations.

McGregor has termed this situation as Theory Y. The main characteristics of this theory are:

- (i) The work is as natural as play or rest. Therefore the average man does not dislike work.
- (ii) The manager can make efforts to integrate organizational objectives with individual needs—especially the higher order needs.

Unfortunately, under the conditions of modern industrial life, the intellectual potentialities of the average human being are only partially utilized. He needs to be told the objectives of the work his accomplishments, but feels frustrated when he is not being associated with the working of the organization.

(d) Interaction Theories:

Interaction may be defined as contacts or communications between individuals. Interaction theorists uphold the view that activities, interactions and sentiments are the ingredients of social system. In social organizations, accordingly these are social systems, the sentiments prove to be the basis of motivations. Homans states that sentiments are part of what is called "individualized self interest and that when we examine these motives, we shall find that for the most part they are neither individual nor selfish but that they are the product of group life and serve the ends of the whole group and not an individual. When people interact they give due to these variables and these provide a direction to motivation.

A few other explanations have been given by other authors and researchers also. Prominent among them are Vroom's Expectancy-Valence theory, McClelland's Achievements Concept and Stogdill's Achievement-Expectation Theory. All these theories are the result of the findings of the above authors and you can consult reference books on these theories.

The explanation given above may be useful in getting one acquainted with the conceptual part of motivation. We now look at the practical aspects of motivation. Managers cast with the task of motivating are less interested in theory; their main concern is practice. Implementing the concepts is totally situation based. The question that may be answered is, what techniques and practices may be adopted for motivating employees? For this there is no prescriptive answer; first of all one needs to know the employees' level of accomplishment. To motivate others, the executive himself must be well motivated. He will prove to be an example to be emulated. The rank and file get inspiration from him and he should try to understand the situation properly. The distant goal is to build a team-work spirit among the people of organization and no single technique can achieve that. Experience is the only teacher in this respect and there is always a scope for improving the practices in the light of experience achieved. A few guidelines are mentioned here.

14.4 PRACTICES ADOPTED FOR MOTIVATING EMPLOYEES

- (1) **Encouragement to constructive groups:** It is important to a motivational system that constructive groups be encouraged and destructive groups be broken up. The former are maintained through the stability of organization and any change in the assignments should be made, if possible, so that these groups can remain intact. Organizational changes be made so as to effect this reconstruction.
- (2) **Job Security:** Organizations have got a control over the rules relating to the security of jobs. People must feel safe while working. Continuity in the jobs can prove to be a good motivational tool.

- (3) **Proper Selection of Employees :** People take pleasure in working over a job provided they know the Job better. This is possible only when a right man is selected on the job. In case he finds the job below his skill level he can improve the status and character of the job. More often this practice is not followed and frustration starts after a period.
- (4) **Providing with the meaningful and Challenging job:** Very little attention is paid to the contents of the job. Proper analysis of the job should be done so that it contains both the routine and challenging contents. People become disinterested in the job of respective character. Periodically, new elements can be added to that. Herzberg preferred the enrichment of job rather than enlargement of the job. Mere adding new elements will not do: the new job should provide him with the freedom to work and one should be given an opportunity to restructure his job. Limitations of this practice is obvious because of the compulsions of technology. Moreover, it can be adopted in the lower Jobs which are necessarily of respective character, This practice is possible only at the managerial level.
- (5) **Increased responsibility:** One can motivate his subordinates by assigning them greater responsibilities. With this increase his involvement in the organization automatically increases. At that level of responsibility he becomes an important member of the group and tries to save his position by doing more work. In the desired direction.
- (6) **Participation in Decision-making :** Not all the persons can be associated with decision-making process as there are certain obvious constraints. But it is possible to associate the subordinate at some level of decision-making. It satisfies their social and psychological needs/He develops a feeling of belongingness and take pride in doing so.
- (7) **Recognition of work :** Studies have shown that employees attach much importance to this 'aspect. After doing his job his eyes are always on the open hearted recognition accepted by his superiors. His willingness to accept more work increases if a proper, recognition has been given after he has done his job. After all he is doing the job not only to earn money but to get something in-term of public recognition. This recognition may be in the form of promotion, selection for training, praise at public function, certificate etc. It energizes him to do better work further.
- (8) **Autonomy :** Most of the work today is directed one. One has to perform it in a pre-determined and compulsive manner. His freedom to develop new ideas of work is seldom allowed. The skill and creativity is affected in this way. One way of motivating may be to increase the area of autonomy in relation to job performed. Changes made by him within the limits be allowed and appreciated.
- (9) **Delegation of Authority :** This attempts to satisfy his high order needs. With proper delegation of authority the sphere of control increases, the personal as well as formal portion increases in the eyes of others and he is able to control his environment.
- (10) **Better Supervision:** The treatment to supervisors towards their fellow workers plays a vital role in motivation. If he treats them fairly and humanly 'it results into better work and high satisfaction. Having a good boss is one of the factors to which people attach great importance.
- (11) **Corporate Image :** With a good image of the Company or Organization people take pride in working. Sometimes enterprise and its objectives will divert, the attention and

spark enthusiasm in a subordinate. People prefer to work in such an organization which has got a good image in the society.

All these factors are of Non-financial nature and affect the motivation process immensely. As has been said earlier motivation is a function of abstract and psychological factors and proper importance should be attached **only** to these. Now, we would discuss the financial factors which go in motivating the employees.

14.5 Money as a Motivator:

The role of the money in human motivation got a setback as an impact of human relations approach. It was emphasised that money does not figure an important factor in human motivation. Agreed more than money, man wants needs satisfaction. Even then it should be pure simplification of the situation. In reality, good salary and wages, financial incentives, fringe benefits, share in profits are the practices which are being adopted as a part of motivational system. Money, at least satisfies the basic physiological needs. Money enhances the status in the society as well as in organization. The more one gets the more he can satisfy his physiological needs. The limitation of money as a motivator is that it is incapable of satisfying the "high order needs" of man. But the lower order needs can be well satisfied by providing needed money.

14.6 SELF CHECK EXERCISE

1. What do you mean by motivation? Discuss in brief.
2. Define motivation.
3. Write a short-note on Maslow's Hierarchy of Need Theory.
4. Discuss in brief delegation of authority.
5. How money acts as motivator? Write a short note.

14.7 SUMMARY

To sum up, can say that motivation by nature is an internalized process, that is which comes from inside but some reinforcements are needed to utilize it for practical purpose. As a leader of the group the manager has to see that human resources are motivated towards the desired direction. All that has been said earlier is an exposition of whole process of motivation

14.8 GLOSSARY

- **"Employee"** means a person who is employed by the Company or any Subsidiary, including an officer or director of the Company or any Subsidiary who is also an employee of the Company or any Subsidiary.
- **Motivation** is the word derived from the word 'motive' which means needs, desires, wants or drives within the individuals. It is the process of stimulating people to actions to accomplish the goals. In the work goal context the psychological factors stimulating the people's behaviour can be – desire for money and success.
- **Motivating factors** are drivers of human behavior related to the intrinsic nature of the work, but not necessarily to the surrounding circumstances or environment. Motivating

factors include achievement, advancement, autonomy, personal growth, recognition, responsibility, and the work itself.

- **Motivator** is a person or thing that makes someone enthusiastic about doing something: a great/powerful/strong motivator. Money is a great motivator. The teacher was a passionate motivator.
- **Need** is something that is necessary for an organism to live a healthy life. Needs are distinguished from wants. Basic needs such as air, water, food and protection from environmental dangers are necessary for an organism to live.

14.9 ANSWERS TO SELF CHECK EXERCISE

1. For answer of question number 1 refer to section 14.1.
2. For answer of question number 2 refer to section 14.2.
3. For answer of question number 3 refer to section 14.3.
4. For answer of question number 4 refer to section 14.4.
5. For answer of question number 5 refer to section 14.5.

14.10 TERMINAL QUESTIONS :

1. What techniques are being adopted to motivate people in organization ?
2. What is basis for motivation ? Examine the factors that affect work performance ?
3. What are the requirements of a good system of motivation ?
4. Explain Maslow's Hierarchy of needs with the help of a diagram.
5. Explain the "two factor theory" propounded by Herzberg.

14.11 SUGGESTED READINGS

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LESSON-15**GROUP DYNAMICS AND TEAM DEVELOPMENT****STRUCTURE**

- 15.0 LEARNING OBJECTIVES
- 15.1 **DEFINING** AND CLASSIFYING GROUPS
- 15.2 REASONS TO JOIN GROUPS
- 15.3 STAGES OF GROUP DEVELOPMENT
- 15.4 THE FIVE STAGE MODEL
- 15.5 WORK GROUP BEHAVIOUR
- 15.6 EXTERNAL CONDITIONS IMPOSED ON THE GROUP
- 15.7 GROUP MEMBER RESOURCES
- 15.8 GROUP STRUCTURE
- 15.9 GROUP PROCESS
- 15.10 GROUP TASKS
- 15.11 IMPLICATIONS FOR PERFORMANCE AND SATISFACTION
- 15.12 SELF CHECK EXERCISE
- 15.13 SUMMARY
- 15.14 GLOSSARY
- 15.15 ANSWERS TO SELF CHECK EXERCISE
- 15.16 TERMINAL QUESTIONS
- 15.17 SUGGESTED READINGS

15.0 LEARNING OBJECTIVES

After studying this lesson you will be able to understand: -

- The meaning, concept, types of group.
- The stages of group development
- The group member, group structure, group tasks.

