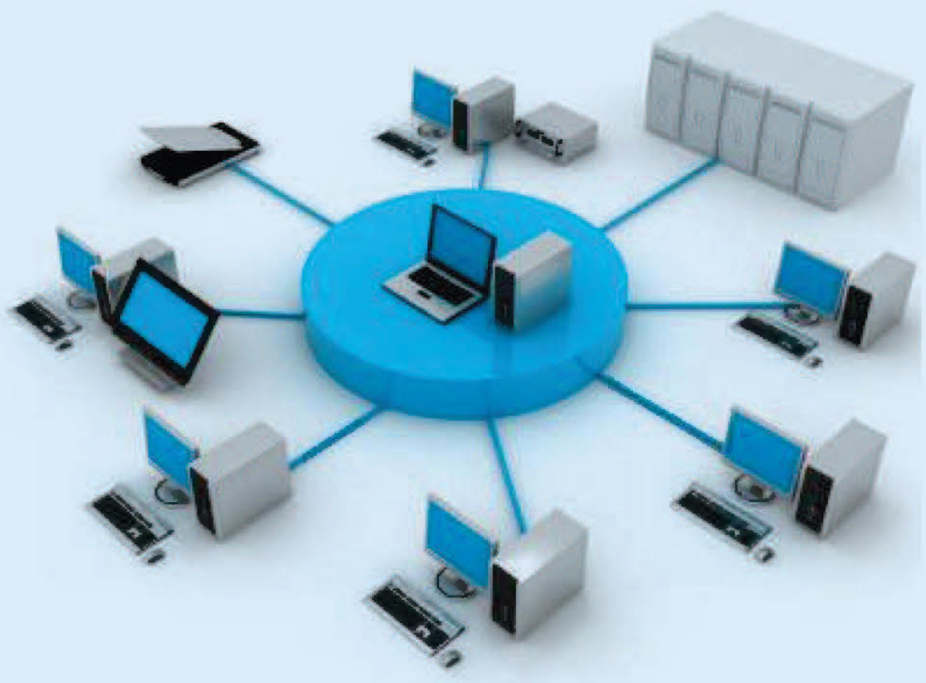

Dr. C.V. Raman University
Kargi Road, Kota, BILASPUR, (C. G.),
Ph. : +07753-253801, +07753-253872
E-mail : info@cvru.ac.in | Website : www.cvru.ac.in

Principles of Management

Institute of Open and Distance Education

Faculty of Management

Principles of Management

1BBA3

DR. C.V. RAMAN UNIVERSITY
Chhattisgarh, Bilaspur
A STATUTORY UNIVERSITY UNDER SECTION 2(F) OF THE UGC ACT

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Principles of Management

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Compiled, reviewed and edited by Subject Expert team of University

1. Dr. Abhishek Pathak

(Professor, Dr. C. V. Raman University)

2. Dr. Vivek Bajpai

(Professor, Dr. C. V. Raman University)

3. Dr. Satish Kumar Sahu

(Assistant Professor, Dr. C. V. Raman University)

Published by:

Dr. C.V. Raman University

Kargi Road, Kota, Bilaspur, (C. G.),

Ph. +07753-253801,07753-253872

E-mail: info@cvru.ac.in

Website: www.cvru.ac.in

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1 Management: an Introduction

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The Chapter Covers :

INTRODUCTION

For most of our lives, we are members of one organization or other-a college sports team, a musical or theatrical group, a religious or civic organization, branch of armed forces, or a business. A very basic element of any organization is a goal or purpose. Today, for any organization to attain its objectives it is extremely important to utilize efficiently the resources available to it. This can be done only by efficient 'management'. People who manage these resources are called 'managers'. It is their task to co-ordinate organizational activities in such a way so as to ensure optimum utilization of all the resources available to them. ***Management is thus, the process of utilizing and coordinating all the organizational resources available optimally with the objective to meet organizational goals. It can also be expressed as the practice of consciously and continually shaping the organization.***

Since the resources available in the society are scarce, the need for efficient management was felt. To meet the organizational objectives with the limited resources,

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the development of management and application of management skills became utmost important. There are three compelling reasons why one should study organizations and management; Firstly organizations contribute to the present standards of living of people worldwide, Second organizations build toward a desirable future and help individuals do the same, third organizations connect people to their past.