15.1 INTRODUCTION

This lesson introduces groups and teams. Two facts make this lesson critical for your understanding of organizational behaviour. First, the behaviour of individuals in groups is something more

than the sum total of each acting in his or her own way. In other words, when individuals are in groups, they act differently than they are alone. Second, workgroups are a vital part of every organization. Examples are production teams, committees, task forces, staff groups, investigative commissions, boards of directors, cockpit crews, surgical team quality circles, and repair crews. This chapter defines groups, reviews the various reasons why people join them, describes how groups develop, and then presents a comprehensive model that will help you to explain work group behaviour.

15.2 Defining and Classifying Groups :

Group : Two or more individuals interacting and interdependent, who have come together to achieve particular objectives.

A group is defined as two or more individuals, interacting and interdependent, who have come together to achieve particular objectives. Groups can be either formal or informal.

(i) **Formal Group** : A designated workgroup defined by the organization's structure.

By formal groups, we mean those defined by the organization's structure with designated work assignments establishing tasks. Informal groups, the behaviours that one should engage in are stipulated by and directed towards organizational goals. The three members making up an airline flight crew are an example of a formal group.

(ii) **Informal Group**. A group that is neither formally structured nor organizationally determined; appears in response to the need for social contact.

In contrast, Informal groups are alliances that are neither formally structured nor organizationally determined. These groups are natural formations in the work environment that appear in response to the need for social contact.

It is possible to subclassify groups as command, task groups are dictated by the formal organization, whereas interest and friendship groups are informal alliances.

(iii) **Command Group**. A manager and his or her immediate subordinates.

A command group is determined by the organization chart. It is composed of the subordinates who report directly to a given manager. An elementary school principal and her twelve teachers form a command group, as do the director of postal audits and his five inspectors.

(iv) **Task Group**, Those working together to complete a job task.

Task Group, also organizationally determined, represent those working together to complete a job task. However, a task group's boundaries are not limited to its immediate hierarchical superior. It can cross command relationship; For instance, if a college student is accused of a campus crime, it may require communication and coordination, among the Dean of Academic Affairs, the Dean of Students, the Registrar, the Director of Security, and the student's advisor. Such a formation would constitute a task group. It is groups, but because task groups can cut across the organization, the reverse need not be true.

(v) **Interest Group**. Those working together to attain a specific objective with which each is concerned.

People who may or may not be aligned into common command or task groups may affiliate to attain a specific objective with which each is concerned. This is an interest **group**. Employees who band together to have their vacation schedule altered, to support a peer who has been fired, or to seek increased fringe benefits represent the formation of a united body to further their common interest.

(vi) Friendship Group. Those brought together because, they share one or more common characteristics. .

Groups often develop because the individual members have one or more common characteristics. We call these formation **friendship groups**. Social alliances, which frequently extend outside the work situation, can be based on similar age, support for "Big Red" Nebraska football, having attended, the same college, or the holding of similar political views, to name just a few such characteristics.

Informal groups provide a very important service by satisfying their members' social needs. Because of interactions that result from the close proximity of work stations or task interactions, we find workers playing golf together, riding to and from work together, lunching together, and spending their breaks around the water cooler together. We must recognize that these types of interactions among individuals, even though informal, deeply affect their behaviour and performance.

15.2 REASONS TO JOIN GROUPS

There is no single reason why individuals join groups. Since most people belong to a number of groups, it is obvious that different groups provide different benefits to their members. The most popular reasons for joining a group are related to our needs for security, status, self-esteem, affiliation, power, and goal achievement.

(i) Security

"There's strength in numbers." By joining a group, we can reduce the insecurity of "standing alone" — we feel stronger, have fewer self-doubts, and are more resistant to threats. New employees are particularly vulnerable to a sense of isolation, and turn to the group for guidance and support. However, whether we are talking about new employees or those with years on the job, we can state that few individuals like to stand alone. We get reassurance from interacting with others and being part of a group. This often explains the appeal of unions — if management creates an environment in which employees feel insecure, they are likely to turn to unionization to reduce their feelings of insecurity.

(ii) Status

"I'm a member of our company's running team. Last month, at the National Corporate Relays, we won the national championship. Didn't you see our picture in the company newsletter?" These comments demonstrate the role that a group can play in giving prestige. Inclusion in a group viewed as important by others provides recognition and status for its members.

(iii) Self-Esteem

"Before I was asked to pledge Phi Omega Chi, I felt like a nobody, being in a fraternity, makes me feel much more important." This quote demonstrates that groups can provide people with feelings of self-worth. That is in addition to conveying status to those outside the group, membership can also give increased feelings of worth to the group members themselves. Our self-esteem is bolstered, for example, when we are accepted by a highly valued group. Being assigned to a task force whose purpose is to review and make recommendations for the locations of the company's new corporate headquarters can fulfill one's needs for competence and growth, as well as for status.

(iv) Affiliation

"I'm independently wealthy, but I wouldn't give up my job. Why? Because I really like the people I work with!" This quote, from a \$45,000-a-year purchasing agent who inherited several million dollars' worth of real estate, verifies that groups can fulfill our social needs. People enjoy the regular interaction

that comes with group membership. For almost all people, workgroups significantly contribute to fulfill their needs for friendships and social relations.

(v) Power

"I tried for two years to get the plant management to increase the number of restrooms for women on the production floor to the same number as the men have. It was like talking to a wall. But I got about fifteen other women who were production employees together and we jointly presented our demands to management. The construction crews were in here adding restrooms for us within ten days!"

This episode demonstrates that one of the appealing aspects of groups is that they represent power. What often cannot be achieved individually becomes possible through group action. Of course, this power is not always sought to make demands on others to protect themselves, from unreasonable demands by management, individuals may align with others.

Informal groups additionally provide opportunities for individuals to exercise power over others. For individuals who desire to influence others, groups can offer power without a formal position of authority in the organization. As a group leader, you may be able to make requests of group members and obtain compliance without any of the responsibilities that traditionally go with formal managerial positions. So, for people with a high power need, group can be a vehicle for fulfillment.

(vi) Goal Achievement

"I'm part of three-person team studying how we can cut our company's transportation costs. They've been going up at over thirty percent a year for several years now, so the corporate controller assigned representatives from cost accounting shipping, and marketing to study the problem and make recommendations."

This task group was created to achieve a goal that would be considerably more difficult if pursued by a single person; There are times when it takes more than one person to accomplish a particular task—there is a need to pool talents, knowledge, or power in order to get a job completed. In such instances, management will rely on the use of a formal group.

15.3 STAGES OF GROUP DEVELOPMENT

For twenty years or more we thought that most groups followed a specific sequence in their evolution and that we knew what that sequence was. But we were wrong. Recent research indicates that there is no standardized pattern of groups development. In this section, we'll review that better known five stage model of group development, and then the recently discovered punctuated-equilibrium model.

15.4 THE FIVE-STAGE MODEL

From the mid-1960s, it was believed that groups passed through a standard sequence of five stages. As shown in Figure these five stages have been labelled forming, storming, norming, performing and adjourning.

Formation. The first stage in group development, characterized by much uncertainty.

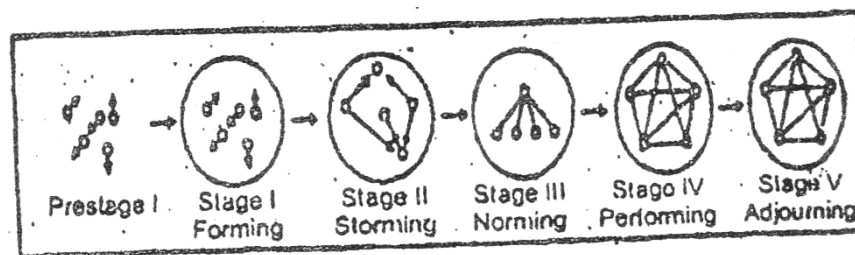
The first stage, **forming**, is characterized by a great deal of uncertainty about the group's purpose, structure, and leadership. Members are "testing the waters", to determine what types of behaviour are acceptable. This stage is complete when members have begun to think of themselves as part of a group.

Storming. The second stage in group development, characterized by intragroup conflict.

The **Storming** stage is one of intergroup conflict. Members accept the existence of the group, but there is resistance to the constraints that the group, but there is resistance to the constraints that the group impose on individuality. Further, there is conflict over who will control the group. When this stage is complete, there will be a relatively clear hierarchy of leadership within the group.

Norming the third stage in group development, characterized by closer relationships and cohesiveness.

The third stage is one in which closer relationship develop and the group demonstrates cohesiveness. There is now a strong sense of group identity and camaraderie. This norming stage is complete when the group structure solidifies and the group has assimilated a common set of expectations of what defines correct member behaviour.



Performing. The fourth stage in group development, when the group is fully functional.

The fourth stage is **performing**. The structure at this point is fully functional and accepted. Group energy has moved from getting to know and understand each other to performing the task at hand.

Adjourning. The final stage in group development for, temporary groups, characterized by concern with wrapping up activities rather than task performance.

For permanent work groups, performing is the last stage in their development. However, for temporary committees, task forces, teams, and similar groups that have a limited task to perform, there is an **adjoining** stage. In this stage, the group prepares for its disbandment. High task performance is no longer the group's top priority. Instead, attention is directed towards wrapping up activities. Responses of group members vary in this stage. Some are upbeat, basking in the group's accomplishments. Others may be depressed over the loss of camaraderie and friendship, gained during the work group's life.

Many interpreters of the five-stage model have assumed that a group becomes more effective as it progresses through the first four stages. While this assumption may be generally true, what makes a group effective is more complex than this model acknowledges. Under some conditions, high levels of conflict are conducive to high group performance. Some might expect to find situations where groups in Stage II outperform those in Stages III or IV. Similarly, groups do not (always) proceed clearly from one stage to the next. Sometimes, in fact, several stages go on simultaneously, as when groups are storming and performing at the same time. Groups even occasionally regress to previous stages. Therefore, even the strongest proponents of this model do not assume that all groups follow the five-stage process precisely or that Stage IV is always the most preferable.

15.5 WORK GROUP BEHAVIOUR

Why are some group efforts more successful than others? The answer to the questions is complex, but it includes variables such as the ability of the group's members, the size of the group, the level of conflict, and the internal pressures on members to conform to the group's norms. Figure presents the major components that determine group performance and satisfaction. It can help you sort out the key variables and their interrelationships.

Work groups don't exist in isolation. They are part of a larger organization. A research team is Dow's Plastic Products division, for instance, must live within the rules and policies dictated from the division's headquarters and Dow's corporate offices. So every work group is influenced by external conditions imposed from outside it. The work group itself has a distinct set of resources determined by its membership. This includes such things as intelligence and motivation of members. It also has an internal structure that defines member roles and norms. These factors — group member resources and structure — determine interaction patterns and other processes within the group. Finally, the group process — performance/satisfaction relationship is moderated by the type of task that group is working on. In the following pages, we'll elaborate on each of the basic boxes identified in Figure.

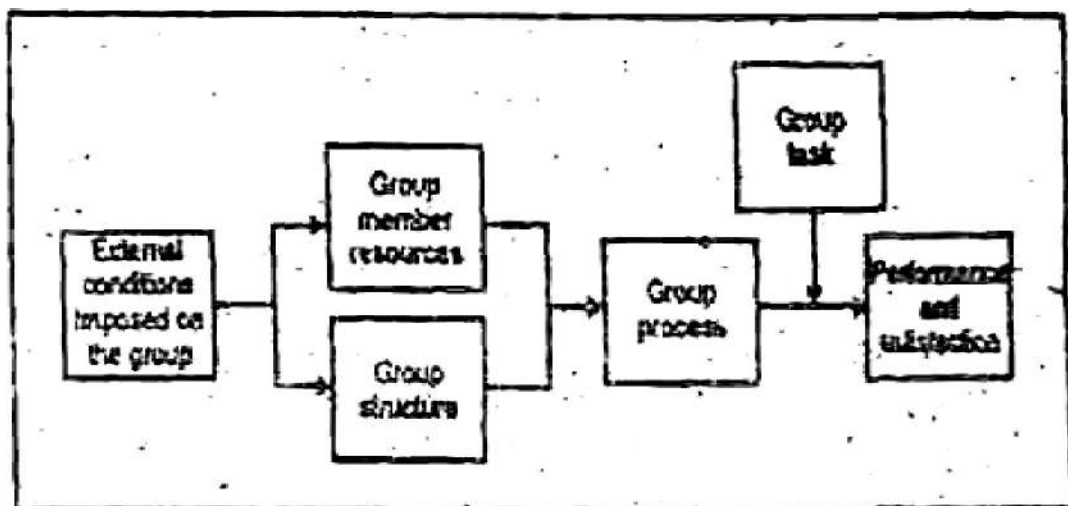


Fig.

15.6 EXTERNAL CONDITIONS

Imposed On the Group

To begin understanding the behavior of a work group, you need to view it as a subsystem embedded in a large system. That is when we realize that group are a subset of a large organization system, we can extract part of the explanation of the group's behavior from an explanation of the organization to which it belongs.

- (i) **Organization Strategy** ; An organization has a strategy that defines which business it is or wants to be in, and the kind of organization it is or wants to be. It is set by top management, often in collaboration with lower-level managers. Strategy outlines the organization's goal and the means for attaining these goals. It might, for example, direct the organization towards

reducing costs, improving quality, expanding marketshare, or shrinking the size of its overall operations. The strategy that an organisation is pursuing, at any given time, will influence the power of various work groups, which, in turn, will determine the resources that the organization's top management is willing to allocate to it for performing its tasks. To illustrate, an organization that is retrenching through selling off or closing down major parts of its business is going to have work groups with a shrinking resources base, increased member anxiety, and the potential for heightened intragroup conflict.

- (ii) **Authority Structures** : Organizations have authority structures that define who reports to whom, who makes decisions, and what decisions individuals or groups are empowered to make. This structure typically determines where a given workgroup is placed, in the organization's hierarchy the formal leader of the group, and formal relationship between groups. So while a work group might be led by someone who emerges informally from within the group, the formally designated leader appointed by management has authority that others in the group don't have.
- (iii) **Formal Regulations** : Organizations create rules, procedures, policies and other forms of regulations to standardize employee behaviour. Because McDonald's has standard operating procedures for taking orders, cooking hamburgers, and filling soda containers, the discretion of work group members to set independent standards of behaviour is severely limited. The more formal regulations that the organization imposes on all its employees, the more the behaviour of work group members will be consistent and predictable.
- (iv) **Organizational Resources** : Some organizations are large and profitable, with an abundance of resources. Their employees, for instance, will have modern, high-quality tools and equipment to do their jobs. Other organizations aren't as fortunate. When organizations have limited resources, so do their work groups: What a group actually accomplishes is to a large degree, determined by what it is capable of accomplishing. The presence or absence of resources such as money, time, raw materials, and equipment—which are allocated to the group by the organization—have a large bearing on the group's behaviour.
- (v) **Personnel Selection Process** : Members of any work group are, first, members of the organization of which the group is a part. Members of a cost-reduction task force at first had to be hired as employees of the company, so the criteria that an organization used in its selection process will determine the kinds of people that will be in its workgroups.

The selection factor becomes even more critical if a large segment of the organization's employees are unionized. In such cases, the terms of the union's collective bargaining contract will play a key part in specifying who is hired as well as acceptable and unacceptable behaviour of work group members.

- (vi) **Performance Evaluation and Reward System** : Another organizational variable that affects all employees is that performance evaluation and reward system. Does the organization provide employees with challenging, specific performance objectives? Does the organization reward the accomplishment of individual or group objectives? Since work groups are part of the larger organizational system, group member's behaviour will be influenced by how the organization evaluates performance and what behaviour is rewarded.
- (vii) **Organization Culture** : Every organization has an unwritten culture that defines for employees standards of acceptable and unacceptable behaviour. After a few months,

most employees 'understands their organization's culture. They know things like how to dress for work, whether rules are rightly enforced, what kinds of questionable behaviours are sure to get them into trouble and which are likely to be overlooked, the importance of honesty and integrity, and the like. While, many organizations have subcultures - often created around work groups - with an additional or modified set of standards, they still have a dominant culture that conveys to all employees those values the organization holds dearest. Members of work groups 'have to accept the standard implied into organisation's dominant culture if they are to remain in good standing.

- (viii) **Physical Work Setting** : Finally, we propose that the physical work setting that is imposed on the group by external parties has an important bearing on work group behaviour. Architects, industrial engineers, and office designers make decisions regarding the size and physical layout of an employee's work space, the arrangement of equipment, illumination levels, and the need for accommodation to cut down on noise distractions. These create both barriers and opportunities for work group interaction. It's obviously a lot easier for employees to talk or "good off" if their work stations are close together, there are no physical barriers between them, and their supervisor is in an enclosed office fifty yards away.

15.7 GROUP MEMBER RESOURCES

A group's potential level of performance is, to a large extent, dependent on the resources that its members individually bring to the group. In this section, we want to look at two resources that have received the greatest amount of attention : abilities and personality characteristics.

(i) Abilities

Part of a group's performance can be predicted by assessing the task-relevant and intellectual abilities of its individual members. Sure it's true that we occasionally read about the athletic team composed of mediocre players who because of excellent coaching determination, and precision teamwork, beat a far more talented group of players. But such cases make the news precisely because they represent an aberration. As the old saying goes, the race doesn't always go to the swiftest nor the battle to the strongest, but that's the way to bet. A group's performance is not merely the summation of its individual members' abilities. However these abilities set parameters for what members can do and how effectively they will perform in group.

What predictions can be made regarding ability and group performance ? First, evidence indicates that individuals who hold crucial abilities for attaining the group's task tend to be more involved in group activity, generally contribute more, are more likely to emerge as the group leaders and are more satisfied if their talents are effectively utilized by the group. Second, intellectual ability and task-relevant ability have both been found to be related to overall group performance. However the correlation is not particularly high, suggesting that other factors, such as the size of the group, the type of tasks being performed, the actions of its leader, and level of conflict within the group, also influence performance.

(ii) Personality Characteristics

There has been a great deal of research on the relationship between personality traits and group attitude and behaviour. The general conclusion is that attributes the tendency to have a positive connotation in our culture tend to be positively related to group productivity, morale, and cohesiveness. These include traits such as associability, self-reliance, and independence, in contrast

negatively evaluated characteristics such as authoritarianism, dominance, and unconventionality tend to be negatively related to the dependent variables. These personality traits affect group performance by strongly influencing how the individual will interact with other group members.

Is any one personality characteristic a good predictor of group behavior? The answer to that question is "No," the magnitude of the effect of any single characteristic is small, but talking personality characteristics together, the consequences for group behaviour are of major significance. We can conclude, therefore, that personality characteristics is small, but talking personality characteristics of group members play an important part in determining in groups.

15.8 Group Structure

Work groups are not unorganized mobs. They have a structure that shapes the behaviour of members and makes it possible to explain, to predict a large portion of individual behavior within the group as well as the performance of the group itself. What are some of these structural variables? They include formal leadership, roles, norms, group status, group size, and composition of the group.