Management is a specialty in dealing with matters of time and human relationships as they arise in organizations. The idea about time in organization has several elements: ***Management is an attempt to create desirable future, keeping the past and present in mind, Management is practiced in and is a reflection of a particular historical era; Management is a practice that produces consequences and effects that emerge over time.***

Management has to keep pace with the dynamic external environment to ensure that the organization is able to cater to the changing demand. The aim of management is to take decisions which when implemented will fulfill organizational objectives of profit maximizing, satisfying customer need and giving sufficient opportunity of growth and quality work life to all its workers.

Management is a process, which seeks to create synergy with and within organizations, and is often defined in terms of planning, organizing, co-coordinating and controlling of resources. It is a process that is engaged in, not only by people called managers, but also by most professionals in a diverse range of areas, including education, engineering, medicine and the arts.

Some managers are specialists but most manage a selection of resources such as people, materials, equipment, finance and technology.

WHAT IS MANAGEMENT?

Management focuses on the entire organization from both a short and a long-term perspective. Management is the managerial process of forming a strategic vision, setting objectives, crafting a strategy and then implementing and executing the strategy. Management goes beyond the organization's internal operations to include the industry and the general environment. The key emphasis is on issues related to environmental scanning and industry analysis, appraisal of current and future competitors, assessment of core competencies, strategic control and the effective allocation of organizational resources.

To manage is to affect the activity of a process and successful management achieves, to a degree, desired results. Knowledge of the process is not required, initially until one learns what works in certain situations. However, knowledge of the processes and conditions that affect them is a great benefit for effective management. There are two factors, which create great difficulty for management to be effective- complexity of the system and delays between the managerial action and appearance of the results.

If you poke a complex system, it responds. But if you poke it again and try to very carefully affect the system the same as before, you might get similar results at first, but it reveals results that you wouldn't have expected from the first results. If you poke it again and try very carefully to do it as before, again the early results may be similar but become unique. Effective predictability is limited to early results. To manage a complex system requires that a manager be able to detect early deviations from expectations quickly, and take actions to correct their undesired/unexpected trends. If one waits too long, the deviation increases, with increasing rate and diversity of unanticipated manifestations. In a nutshell, the system becomes unmanageable unless an entirely new approach is taken.

Delayed responses after an action compound the difficulty of managing complex systems. If there is a delay in response, it often means that the response being monitored may not detect the changes or we fail to associate an outcome with the cause. This condition makes it much more difficult to develop skill.

The system is both complex and has delayed effects that are important. We normally only try to manage the features that have quick responses, but we usually have no clue about what else is happening in many processes functioning within the system. They seem to be unrelated to our actions. This means that our surprises are often drastic, and seemingly unsolvable. The speculations of "causes" are diverse, often controversial, and seldom have obvious beneficial options for managers. We try to adapt; we usually cope with the undesired effects and suffer the consequences. Therefore, management and effective application of its skills become important. A good manager should have the insight and vision needed for an organization to maximize its profits and achieve organizational goals in the dynamic business environment.

DEFINITIONS OF MANAGEMENT:

"Management" is derived from Old French ménagement "the art of conducting, directing", from Latin manu agree "to lead by the hand", characterizes the process of leading and directing all or part of an organization, often a business, through the deployment and manipulation of resources (human, financial, material, intellectual or intangible). ...

Management can be defined as:

- The act of managing something;
- Those in charge of running a business
- The guidance and control of action required to execute a program. Also, the individuals charged with the responsibility of conducting a program.
- Management is the organizational process that includes strategic planning, setting objectives, managing resources, deploying the human and financial assets needed to achieve objectives, and measuring results. Management also includes recording and storing facts and information for later use or for others within the organization. Management functions are not limited to managers and supervisors. Every member of the organization has some management and reporting functions as part of their job.
- Management is the act of supervising or directing of an enterprise.
- Management is the activity of getting things done with the aid of people and other resources.
- Effective utilization and coordination of resources such as capital, plant, materials, and labour to achieve defined objectives with maximum efficiency.
- The board of directors and executive officers of a corporation, limited liability company or similar business entity.
- The process of getting activities completed efficiently with and through other people.
- The process of setting and achieving goals through the execution of five basic management functions: planning, organizing, staffing, directing, and controlling; that utilize human, financial, and material resources.
- the process of achieving the objectives of the business organization by bringing together human, physical, and financial resources in an optimum combination and making the best decision for the organization while taking into consideration its operating environment.

- The people, who administer a company, create policies and provide the support necessary to implement the owners' business objectives.