(i) Formal Leadership

Almost every work group has a formal leader. He or she is typically identified by titles such as unit or department manager, supervisor, foreman, project leader, task force head, or committee chair. Studies that have examined the effects of leader traits on group performance have generally provided inconclusive results. For more promising findings have surfaced when situation variables, like the task structure in the jobs and the characteristics of followers, have been used as moderating variables. In terms of achieving high group satisfaction, participative leadership seems to be more effective than an autocratic style. But participation doesn't necessarily lead to higher performance. In some situations, the group guided by a directive, autocratic leader will outperform its participative counterpart. Most research studies in recent years have been focused on trying to identify the contingency variables associated with leader success, that is, when should a leader be democratic and when should a leader be autocratic?

(ii) Roles

A set of expected behaviour patterns attributed to someone occupying a given position in a social unit.

Shakespeare said, "All the world's a stage, and all the men and women merely players." Using the same metaphor, group members are actors, each playing a role. By this term, we mean a set of expected behavior patterns attributed to someone occupying a given position in a social unit. The understanding of role behavior would be dramatically simplified if each of us chose one role and "played it out" regularly and consistently. Unfortunately, we are required to play a number of diverse roles, both on and off our jobs. One of the tasks in understanding behaviour is grasping the role that person is currently playing.

(iii) Norms

Acceptable standards of behaviour, with a group that are shared by the group's members. All groups have established standards which tell members what they might and ought not to do under certain circumstances. From an individual standpoint, they tell what is expected of you in certain situations. When agreed to and accepted by the group, norms act as a means of influencing the behaviour of group members with a minimum of external controls. Norms differ among groups, communities, and societies, but they all have them.

(iv) Status

A socially defined position or rank given to groups or group members by others. As it is said, in the status hierarchy of life nothing does not matter. We live in a class-structure society. Despite all attempts to make it more egalitarian. We have made a little progress towards a classless society. Even the smallest group will develop roles, rights and rituals to differentiate its members. Status, is an important factor in understanding human behaviour when individuals perceive a disparity between what they believe their status to be and what others perceive to be.

(v) Size

Does the size of a group affect the group's overall behaviour? The answer to this question is a 'definite 'yes' but the effect depends on what dependent variables you look at. The evidence indicates, for instance, that smaller groups are faster at completing tasks that are larger ones. However, if the group is engaged in problem solving, large groups consistently get better marks than their smaller counterparts. If the goal of the group is fact finding, larger groups should be more effective. On the other hand, smaller groups are better at doing something productive with that input.

(vi) Group Processes

The next component of our group behaviour model considers the processes that go on with a work group, the communication patterns used by members for, information exchange, group decision process, leader behaviour, power - dynamics, conflict interactions and the like. Why are processes important to understanding work group behaviour? One way to answer this question is to return to the topic of social loafing. We found that one plus one does not necessarily add up to three. In group tasks where each member's contribution is not clearly visible, there is a tendency for individuals to decrease their effort. But group processes can also produce positive results. That is, groups can create outputs greater than the sum of their inputs.

15.10 Groups Tasks

Tasks can be generalised as either simple or complex. Complex tasks are ones that tend to be novel or non-routine. Simple ones are routine and standardized. We would hypothesize that the more complex task, the more the group will benefit from discussion among members on alternative work methods. If the task is simple, group members do not need to discuss such alternatives. They can rely on standardized operating procedures for doing the job. Similarly if there is a high degree of interdependence among the tasks that group members must perform, they will need to interact more. Effective communication and minimal level of conflict, therefore, should be more relevant to group performance when tasks are interdependent.

15.11 Implication for Performance and Satisfaction.

Any Prediction about a group's performance must begin by recognising that work groups are part of a large organisation and that factors such as the organisation's strategy, selection procedures, and reward system can provide a favourable or unfavourable climate for the group to operate within. For example, if an organisation is characterised, by the distrust between management and workers, it is more likely that work groups in that organisation will develop norms to restrict effort and output than will work group in isolation. Rather, begin by assessing the degree easier, for any work group to be productive when the overall organisation of which it is a part is growing and it has both top management's support and abundant resources similarly, a group is more likely to be productive when its members have the requisite skills to do the groups tasks and the personality characteristics that facilitate working well together.

We can make a set of predictions regarding both performance and satisfaction based on the impact of the task as a moderating variable and research on the job characteristics. A group can be expected to work especially hard on its tasks and members of that the group are likely to be satisfied with their work when (1) The group task requires members to use a variety of relatively high-level skills; (2) The group task as a whole and meaning full piece of work, with a visible outcome; (3) The outcomes of the group's work on the task have significant consequences for other people either inside or outside the organisation; (4) The task provides group members with substantial autonomy for deciding about how they do the work and (5) work on the task generates regular trustworthy feedback how well the group is performing.

15.12 SELF CHECK EXERCISE

1. Define Group.
2. Why people join groups? Discuss in brief.
3. Discuss in brief the five stage model of group development.
4. Write a short-note on formal leadership.
5. Discuss in brief group tasks.

15.13 SUMMARY

Thus it is concluded that the behavior of individuals in groups is something more than the sum total of each acting in his or her own way. When individuals are in groups, they act differently that they are alone. Work groups are a vital part of every organization.

15.14 GLOSSARY

- **Group** is a collection of individuals who have relations to one another that make them interdependent to some significant degree. As so defined, the term group refers to a class of social entities having in common the property of interdependence among their constituent members.
- Group Development means, forming the association of people to work as a group and direct their actions towards the accomplishment of a common goal. The jobs of each group member are interdependent and hence the performance of one will affect the entire group's performance.
- **Group tasks** are activities where a defined group of individuals need to perform a defined task and accomplish the goals assigned to them. For example, in some groups, members go out of their way to help others whereas in other groups self centered individuals dominate.
- Individual means relating to one person or thing, rather than to a large group. They wait for the group to decide rather than making individual decisions. An individual is a person.
- **Performance** is the accomplishment of a given task measured against preset known standards of accuracy, completeness, cost, and speed. In a contract, performance is

deemed to be the fulfillment of an obligation, in a manner that releases the performer from all liabilities under the contract.

15.15 ANSWERS TO SELF CHECK EXERCISE

1. For answer of question number 1 refer to section 15.2.
2. For answer of question number 2 refer to section 15.2.
3. For answer of question number 3 refer to section 15.2.
4. For answer of question number 4 refer to section 15.8.
5. For answer of question number 5 refer to section 15.10.

15.16 TERMINAL QUESTIONS

1. How do you use the five-stages group development model to better understand group behaviour?
2. What factors influence the degree to which group members will be attracted to each other?

15.17 SUGGESTED READINGS

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LESSON-16**LEADERSHIP THEORIES AND BEHAVIOUR****STRUCTURE**

- 16.0 LEARNING OBJECTIVES
- 16.1 INTRODUCTION
- 16.2 LEADERSHIP STYLES
- 16.3 LEADERSHIP THEORIES
- 16.4 **RENSISLIKERT'S** MANAGEMENT SYSTEM
- 16.5 THEORY INTO PRACTICE
- 16.6 SELF CHECK EXERCISE
- 16.7 SUMMARY
- 16.8 GLOSSARY
- 16.9 ANSWERS **TO** SELF CHECK EXERCISE
- 16.10 TERMINAL QUESTIONS
- 16.11 SUGGESTED READINGS

16.0 LEARNING OBJECTIVES

After studying this lesson you will be able to understand: -

- The concept, meaning and styles of leadership.
- The theories of leadership.
- The **likert's** management system.

16.1 Introduction

In giving the input on leadership styles and influence process to you, we presume your main aim is to understand and improve your style of functioning as a leader.

To start with, you must have clear ideas as to what is meant by leadership. Leadership is the activity of influencing people to strive willingly for group objectives. As you can see, this process is a function of the leader, the followers and the situation, there may not be any particular organisation in our mind, when we talk of leadership, in any situation where you are trying to influence the behaviour of another individual or group, leadership is operating. Thus each one or the other, whether our activities are centred around a business, educational institution, hospital, political organisation, Government organisation or a family. As part of this process, one who attempts to influence the behaviour of

others becomes a potential leader and the person she is attempting to influence are the potential followers. This may happen irrespective of the fact that the leader may be their boss or a colleague (associate) or a subordinate or a friend or a relative. In other words through a style of functioning, he influences attitudes and expectations, which in turn encourage or discourage the follower's activity or achievement, enhance or diminish the follower's commitment to the work, etc.

In our day-to-day life, we come across instances of how people are influenced by the activities or word of a person who is trying to lead them. We always make judgements about, the leaders of our own office. In our mind we make a difference between a good leader and a bad one by judging his style or way of functioning and his influence on others. Hence, in understanding the phenomenon of leadership, we must first understand the various styles of the leaders.

16.2 LEADERSHIP STYLES

The world style is the way in which the leader influences followers. Let us have a look at the various studies that help us to understand the leadership styles.

(a) Hawthorne Studies

Mayo and Roethlisberger did a series of studies from 1924 to 1932 in an electricity company, at Illinois, in USA. These studies are known as Hawthorne Studies. One phase of these aimed at finding out if changes in illumination, rest periods and lunch breaks can affect the productivity of the workers. It was found to the surprise of the researcher, that less light, shorter and fewer rest periods and shorter lunch breaks resulted in increased productivity. And once all these changes were eliminated and the normal working conditions were resumed, it was also seen that the workers' productivity and the feeling of being together went up. The increase in productivity was attributed to the attitude of workers towards each other and their feeling-of togetherness. In addition, attention paid to the workers by the researchers made them feel important which resulted in improvement in their work performance. This is known as Hawthorne effect. These findings made Mayo and Roethlisberger conclude that a leader has not only to plan, decide, organise, lead and control but also consider the human elements. This includes social needs of being together and being recognised for the work interaction of the group members with each other and their wellbeing. A good leader ought to keep the above aspects in this style of working with people and supervising their work.