MANAGEMENT: *"the art of getting things done through others."*

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In the words of Mary Parker Follett, "***Management is the art of getting things done through others.***" Management is the process of achieving organizational objectives by directing others to perform the task and not to perform the task themselves. This is the traditional approach to management. It lays emphasis on the fact that management directs the workers to control and get results from them. It uses workers just like other factor of production.

This definition has been criticized on the following grounds:

- Employees are treated as mere means to attain organizational goals.
- The management manipulates the behavior of workers to get the things done.
- The need and aspirations of workers are not taken care of.
- It is assumed that the workers will have to be pushed to work.

An organization employs people for efficient utilization of its resources like materials, capital etc. to achieve its goals. The need of the people employed have to be catered by the organization. It is extremely important to satisfy their need to motivate them and taking their contribution in achieving organizational goals. The behaviour of people working in an organization depends a great deal on the fulfillment of their requirements.

The workers employed should be motivated by satisfying their economic and psychological needs. The workers today are very knowledgeable and have higher aspirations which are to be filled at the workplace. It is thus, the job of the management to provide opportunities for their growth and development and in order to ensure greater productivity and efficiency.

In the words of Harold Koontz:

"Management is the art of getting things done through and with people in formally organized groups. It is the art of creating environment in which people can perform as individuals and yet cooperate towards attainment of group goals."

Management must ensure opportunities and support growth and development of employees to get better results. Therefore skills of management should be applied scientifically. Management provides the force necessary to transform the resources of a business organization into desired goods and services. It is the job of the management to convert the available resources in the form of men, machine, methods and materials into a productive unit.

MANAGEMENT: *"the process to achieve desired objective."*

Some definitions of management define management define management as the process to achieve desired goals or objectives.

McFarland defines management as: "***It is that process by which managers create, direct, maintain and operate purposive organizations through systematic, coordinated, cooperative human effort.***"

Henri Fayol: "***To manage is to forecast and plan, to organize, to command, to coordinate and to control.***"

George R. Terry, "***Management is a distinct process consisting of planning, organizing, actuating, and controlling performed to determine and accomplish objectives by the use of human beings and other resources.***"

Management is described as a process as it involves a series of functions. The various steps are planning, organizing, staffing, directing and controlling.

Management integrates human efforts with other resources like materials, machines etc. Since there is an organizational interaction to carry out the organizational goals management is regarded as a social process. The resources available should be utilized in such a manner that gives such products and services which ensure customer satisfaction, maximize profits and ensure individual and organizational goal.

In the words of Joseph Massie, "***Management is the process by which a cooperative group directs action towards common goals.***"

MANAGEMENT: "*as a group or team.*"

Some definitions describe management as a group of people who work together to carry out various management activities.

A manager is a person who performs the functions of planning, organizing, staffing, directing and controlling. In principle, the term management is used to indicate all the people who carry out the management functions. But practically this term is used for top management of the organization. It is the top management that has the authority of decision making.

CHARACTERISTICS OF MANAGEMENT

1. **Goal Oriented :** The aim of management is to attain the objectives or goals of the organization. Setting of goals gives direction to the organization and all the management activities are systematically directed in that direction.
2. **Continuous Process :** Since management is an ongoing process every activity starts with planning and then leads to organizing, staffing, directing and controlling. If there is any deviation in achievement of objectives the activities have to be controlled and this lead to planning again.
3. **Pervasive at all levels :** The management performs the task of taking decisions and putting them into practice. This function is performed at all the organizational level and in all types of organization.
4. **Integrating Force :** The job of the management is to integrate human resources with other resources available in the form of money, material, methods etc. Of all these factors management of human factor is utmost important for the efficient functioning of the organization.
5. **Optimum utilisation of resources :** Management should apply its skills to deal with the situation prevailing in the organization. It is their job to get the best out of the resources available in any situation.
6. **Intangible & Productive :** Management can be felt only in the form of increase in productivity, informed decisions and high morale of the employees. The feeling of management is manifested in the results accomplished. Thus, management is intangible.
7. **Challenging & Creative activity :** Management is constantly engaged in keeping track with the rapidly changing business environment. The organization should be well equipped to face the challenges brought by the social, economic, political, technological or international factors.

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Check Your Progress:

1. What is management according to H. Fayol?
2. What is role of administration?

NOTES

8. **Management as science :** It is an organized body of knowledge based on universal truths. Management activities require knowledge and skill that can be obtained and applied.
9. **Activity of elite :** Management is an activity done by special or distinguished & elite persons. These personalities have specialized knowledge, skills, techniques an experience.
10. **Multidisciplinary Discipline :** One of the characteristics of management is the integration and application of knowledge and approaches developed by various distinct disciplines. The use of knowledge and approach developed by various district discipliners. The use of knowledge drawn from these disciplines are helpful in analyzing human nature as well as market trend.