(b) Theory X and Y

McGregor (1960) categorized leadership styles into two broad categories having two different beliefs and assumptions about subordinates. He called these Theory X and Theory Y. The Theory X style of leaders believe that most people dislike work and will avoid wherever possible. Such leaders feel they themselves are a small but important group, who want to lead and take responsibility, but a large majority of people want to be directed and avoid responsibility. Therefore, this style of leadership exercises strong controls and direction and wherever necessary punish people if they do not do the work. If people do the work as desired, they may even get monetary or other rewards. Theory Y leaders assume that people will work hard and assume responsibility if they can satisfy their personal needs and the objectives or goals of their organisation. Such leaders do not sharply distinguish between the leaders and the followers in contrast to Theory X style. They feel that people control themselves within rather than being controlled by others from outside such as a leader or a manager or a supervisor.

An effective leader needs to examine carefully his own ideas about the motivation and behaviour of subordinates and others; as well as the situation, before adopting a particular style of leadership.'

(c) **Iowa Leadership Studies**

In 1939 Uppitt and White under the direction of Lewin, did a study on three different styles of leadership in the task performance of ten-year old boys in three groups. The authoritarian leader of the group was very directive. He did not allow any participation. He was concerned about the task and told the followers what to do and how to do it. He was friendly while praising the performance of the individual member and was impersonal while criticising the individual member. In the other group, the democratic leader encouraged discussion with the group and allowed participation in making decisions. He shared his leadership responsibilities with his followers and involved them in the planning and execution of the task. The laissez-faire leader of the third group gave complete freedom to the group and did not provide any leadership. He did not establish any policies or procedures to do the task. Each member was left alone. No one attempted to influence the other.

The researchers selected boys of the same intelligence level. Each group did the same tasks of making paper masks or model air-planes or murals or soap carvings. The room used by the three groups remained the same. The three group leaders assumed different styles as they shifted every six weeks from group to group. The researchers under the direction of Lewin, who did several studies on groups, were trying to see how different styles of leadership could change the satisfaction, frustration-aggression levels of the individuals. One definite finding was that nineteen out of twenty boys like the democratic leadership style. That kind of a leader never tried to boss over them, yet they had plenty to do. The only boy who liked the authoritarian style of leadership happened to be the son of an army officer. It was also observed that seven out of ten boys preferred the laissez-faire leader to the autocratic one as they preferred confusion and disorder to strictness and rigidity present in the autocratic style. Boys under the latter style exhibited more of aggressive, hostile and indifferent behavior as compared to their counterparts under other styles of leadership. They either showed hostility or cracked jokes about hostility towards others. Others belonging to the democratic style of leadership showed less aggressive and more indifferent behavior when brought under the autocratic style of a leader. Even under the laissez-faire style of the leader, boys committed more aggressive acts than the ones under the democratic style.

Of course, a study on ten year old boys in making paper masks or soap carving, etc. cannot be compared to leader behaviour of adults with complex jobs. But like the studies of Mayo and Roethlisberger, the studies by Lewin, Lippitt and White are a pioneering effort, in understanding leadership styles from the point of scientific methodology. They also throw light on how different styles of leadership can produce different complex reactions from the same similar groups.

(d) **Michigan Studies on Leadership Styles**

Likert (1961) at University of Michigan Survey Research Centre identified two major styles of leadership orientations—employee orientation and production orientation. The employee oriented style of the leader emphasises the relationship aspect of the jobs of the individual. Such a leader takes interest in everyone and accepts the individuality and personal needs of the individual. He has complete confidence and trust in all matters in his subordinates. His subordinates feel free to discuss things about their jobs with their superior. He always asks subordinates for ideas and opinions and always tries to make constructive use of them.

The production oriented style of the leader emphasises production and technical aspects of the job. He looks at subordinates or employees as tools to accomplish the goals of the organisation. Work, working condition and work methods are tried to be understood better in his style of the leadership

orientation to the performance of the employees. He showed that the employee oriented style brought high-producing performance compared to production-oriented style. Of course, the satisfaction of employees was not directly related to productivity in Likert's study.

Ohio State Studies on Leadership Styles

Stogdill (1957) at the Bureau of Business Research at Ohio State University initiated a series of researches on leadership in 1945. He along with his colleagues, studied leader behaviour in numerous types of groups and situations by using a Leader Behaviour Description Questionnaire (LBDQ). The studies were conducted on Air Force Commanders and members of bomber crews, officers, non-commissioned personnel, civilian administrators in the Navy Department, manufacturing supervisors, executives, teachers, principals and school superintendents and leaders of various civilian groups. They did not have any satisfactory definition of leadership. They also did not think leadership is synonymous with 'good' leadership. The LBDQ was administered in a wide variety of situations and surprisingly two dimensions of leadership continually emerged from the study : one is consideration and the other is "initiating structure."

Consideration reflects the extent to which individual are likely to have job relationship characterised by mutual respect for subordinates, ideas and consideration of subordinates, feelings. You may like to describe it as the behaviour of the leader indicating friendship, mutual trust, respect and warmth in the relationship between the leader and his group members.

Initiating structure reflects the extent to which individuals are likely to define and structure their roles and those of their subordinates towards goal attainment. In other words, it is the behaviour of the leader which deals with the relationship between himself and the work group and tries to establish well-defined patterns of organisation, channels of communication and method of procedure..

Example of observed behaviour of the leader under consideration and initiating structure are as follows:

Consideration

- | | |
|---------------------------------------------------|-----|
| The leader finds time to listen to group members. | () |
| The leader is willing to make change | () |
| The leader is friendly and approachable | () |

Initiating Structure

- | | |
|----------------------------------------------------------------------------|-----|
| The leader assigns group members to particular task | () |
| The leader asks the group members to follow standard rules and regulations | () |
| The leader lets group members know what is expected of them | () |

Activity A

In the above example of items check how frequency **as a** leader you engage yourself by making (A) (Always), O (Occasionally) or N (Never), against each one of the items in the box given at the right hand side of each statement. This may help you to know your own style of leadership.

One can do this exercise by observing and judging the behaviour of the leader in a work situation.

Scientific Manager's Style

Taylor (1911) stressed the best way of doing a job. He emphasised the importance of having management and labour work in harmony to maximise profits. The basis of his scientific management

was technological in nature. It was felt that the best way to increase output was to improve the techniques or methods used by workers." Therefore, profit can be maximised by using a systematic and scientifically based approach to the study of jobs. Taylor was not trained as a manager. He relied on scientific study of jobs. He relied on scientific study of time and movement spend and used for a job to improve the performance of the worker. According to the scientific managerial style; management of work. According to the scientific manager, he relied on scientific study of time and movement spend and used for a job to improve the performance of the worker. According to the scientific managerial style, management of a work organisation must be divorced from human affairs and emotions and people have to adjust to the management and not management to the people. Once jobs are recognised with efficiency in mind, the economic self-interest of the workers could be satisfied through various incentive work plans such as piece rate system of payment etc. The leader is assumed to be the most competent individual in planning and organisation of the work of subordinates according to Taylor's principle of scientific management.

Various studies reflecting different styles of functioning of a leader have been stated above, which highlight how the leader simultaneously pay attention to the:

- (a) task to be accomplished by the group and
- (b) need and expectations of the group and its individual members.

Exactly how the leader goes about attending to these two functions is a matter of his leadership style. Many theories have been suggested by the researchers regarding which leadership style is most effective. Even the about two functions can have different descriptions for different leaders. But in course of time every leader develops particular style which reflects his own ideas and perspectives on the relative importance of task and people.

We should not consider in what ways we can enrich the understanding of various styles of leadership of making ourselves familiar with some important theories of leadership.

18.3 Leadership Styles and Leadership Theories

Trait Theory

This theory as described by Kelly (1974) attempts to classify what personal characteristics such as physical, personality and mental, are associated with leadership success; Trait theory relies on research, that relates various traits to the success of a leader. A lengthy list of traits has been made to describe an effective leader in terms of certain characteristics. A classification of six categories of traits are given below:

1. Physical characteristics of the leader, such as weight, height, and age.
2. **Background characteristics** — education, social status, mobility and experience.
3. **Intelligence** — ability, judgement, knowledge.
4. **Personality** — aggressiveness, alertness, dominance, decisiveness, enthusiasm, extroversion, independence, self-confidence, authoritarianism,
5. **Task-oriented characteristics** — achievement need, responsibility, initiative, persistence.
6. **Social characteristics** — Supervisory ability, cooperativeness, popularity, prestige, tact, diplomacy.

These characteristics according to some people are considered valid indicators of successful leaders, but if you compare leaders by various physical personality and intelligence traits, you may find very little agreement on these some findings point out to the fact that leaders are intelligent individuals. But they do not provide any clue as to whether leaders are brighter than their followers or areas close to them in intelligence. Again, some of the personality traits are overlapping with each other. Therefore, you need to be cautious in stating personality or any of the characteristic as cause of successful leadership. You must ask the questions: Who is a successful leader? Is he far superior physically? Is he far brighter? Is he more mature as a person? Is he more motivated to achieve his goal? Does he have more consideration for his followers? etc. some of the traits may describe a successful leader but predicting successful leaders on the basis of traits alone is not a correct approach. The followers have a significant effect on the job accomplished by the leader. Trait theory completely ignores for the followers and the situations that also help a leader to be successful. Secondly, we should also weigh in our own mind, which of the objectives, 'confident' or 'independent' or 'intelligent' is relatively more important in becoming a successful leader whereas your friend may feel that an enthusiastic, aggressive and authoritarian person is a good leader. To be more objective, traits of the person as well as demand of the situation together determine the effectiveness of the leader.

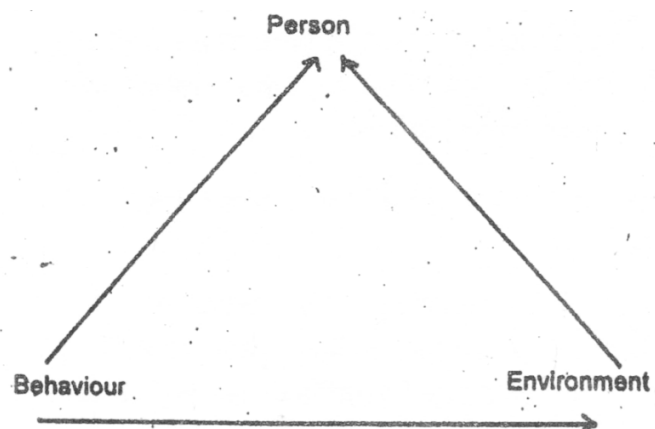
(e) Group and Exchange Theories of Leadership

These theories as reported by Hollander and Julian (1969) state that the leader provides more benefits or rewards than burden or costs for followers who help him achieve the goal of the organisation. There must be a positive exchange between the leader and followers in order for group goals to be accomplished. The leader can give rewards to his followers in the form of praise or pay increase or promotion for accomplishment of the group goal or task. This has positive impact on attitudes, satisfaction and performance of the followers. In return, they respect the leader and give due regard for his status and esteem and believe in his heightened influence. As you are already aware, that a leader emphasises initiating structure when followers do not perform very well. He increases his emphasis on consideration when the followers do a good job. In return, the perception of his followers of his being an effective leader increase. Hence the leader and the followers mutually affect each other.

(f) Social Learning Theories

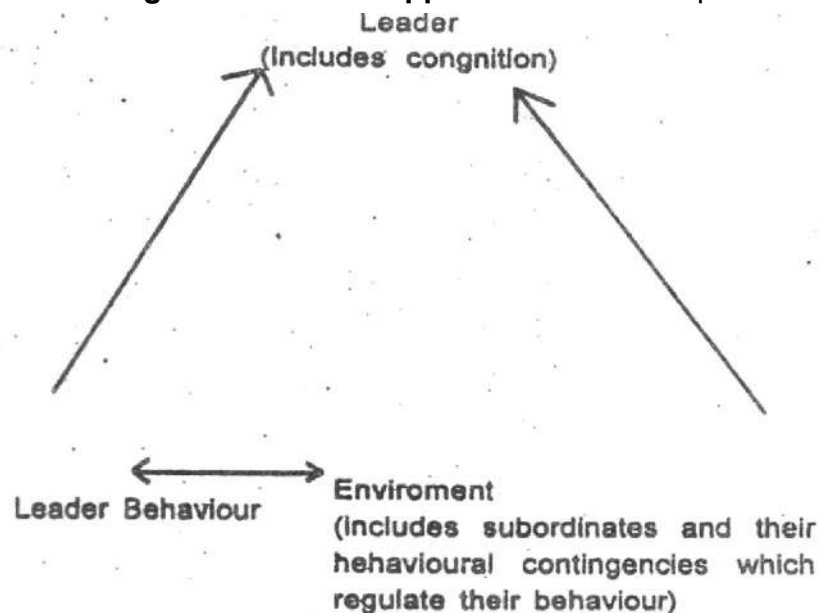
This theory by Bandura (1977) states that there is a continuous reciprocal interaction between person, environment and behavior as shown in Figure 8.

Figure 1: Reciprocal determinism in Social Learning



Person and environment function in conjunction with the behaviour itself and reciprocally interact to determine behaviour. A person, through his actions, produces the environmental conditions: that effect his behaviour in a reciprocal fashion. The experience generated by behaviour also partly determines what a person becomes and can do. This in turn affects his subsequent behaviour. The theory is called social learning theory because, individuals, learn in an environment in the process of interacting with each other which is a social process. You will appreciate the application of this theory in understanding the behaviour of a leader and continuous reciprocal interaction between the person (leader's cognitions) and environment (including subordinates and their needs, experiences, objectives in the organisation, abilities, skills, energy, performance, etc. known as contingencies that regulate their behaviour). Thus a social teaming approach to leadership can be shown in Figure II.

Figure II: A Social approach to leadership



The three aspects of this theory of leadership assume that the leader knows behavior is controlled by various needs situations and experiences that he undergoes. The leader works with the subordinates to discover what those needs situations and experience. The leader and the subordinates jointly attempt to discover ways in which they can manage their individual behaviour to produce mutually satisfying as well as organisationally productive outcomes. In this approach, the leader and the subordinates have a negotiable and interactive relationship. They are continuously aware of how they can modify or influence each other's behaviour by giving the rewards or holding back the performance respectively.

(b) Managerial Grid Theory

Leaders can be oriented towards both tasks and persons. This theory by Blake and Mouton (1978) has a popular application of both task and person orientation. According to this theory leaders are most effective, when they achieve a high and balanced concern for people and for tasks. Each leader can be rated somewhere along each of the axes from 1 to 9 depending on his orientation as shown in Figure III.

Figure III: Interaction between person and Task Orientations.

1, 9								9, 9
				5, 5				
1, 1								9, 1

Task Orientation

Although there can be 9.1 possible combinations you should try to understand the 5 types that are shown in the diagram. These will give you a basic understanding of the theory, on which you can base your other combinations.

- (i) The (9.1) leader is primarily concerned about the task or production, He concerned with his irresponsibility to see that the work is completed. He is called Task-Management leader.
- (ii) The (9.1) leader is primarily concerned for people and only incidentally-concerned with production. The leader's major responsibility is to establish harmonious relationships among subordinates and to provide a secure and pleasant work atmosphere. He is called as Country Club Management leader.
- (iii) The (1,1) leader is concerned with neither production nor people. He tries to stay out of the way and not become involved in the conflict between the necessity for production and the attainments of good working relationship. He is called as Impoverish Management leader.
- (iv) The (5, 5) leader reflects a middleground position and is called as Middle of the Road Management leader. He seeks to compromise between high production and employee satisfaction.
- (v) The (9,9) leader is extremely concerned about the task also the people. He is concerned to see that the work accomplishment is from committed people; interdependence through a 'common stake' in organisation; purpose leads to relationship of trust and respect. He is called a team Management leader.

(c) Contingency Theory of Leadership

Regarding, this theory Fiedler (1967) states that a leader may become effective if the situation is favourable in three ways. These are: good leader-member relations, showing acceptance of the leader by

the group; details of the task spelled out to the leader's position; and a great deal of authority and power is formally attributed to the leader's position. With these three favourable situations and his style of functioning, a leader will be effective.

When the situation is very favourable or very unfavourable to the leader, the task-oriented leader is effective. When the situation is moderately favourable to the leader the person oriented leader is effective.

Examples (of moderately favourable situation to person-oriented leader),

A leader with good interpersonal relationships may be developing a new policy that will have great impact on the work group. The situation is relatively vague but moderately favourable. The task is not very well defined and the leader-member relation is good. The leader is likely to be effective as he would like to consult the members and consider their thoughts and ideas. When the new policy gets approved, the situation becomes more favourable to him.

(d) Path-goal Leadership Theory

This theory by House (1971) states that the leader smooths out the path towards goals and provides rewards for achieving them.

As leader, you should understand the needs of the people and their desire to work or behave in a way that accomplishes goals that satisfy those needs. This theory is based on a situation of the above kind. If you know the need of the person and his desire to work and he is able to accomplish the work, you can reward him to make him feel happy and satisfied. In essence, you are doing three things; One, you are motivating the members of the group, by clarifying the path of personal rewards that result from attaining work goals. You have thus 'fixed' him on the job and made him see that his performance can lead to positive or negative rewards. Two, you have already made the path-goal clear to the member and also told him about what the job requires. You need not say too many things about the job to him as this may decrease his interest in the work and deter his performance. Three, you must offer the reward to the number of the group who actually accomplishes the task. Your reward may be a praise or increase in the pay or promotion of the member to a higher position. Your judgement about the desirability of the member to a higher position is crucial. Your judgement about the desirability of the member's effort and the goal helps you to decide whether a reward can be given.

It is very important for the leader to know every member as a person, in order to use a style to get the best out of the member. For example, a task-oriented leader is preferred by a highly achievement-oriented member, whereas a person-oriented leader is preferred by a person who needs a good deal of affiliation with others; Similarly it does good for the leader to know each situation to adjust his style of functioning for better results. With a clear task on hand, members feel satisfied if the leader is supporting them. They may not show a lot of output, but they are satisfied. On the other hand with a less clear or more vague task on hand members show more output, if the leader directs them to work better. The member in this situation may not be very satisfied.

In most of the Indian work settings, it is usually observed that members are quite dependent on the leader or the superior. They also are quite conscious of their status, but have very little commitment to work. Singh (1980) suggests that the leader who is task-oriented and nurtures the dependence of member on him is most effective in dealing with such members. He or she can get the work done in his natural task style from the members of this group. To a great extent, he knows characteristics of the members' work group, that he or she utilises in making the leadership style effective and getting the work done.