OBJECTIVES OF MANAGEMENT

1. ***Optimum utilization of resources and efforts.*** Management's job is to utilize resources available in such a way that it derives maximum possible results with minimum efforts.
2. ***Effectiveness.*** Management utilizes the resources available to them very efficiently and in a very productive manner. Attempts are made to ensure that wastage is negligible.
3. ***Maximizing customer satisfaction.*** Management tries to deliver whereever and whenever the goods and services are needed effective management also ensure proper supply of quality goods and services needed to the customer at reasonable price, which completes the objective of maximum satisfaction to customer.
4. ***Environment protection.*** Management also take care of society well being by taking environment protection measure. Management adopt eco-friendly material in producing and packing goods.
5. ***Promote change.*** Management is primarily concerned with managing change inspired from internal and external enviorment. Efficient management is symbolized for its skills in anticipating change and plans response to the change. Management is not only an instrument of change but it act as catalyst to promote change.
6. ***Better working Environment.*** Management tries to create such an environment for its workers that will encourage satisfaction with the organization. This satisfaction will lead to fulfillment of organizational goal and increased morale of the workers.
7. ***Association with the suppliers.*** Healthy relationship with the suppliers will ensure continuity of supply of raw material throughout the year.
8. ***Contribution to national goals.*** Big organizations should undertake ventures that will lead to employment generation and satisfying broader need of the society. The management should also attempt to improve the surrounding conditions as well.

IMPORTANCE OF MANAGEMENT

Management becomes essential when groups of people are working to meet common goals. The success of these goals depends upon the cooperation amongst them. Management's job is to create an environment where people work as a team and cooperate and coordinate with each other in achieving organizational goals.

Management aims at efficient utilization of the resources available to it and coordinates human and other resources for maximizing organizational profits and objectives.

If the workers in an organization are properly motivated and their jobs are clearly defined, it will help them in improving their skills and also increase their capability to understand their jobs thus ensuring best output from them.

Management helps in:

1. ***Setting Targets.*** Management helps in determining the goals of the organization and communicating individual goals to the employees to aid fulfillment of the goal of organization as a whole.
2. ***Achievement of Goals.*** Management helps in organizing and managing resources for the achievement of goal of the organization.
3. ***Reduction in wastages.*** With the optimum utilization of resources using management techniques like planning and forecasting management attempts to reduce waste and increase the overall productivity of the organization.
4. ***Assimilation of resources.*** Management integrates and assimilates its human and other resources and uses them in such a combination so as to get the maximum output from minimum resources.
5. ***Meeting challenges.*** Management has to keep itself fully aware of the business environment to forecast for future and this forecast helps the organization meet the demands of the changing environment.
6. ***Rapid Economic development.*** Efficient utilization of resources at all the levels leads to optimum utilization of resources at national level.

ADMINISTRATION Vs MANAGEMENT

It is always been debated, which one is superior- Administration or Management? There has been controversy over the two terms and various views have tried to, define these two terms in their own ways. These views are discussed in following heads:

Administration is superior to management (American School)

ADMINISTRATION IS A TOP LEVEL ACTIVITY WHILE MANAGEMENT IS A LOWER LEVEL FUNCTIONS.

"Administration is the function in industry concerned with the determination of the corporate policy, the coordination of finance production and distribution whereas management is the function concerned with the execution of policy within the limits set up by the administration."- Oliver Sheledon

"Administration means overall determination of policies, the setting of major objectives, the identification of general purpose, the laying out of broad programmes, major projects and so forth. Management means essentially the executive function, the active direction of humana efforts getting things done" –Haimann

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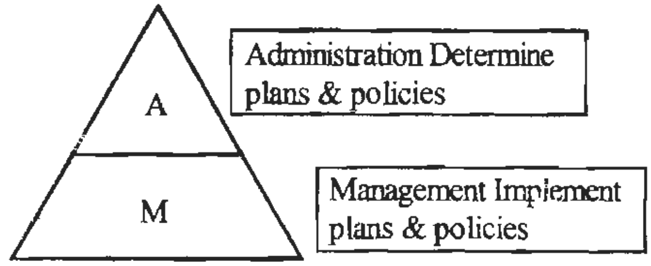

Figure 1.1

Management is superior to Administration (British School)

MANAGEMENT IS GENERIC TERM AND INCLUDES ADMINISTRATION

"Management is a general term with wide function including admi9nistration which is a narrow function"-Kimball and Kimball

"Management is a social process entailing responsibilities for the effective and economical planning and regulation of the operation of the enterprise in fulfillment of a given purpose of task. Administration is that part of management which is concerned with the installation and carrying out of the procedures by which the programme is laid down and communicated and the progress of activities is regulated and checked against plans"- Brech

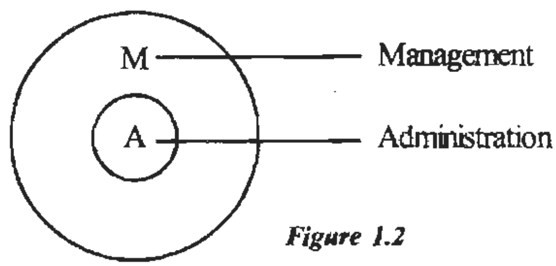

Figure 1.2

Modern View

MANAGEMENT AND ADMINISTRATION ARE SYNONYMOUS BUT DIFFER IN THEIR USAGE.

Authors like Fayol and New Man Williams do not find any distinction between the two terms the only difference between them is:

- The term administration is used in Government offices, social and religious organizations
- Both these functions are performed by the same set of persons hence these two terms are representing the two sides of a coin.

Concluding View

MANAGEMENT AND ADMINISTRATION ARE OVERLAPPING FUNCTION

Managers at every level perform both administrative and managerial function. The top managers devote more time to the administrative functions and spend less amount of time on managerial function. The managers at lower lever are also required to spend less time to administrative function and most of their time to perform managerial functions. Thus, the term management and administration are overlapping at all the organisation.

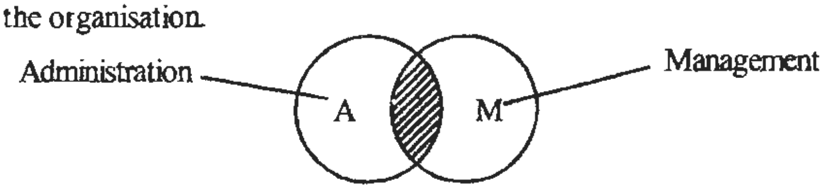

Figure 1.3

DIFFERENCE BETWEEN ADMININSTATION AND MANAGEMENT

Basis	Management	Administration
Meaning	Management is the art of getting things done through others and their efforts are directed towards the achievement of pre-determined goals.	It is concerned with the formulation of objectives, plans and policies.
Characteristic	It is an Executive function.	It is a decision-making function.
Nature of Decision	It is decided by the management who has to perform what function and how he has to do it.	Administration decides what is to be done and when it is to be done.
Significance	Management is concerned with the doing part, it gets the work done under its supervision.	It performs the thinking function, policy and decision-making.
Use of the term	It is used in business and industry.	This term is used in Government offices and non-business organizations.
Factors in decision making	Values, beliefs and opinions of the manager influence the decisions. opinion, government policies and	Decisions are influenced by forces of public social customs.
Skills	Managers require technical and human skills.	Administrators require conceptual skills.
Hall mark	It is a hallmark of dependence.	It is a backbone of colonialism,
Power	Management empowers other through proper delegation of authority.	Administration tries to centralize powers.
Line of Action	Management gets things done by motivating people.	Administration gets things done by issuing commands to people.

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MANAGEMENT AS A SCIENCE AND AN ART

Management as a Science

Science is based on information that has been empirically verified through a number of scientific methods. The scientific methods involve identification of conditions through observation, and verification of principles through experimentation. When certain facts are related to derive broader conclusions they constitute a particular science. The features of Science in Management are:

- Management has a systematized body of knowledge,
- Concepts, principles and techniques have been developed through scientific methods of observation,
- Cause and Effect Relationship can be predicted,
- Tests of validity and predictability can be done,
- Management principles are very flexible and can be applied universally.

But management cannot be treated as distinctly as other sciences because it deals with people and it is very difficult to understand the behavior of people accurately. Thus, management is a social science.

Check Your Progress:

3. What is overlapping of management and administration?
4. What is management of creativity.

Management is a universal process. It is applicable in all organizations engaged in optimizing use of its resources for accomplishing desired goals but the results obtained are different in different situations. Management is a behavior science and their application does not lead to same results all the time.