From the above discussions, it is clear that a leader is a person who has the ability to persuade others to get the work done. You must have seen a person having the title of a leader. He may be very popular, but may not have the ability of leadership. Many leaders try to become popular by agreeing with everyone, thus avoiding any kind of conflict. Their influence on the subordinate or members of the work group may not be very lasting. There are leaders, who by virtue of their ability to exercise authority and power show better influence on members. It is therefore necessary for you to understand the authority of a leader and his sources of power, which help him to exercise influence on the subordinates.

Rensis Likert's Management Systems

Using the earlier Michigan studies as a starting place, Rensis Likert did some extensive research to discover the general pattern of management used by high-producing managers in contrast to that used by the other managers. He found that "supervisors with the best records of performance focus their primary attention on the human aspects of their subordinates' problems and on endeavoring to build effective work groups with high performance goals." These supervisors were called "employee-centred." Other supervisors who kept constant pressure on production were called "job-centred" and were found more often to have low-producing sections. Figure presents the findings from one study.

Likert also discovered that high-producing supervisors "make clear to their subordinates what the objectives are and what needs to be accomplished and then give them freedom to do the job." Thus, he found that general rather than close supervision tended to be associated with high productivity. This relationship, found in a study of clerical workers, is illustrated in the figure.

Number of Firstline Supervisors Who are

	Job-centred	Employee-centred
High-producing Sections	1	6
Low-producing Sections	7	3

His continuing research together with his colleagues at the Institute for Social Research at the University of Michigan emphasized the need to consider both human resources and capital resources as assets requiring proper management attention. He found that most managers when asked what they would do if they suddenly lost half of their plant, equipment, or capital resources were quick to answer that they would depend upon insurance or borrowed money to keep them in business. Yet when these same managers are asked when they would do it they suddenly lost half of their human resources—managers, supervisors, and hourly employees—they are at a loss for words. There is no insurance against outflows of human resources.

Recruiting, training, and developing large numbers of new personnel into a working team takes years. In a competitive environment, this is almost an impossible task. Organizations are only beginning to realize that their most important assets are human resources and that the managing of these resources is one of their most crucial tasks.

Figure Low-production section heads are more closely supervised than high-production heads.

Number of Firstline Supervisors Who Are

	Under Close Supervision	Under General Supervision
High-producing Section	1	9
Low-producing Section	8	4

Likert implemented organizational change programs in various Industrial settings. These programmes were intended to help organizations move from Theory X to Theory Y assumptions, from fostering immature behaviour to encouraging and developing mature behaviour to encouraging and developing mature behaviour, from emphasizing only hygiene factors to recognizing and helping workers to satisfy their motivators.

Likert in his studies found that the prevailing management styles of organizations can be depicted on a continuum from system 1 through system 4. These systems might be described as follows:

System 1—Management is seen as having no confidence or trust in subordinates since they are seldom involved in any aspect of the decision-making process. The bulk of the decisions and the goal setting of the organization are made at the top and issued down the chain of command. Subordinates are forced to work with fear, threats, punishment, and occasional rewards and need satisfaction at the physiological and safety levels. The limited superior-subordinate interaction that does take place is usually with fear and mistrust. Although organization generally develops in opposition to the goals of the formal organization.

System 2—Management is seen as having condescending confidence and thrust in subordinates, such as a master has toward the servants. The bulk of the decisions and goal setting of the organization are made at the top, but many decisions are made within a prescribed framework at lower levels. Rewards and some actual or potential punishment are used to motivate workers; Any superior-subordinate interaction takes place with some consideration by superiors and fear and caution by subordinates. Although the control process is still concentrated in top management, some is delegated to middle and lower levels. An informal organization usually develops, but it does not always resist formal organization goals.

System 3—Management is seen as having substantial but not complete confidence and trust in subordinates. Broad policy and general decisions are kept at the top, but subordinates are permitted to make more specific decisions at lower levels. Communication flows both up and down the hierarchy. Rewards, occasional punishment, and some involvement are used to motivate workers. There is a moderate amount of superior-subordinate interaction, often with a fair amount of confidence and trust. Significant aspects of the control process are delegated downward, with a feeling of responsibility at both higher and lower levels. An informal organization may develop, but it may either support or partially resist goals of the organization.

System 4—Management is seen as having complete confidence and trust in subordinates. Decision making is widely dispersed throughout the organization, although well integrated. Communication flows not only up and down the hierarchy but among peers. Workers are by participation and involvement in developing economic rewards, setting goals, improving methods, and appraising progress towards goals. There is extensive friendly superior—subordinate interaction, with a high degree of confidence and trust. There is widespread responsibility for the control process, with the lower units fully involved. The informal and formal organizations are often one and the same. Thus, all social forces support efforts to achieve stated organizational goals.

In summary, System 1 is a task-oriented, highly structured authoritarian management style, System 4 is a relationships-oriented management style based on team work, mutual trust, and confidence. System 2 and 3 are intermediate stages, between, two extremes, which approximate closely Theory X and Theory Y assumptions.

To expedite the analysis of a company's present behaviour, Likert's group developed an instrument that: enables members of their organization in terms of its management system. This instrument is designed to gather data about a number of operating characteristics of an organization. These characteristics include leadership, motivation, communication, decision making, interaction and influence, goal setting, and the control process used by the organization. Sample items from this instrument are presented in Table. The complete instrument includes more than twenty such items. Various forms of this instrument have been adapted to be situation specific. For example, a version for school systems is now available with forms for the school board, superintendent, central staff, principals, teachers, parents, and students.

In testing this instrument, Likert asked hundreds of managers from many different organizations to indicate where the most productive department division, or organization they have known would fall between System 1 and System 4. Then those same managers were asked to repeat this process and indicate the position of the least productive department, division, or organization they have known. While the ratings of the most and the least productive departments varied among managers, almost without exception each manager rated the high-producing unit closer to System 4 than the low-producing department. In summary, Likert has found that 'the closer the management style of an organization approaches System 4, the more likely it is to have a continuous record of high productivity. Similarly, the closer this style reflects System 1, the more likely it is to have a sustained record of low productivity.

Likert has also used this instrument not only to measure what individuals believe are the present characteristics of their organization but also to find out what they would like these characteristics to be. Data generated from this use of the instrument with managers of well-known companies have indicated a large discrepancy between the management system they feel would be most appropriate. System 4 is seen as being most appropriate, but few see their companies presently utilizing this approach. These implications have led to attempts by some organizations to adapt their management system to approximate more closely System 4. Changes of this kind are not easy. They involve a massive reeducation of all concerned, from the top management to the hourly work.

TABLE Example of Items from Likert's Table of Organizational and Performance Characteristics of Different management Systems

Organizational Variable	System 1	System 2	System 3	System 4
Leadership process used Extent to which confidence and trust in subordinates	Have no confidence and trust in subordinates	Have condescending confidence and trust, such as master has to servant.	Substantial but not plate confidence and trust; still wishes to keep control of decisions	Complete confidence and trust in all matters
Character of motivational forces Manner in which	Fear, threats, punishment, and occasional rewards	Rewards and some actual or potential punishment	Rewards, occasional punishment, and some involvement Moderate interaction, often with fair amount to confidence and trust	Economics rewards based on compensation system developed motives are used through participation; group participation and involvement in setting goals, improving methods, appraising progress press toward goals, etc.
Character of interaction- influence process Amount and character interaction	Little interaction and actually with fear and distrust	Little interaction and already with some condescension by superiors; fear and caution by subordinates		Extensive friendly interaction with high degree of confidence and trust

16.5 Theory into Practice

One instance of a successful change in the management, style of an organization occurred with a leading firm in the pajama industry. After being unprofitable for several years, this company was purchased by another corporation. At the time of the transaction, the purchased company was using a ration. At the time of transaction, the purchased company was using a ration. At the time of transaction the purchased company was using a management style falling between System 1 and System 2. Some major changes were soon implemented by the new owners. The changes that were put into effect included extensive modifications in how the work was organized, improved maintenance of machinery, and a training program involving managers and workers at every level. Managers and supervisors were exposed in depth to the philosophy and understanding of management approaching System 4. All of these changes were supported by the top management of the purchasing company.

Although productivity dropped in the first several months after the initiation of the changed program, productivity dropped in the first several months after the initiation of the change program, productivity increased by almost 30 percent within two years. Although it is not possible to calculate exactly how much of the increased productivity resulted from the change in management system, it was obvious to the researchers that the impact was considerable, in addition to increases in productivity, manufacturing costs decreased 20 percent, turnover was cut almost in half, and morale rose considerably (more friendly attitude of workers toward the organization). The company's image in the community was enhanced, and for the first time in years the company began to show a profit.

The implication throughout Likert's writings is that the ideal and most productive leader behaviour for industry is employee-centered or democratic. Yet, his own findings raise questions as to whether there can be an ideal or single normatively good style of leader behaviour that can apply in all leadership situations. As the proceeding figures revealed, one of the eight job-centered supervisors and one of the nine supervisors using close supervision has high-producing sections; also, those of the nine employee-centered supervisors and four of the thirteen supervisors who used general supervision had low-producing sections, in other words, in almost 35 percent of the low-producing sections, the suggested ideal type of leader behaviour produced undesirable results and almost 15 percent of the high-producing sections were supervised by the suggested "undesirable" style.