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Management as an art

Attributes of art in Management are:

- Management involves application of management concepts and principles under different situations.
- Management is directed to achieve certain results as per the organizational goals.
- A manager has to acquire certain skills which can be enhanced with practice.
- Management involves moulding of attitude and behavior of people to achieve organizational goals and it requires development of skills in relation to purposes, resources, techniques and skills.

For effective management knowledge and skills both should be applied to get the desired results. Thus, it requires high degree of creativity for application of managerial skills and knowledge. Management is thus a very creative art since it utilizes the skills and talents of people and requires vast knowledge and innovating, initiating, implementing and integrating skills in relation to goals, resources, techniques and results.

Moulding the behavior of people to achieve organizational goals in the dynamic environment is art.

Management is both a science and an art

It is science because it has an organized body of knowledge based on universal truths. Management is also considered an art because management requires certain skills, whichsss are possessed by the managers. Science provides the knowledge of certain things and art deals with the application of knowledge and skills.

A manager must possess the knowledge of management principles, concepts and techniques and he must know to apply these principles and techniques in different situations.

CONCLUSION :

Management is regarded as the most crucial factor in the success or failure of any business organization. It plans, organizes, directs and controls the activities and resources for the purpose of achieving common objectives. It promotes effective and efficient utilization of human physical, financial and information resources. Management is the dynamic life-giving element in every business.

CHAPTER AT A GLANCE

- Management is the process of utilizing and coordinating all the resources in optimum manner with the objective to meet organizational goals.
- Management is an attempt to create desirable future. Keeping the past and present in the mind.
- Management is the managerial process of forming a strategic vision, setting objectives, crafting a strategy and then implementing and executing it.
- Management is the art of getting things done through other people.
- Management is the process to achieve desired objective.
- To manage is to forecast and plan, to organize to command, to coordinate and to control.
- Characteristics - Goal oriented, continuous process, pervasive at all levels, Integrating force optimum utilization of resources, Intangible and productive, challenging and creative activity, Management as a science, Activity of elite, Multidisciplinary Discipline.
- Objectives- Optimum utilization of resources and efforts, effectiveness, maximizing customer satisfaction, environment protection, promote change. Better working environment, association with supplier, and contribution to national goals.
- Importance - setting targets, Achievement of goals, Reduction of wastages, Assimilation of resources, Meeting challenges, Rapid economic development.
- Viewpoints related to debate- "difference is management & administration" -

  a. Administration is superior to management.

  b. Management is superior to administration.

  c. Management and administration are synonymous differ in their usage.

  d. Management and administration are overlapping function.
- Basis of difference in administration and management, Meaning, Characteristics, Nature of decision, significance, use of the term, Factors in decision making, skills, Hallmark, Power, Line of action.
- Management as a science- Systematic set of knowledge, cause & effect relationship, test of validity, universal principle.
- Management as an creativity, to achieve certain result, molding of attitude and behavior.

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ANSWER TO CHECK YOUR PROGRESS:

1. Henri Fayol: "***To manage is to forecast and plan, to organize, to command, to coordinate and to control.***"
2. Administration Determine plans & policies
3. Managers at every level perform both administrative and managerial function. The top managers devote more time to the administrative functions and spend less amount of time on managerial function.
4. Management as an creativity, to achieve certain result, molding of attitude and behavior.

EXERCISE

1. What is management? Discuss its importance in organization?
2. Define management? Distinguish between management & administration?
3. State the main characteristics and objectives of management?
4. "Management is a science or an art". State your view in the regard?

2 History of Management

The Chapter Covers :

INTRODUCTION

People have been shaping and reshaping organizations for many centuries. Looking back through world history, we can trace the stories of people working together in formal organizations such as Greek and roman armies, the Roman Catholic Church, the east India company and the Hudson Bay company.

Modern managers use many of the practices, principles, and techniques developed from earlier concepts and experiences. The Industrial Revolution brought about the emergence of large-scale business and its need for professional managers. Early organizations provided the leadership models.

In 1975, Raymond E. Miles wrote *Theories of Management: Implications for Organizational Behavior and Development* published by McGraw Hill Text. In it, he popularized a useful model of the evolution of management theory in the United States. His model includes classical, human relations, and human resources management.

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Different schools and experts have done work. Which tried to analyze the term as per their perception, and experiments carried out in factories after the industrial revolution. The following table clarify the evolution of management history:

Contributor	Work
Robert Owen	Advanced concern for the working and living conditions of workers.
Charles Babbage (first calculator)	Specialization of mental work and suggested profit sharing
James Watt Jr. (Steam Engine)	Developed and used various management techniques
Henri Robinson Towner	Deployment of management principles
Daniel Me Callus	Introduced concept of systematic management.
Henri Poor	Introduced management principles like spirit do crops.
Charles during	Create formal structure of the management education
Fredrick window Taylor (father of scientific management)	Introduced differential rate system of wages.
Henry Gantt (Gantt chart)	Called for scientific selection of workers and 'Harmonious cooperation labor and management.
Frank and Lillian Gilberth	Time and motion study, industrial psychologist.
Henry Fayol (Father of modern management theory)	Recognized the need of for teaching the management management theory) Formulated 14 principles of management.
Hugo Musterberg	Application of psy chology to industrial management.
Walter dill scott	Application of psychology to advertisement, marketing and personal.
Max Weber	Theory of bureaucracy.
Vilfredo Pareto (Father of the socialsysbem approach)	Organization and management.
Elton Mayo / F.J. Roethisberger	Hawthome plant. Influence of social attitudes and workgroups.
Chester Bemard (Functions of the executive)	Suggested a comprehensive Social system approach to managing.
Peter F. Drucker W. Edward Deming	Many general management topics. Introduced quality control in Japan.
Laurence peter	Observed that eventually people get promoted to a level here they are incomptent.
William Ouchi	Discussed selected Japanese managerial practices adapted in the V. S. environment.
Thomas Peters and Robert Waterman	Identified characteristics of companies they considered excellent.
Max Weber	Coined the term "bureaucracy" and theorized about its ideal characteristics.
Mary Parker Follet	Ideas on power sharing, conflict resolution and integration of organizational system.

CLASSICAL SCHOOL

The Classical school of thought began around 1900 and continued into the 1920s. The classical theory concentrates on organization structure and their management.

The classical writers like Taylor, Fayol, Weber, Reiley and others placed emphasis on planning, technical requirements, principles of management, formal structure and the assumption of rational and logical behavior. It incorporates three viewpoints: (1) Taylors Scientific Management (2) Fayol Administrative theory, (3) Weber's Bureaucracy.

Traditional or **classical management** focuses on efficiency and includes bureaucratic, scientific and administrative management. Bureaucratic management relies on a rational set of structuring guidelines, such as rules and procedures, hierarchy, and a clear division of labor. Scientific management focuses on the "one best way" to do a job. Administrative management emphasizes the flow of information in the operation of the organization.

SCIENTIFIC MANAGEMENT THEORY

(1890-1940)

Scientific management focuses on worker and machine relationships. *Organizational productivity can be increased by increasing the efficiency of production processes.* The efficiency perspective is concerned with creating jobs that economize on time, human energy, and other productive resources. Jobs are designed so that each worker has a specified, well controlled task that can be performed as instructed. Specific procedures and methods for each job must be followed with no exceptions.

At the turn of the century, the most notable organizations were large and industrialized. Often they included ongoing, routine tasks that manufactured a variety of products. The United States highly prized scientific and technical matters, including careful measurement and specification of activities and results. Management tended to be the same.

Frederick Taylor developed the scientific management theory" which focused on careful specification and measurement of all organizational tasks. Tasks were standardized as much as possible. Workers were rewarded and punished. This approach appeared to work well for organizations with assembly lines and other mechanistic, routine activities.

Definition

According to F. W. Taylor – "Scientific management means knowing exactly what you want men to do and seeing that they do it in the best and the cheapest way"

According to W. B. Cornell – "Scientific management is that management which applies science to management which plans before doing which establishes standards and methods and with the aid to records sees that they are carried ant.

In simple words, scientific management is the process, which scientifically developed standards and techniques with a view to use men material machine money and methods efficiently in the production of goods or services.

FREDERICK TAYLOR (1856-1915)

Many of Frederick Taylor's definitive studies were performed at Bethlehem Steel Company in Pittsburgh. To improve productivity, Taylor examined the time and motion details of a job, developed a better method for performing that job, and trained the worker. Furthermore, Taylor offered a piece rate that increased as workers produced more.

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In 1911, Taylor, known as the Father of Scientific Management, published *Principles of Scientific Management* in which he proposed work methods designed to increase worker productivity. Rest periods of specific interval and duration and a differential pay scale were used to improve the output. With scientific management, Taylor increased the worker's output from 12 to 47 tons per day! The Taylor model gave rise to dramatic productivity increases.