Similar findings and interpretations were made by Hatpin and Winer in a study of the relationship between aircraft commanders' leadership patterns and the proficiency ratio of their crews. Using LBDQ, they found that eight of ten commanders, with high-proficiency ratings were described as using above average Consideration and Initiating Structure and that six or seven commanders with low ratings were seen 'as below average in Consideration and Initiating Structure. As Likert, Hatpin and Winer reported only that the above average in 'both Consideration and Initiating Structure are likely to be effective and did not discuss the two high proficiency, low Consideration, low Initiating Structure commanders and the one efficiency, low Consideration, low Initiating Structure commanders and the one low producing, high Initiating Structure, high Consideration commander.

16.6 SELF CHECK EXERCISE

1. What do you understand by leadership? Discuss in brief.
2. Write a short-note on Hawthorne Studies.
3. Discuss in brief the traits given in trait theory.
4. Write a short-note on Managerial Grid.
5. Discuss in brief the importance of **Rensis Likert's Management System**.

16.7 SUMMARY

Evidence suggesting that a single or normative style of leader behaviour is unrealistic was provided when a study was done in a industrial setting in Nigeria. The results were almost the exact opposite to Likert's findings. In that country the tendency was for job-centered supervisors who provide close supervision to have high-producing sections and for employee-centered supervisors who provide general supervision to have low producing sections. Thus, a single normative leadership style does not take into consideration cultural differences, particularly customs and traditions as well as the level of education, the standard of living, or industrial experience. These are examples of cultural differences in the followers and the situations that are important in determining the appropriate leadership style to be used. Therefore, based on the definition of leadership process as a function of the leader, the followers, and other situational variables, single ideal type of leader behaviour seems unrealistic.

16.8 GLOSSARY

- **Hawthorne studies** were a series of investigations conducted by **Elton Mayo** and **Fritz Roethlisberger** were a part of a **refocus** on managerial strategy with emphasis on the **socio-psychological** aspects of human behaviour in organizations.
- **Leader** is the one in the charge, the person who convinces other people to follow, A great leader inspires confidence in other people and moves them to action. A leader is the head guy or gal, the one running the show.
- **Leadership** is the art of motivating a group of people to act toward achieving a common goal. They are the person in the group that possesses the combination of personality and leadership skills to make others want to follow their direction.
- **Managerial grid** is a graphical plot of a leader's assessment of the importance of a task versus the importance of employees, which can be used to determine leadership style.
- Team leadership is the management of a group of people to achieve the desired result. The leader must motivate and inspire confidence in the members of the group.

16.9 ANSWERS TO SELF CHECK EXERCISE

1. For answer of question number 1 refer to section 16.1.
2. For answer of question number 2 refer to section 16.2 (a).
3. **For answer** of question number 3 refer to section 16.3 (a).
4. For answer of question number 4 refer to section **16.3 (b)**.
5. For answer of question number 5 refer to section 16.4.

16.10 TERMINAL QUESTIONS

1. "Behavioural theories of leadership are static." Do you agree or disagree? Discuss.
2. What kind of leadership do you think is necessary to succeed in a Big Business.
3. What is managerial Grid? Contrast its approach to leadership with the approaches of the Ohio State and Michigan groups.

16.11 SUGGESTED READINGS

- **Prasad, L M**, "Organisational Behaviour" Sultan **Chand** and Sons, 2011.
- **Robbins**, Judge and **Vohra**, "Organisation Behaviour-Fifth Edition", 2013.
- Griffin, **Ricky W.**, "Management: Principles and Applications", **Cengage** Learning, 2008.
- **Staya Raju** and **Parthasarathy**, "Management: Text and Case-Second Edition", Prentice Hall of India, 2009.
- Prasad, L M, "Organisational Behaviour", Sultan Chand and Sons, 2008.
- Aswathappa, **K.**, "Organisational Behaviour: Text, Cases and Games", Himalaya Publishing House, 2013.
- **Ashwathappa**, K. and **Reddy Sudarsana**, "Management and Organisational Behaviour" Himalaya Publishing House, 2012.
- **Singh Kavita**, "Organizational Behaviour: Text and Cases" **Pearson**, 2010
- Robbins, Judge and Vohra, "Organizational Behaviour: Sixteenth Edition" Pearson, 2018.

- Ghuman and Aswathappa, "Management: Concept, Practice and Cases", TataMcGraw Hill, 2010.

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ASSIGNMENTS

1. 'Effective management is always contingency or situational management'. Comment upon the statement. How does systems approach of management differ from contingency approach?
2. "Planning is an 'intellectual process, the conscious determination of courses of action, the basing of decisions on purposes; facts and considered estimates.'" Comment.
3. Why do you think the subject of OB might be criticised as being "only common sense", when one would rarely hear such a criticism of a course in physics or statistics ?
4. How is the typical large corporation of today organised; in contrast to how that same organisation was probably organised in the 1960s ?
5. What can you do, as a manager, to increase the Likelihood that your employees will exert a high level of effort ?
6. How are our perceptions of our own actions different from our perceptions of the actions of others?
7. What relationship between a work group and the organisation of which it is a part ?
8. "Dynamic leadership is an integral part of effective management" Discuss this statement and explain the leadership styles being followed in Indian organisations.

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M.B.A. Examination
Management Process & Organisational Behaviour
Paper-101 .

Time Allowed : 3 Hours

Max. Marks : 60 (Regular)
100 (ICDEOL)

The candidates shall limit their answers precisely within the answer book (40 pages) issued to them and no supplementary/continuation sheet will be issued.

Note; Attempt Five questions in all, selecting One questions from each unit. All questions carry equal marks.

UNIT-I

- I. What is management ? How emergence of globalization is influencing management? What characteristics it has acquired meanwhile? Discuss its implications on the nature and scope of management.
- II. Distinguish between neo-classical and modern theories of management. How the management thought is being of management. How the management thought is being adapted with the changes in global socio- economic environment ? What are the challenges ? Make out the thought to address the situation.

UNIT-II

- III. What are planning premises ? What are its implications for planning process and management, as such? How premises will help in promoting strategic decision making and effective management? Discuss.
- IV. What is control ? Why it is required in management? What are corrective and preventive controls ? When and how they are applied? Discuss their significance and influence on pattern of control of an organisation.

UNIT-III

- V. What is an organization? Why it is required ? What are 'downsizing' and 'outsourcing'? Discuss their implications and effect on restructuring of organisations at present times. Describe Indian scenario, as well.
- VI. Define organizational behaviour. What is its scope? Bring out the challenges and opportunities for an OB manager during the next decade in India. Give your analyses by considering the relevant factors.

UNIT - IV

- VII. What are attitudes? How they are connected with perception and personality? What is behaviour modification ? How it is applied in a work organization? How the above said factors and others are at work ? Explain the process of modification, as such.
- VIII. What is work motivation? Explain its characteristic. There are contents and process theories of motivation. State the theories and discuss their significance. How these are applied in work motivation? Explain.

UNIT-V

- IX. What is 'group-dynamics'? Explain its significance in O.B. by considering various stages of its development. What the concept of status role? How and where it works? How it can improve the situation? discuss.
- X. What is leadership? How a leader is different from a manager? Explain, how essence of leadership is vision. Briefly discuss. Contemporary issues on leadership requirement in India.

SYLLABUS

MASTER OF BUSINESS ADMINISTRATION FIRST SEMESTER

101 : MANAGEMENT PROCESS AND ORGANISATIONAL BEHAVIOUR

OBJECTIVE

The purpose of this course is to help the students to understand management functions, to familiarize them with the practice of management to develop an understanding of behavioural process of the organisation as a whole, and to cultivate an insight into the individual behaviour at workplace.

UNIT-I

Meaning Nature and Scope of Management; Emergence of Management Thought Classical, Neo-Classical and Modern Theories; Roles, Skills and Responsibilities of Managers; Universality of Management Principles; Functions of Management; Comparative Management Japanese, American and Indian.

UNIT-II

Planning and Decision Making - Process, Premises, Types of Plans; Decision Making Process, Types of Decisions. Creativity In Decision Making Techniques; Control - Process and Techniques.

UNIT-III

Organizations - Meaning, Principles, Types of Organisations, Organisational Behaviour - Meaning and Scope; Models of OB: Contributing Disciplines to OB; Emerging Challenges for OB, Organisations as Social Systems.

UNIT - IV

Foundations of individual Behaviour; Individual Differences, Basic understanding of Attitudes, Perception, Personality, and Learning; Work Motivation- Theories and Applications; Communication - Process, Forms, Barriers and Effectiveness.

UNIT-V

Group Dynamics : Overview of Groups, Types, Stages, Group Decision-making; Inter-personal Relationships; Inter-group Dynamics-Interactions, Influencing Factors; Leadership-Concept, Theories and Effectiveness.

SUGGESTED READINGS :

1. Koontz.H, and Welrich,H; Management, McGraw Hill, 1995.
2. Luthans, F. Organisational Behaviour, McGraw Hill, 1895.
3. Robbins, Stephen P, Management, Englewood Cliffs, Prentice Hall Inc. 1996. .
4. Robbins, Stephen P; Organisational Behaviour, Englewood Cliffs. Prentice Hall Inc. 1996.
5. Gregory Moorhead and Ricky W Griffin; Organizational Behaviour - Managing People and Organisations, Jalco Pub. House, Bombay, 2000. .
6. Stoner,J,et.al. Management, New Delhi, Prentice Hall of India. 2000.
7. Prasad, LM.; Organisational Behaviour: Sultan Chand & Sons. New Delhi. 2002.

The list of cases and specific references Including recent articles will be announced in the class at the time of P.C.P. of the course.