Taylor's rested his philosophy on four basic principles:

- *The development of true science of management*, so that the best method for performing each task could be determined.
- *The scientific selection of workers*, so that each worker would be given responsibility for the task for which he or she is best suited
- *The scientific education and development of the worker.*
- *Intimate, friendly cooperation between management and labour.*

Contribution/Mechanism of Taylor

1. **Scientific task setting** – He suggested that the task of every worker for everyday should be determined through scientific investigation.
2. **Work study** – Work-study means organized, systematic and objective analysis and assessment of the operational efficiency of all the elements connected with the work. It includes:
   - **Method Study** aims to evolve the best method of doing a job.
   - **Motion study** aims at eliminating unnecessary motions and results n conservation of energy.
   - **Time study** is the process of recording the exact time taken for doing a job with a view to find out a standard time for the job.
   - **Fatigue study** is under taken to know the level and nature of fatigue and to find out the ways to eliminate or minimize the fatigue on the job.
   - **Scientific selection and training** of workers realized the importance of the right person on the right job by using various tests and interview for selection and scientific methods of training.
   - **Planning** should decide about the type, shape and quality of the goods to be produced and time schedule for delivery of the products.
   - **Standardization** of material, tools and methods etc, which will increase efficiency and eliminate wastage of resources.
3. Differential wage payment – According to plan, workers is to receive a bonus in addition to his wages if he completes his job before the standard time.
4. Functional foremanship – Under this taylor suggested eight functional bosses/ supervisors, 4 working in planning department and 4 working in Doing/Shop department.

Supervisor in planning level

Route Clerk (Production planning department)	Instruction Card clerk (Tool room job specification)	Time & Cost clerk (Costing department)	Disciplinarian (Labour office)

NOTES

Supervisors at Doing/Shop Level

Gang Boss (Senior factory supervisor)	Speed Boss (Supervisor who take care of day-today production)	Repair Boss (Maintenance Manager)	Inspector (Assurance Manager)

Although, there are many advantages of scientific management such as higher productivity, efficiency, reducing worries, development of employees, Taylor was criticized for job overspecialization. These also resulted into worker's resentment, monotony, absenteeism and employee turnover. All said and done, scientific management is a major milestone in the history of management thought.

BUREAUCRATIC MANAGEMENT THEORY

(1930-1950)

Max Weber (1864-1920), known as the Father of Modern Sociology, analyzed **bureaucracy** as the most logical and rational structure for large organizations. He developed a theory of bureaucratic management that stressed the need for a strictly defined hierarchy governed by clearly defined regulations and lines of authority. For him the ideal organizations were bureaucracies whose activities and objectives were rationally thought out and whose divisions of labour were expressly spelled out. Bureaucracies are founded on legal or **rational authority**, which is based on law, procedures, rules, and so on. **Positional authority** of a superior over a subordinate stems from legal authority. **Charismatic authority** stems from the personal qualities of an individual. Efficiency in bureaucracies comes from:

(1) Clearly defined and specialized functions;
(2) Use of legal authority;
(3) Hierarchical form;
(4) Written rules and procedures;
(5) Technically trained bureaucrats;
(6) Appointment to positions based on technical expertise;
(7) Promotions based on competence;
(8) Clearly defined career paths.

Max Weber overstated the scientific management theory with his bureaucratic theory. Weber focused on dividing organizations into hierarchies, establishing strong lines of authority and control. He suggested organizations develop comprehensive and detailed standard operating procedures for all routine tasks.

ADMINISTRATIVE MANAGEMENT

Administrative management emphasizes the manager and the functions of management. Henri Fayol (1841—1925), known as the Father of Modern Management, was a French industrialist who developed a framework for studying management. He wrote *General and Industrial Management*. His five functions of managers were plan, organize, command, coordinate, and control. His fourteen principles of management included division of work, authority and responsibility, discipline, unity of command, unity of direction, subordination of individual interests to general interests, remuneration of personnel, centralization, scalar chain, order, equity, stability of tenure of personnel, initiative, and esprit de corps (union is strength).

Check Your Progress

1. What does you understand by Traditional Management?
2. Define Bureaucratic Management.
3. What are Mechanism of Taylor?

NOTES

HENRI FAYOL (Theory of Administration)

American early focus is worker productivity; in France, the focus is organization and its administration by engineer Henri Fayol, director of Comambault, the French mining company.

"Fourteen principles" of organization identified general rules that successful organizations ought to follow:

1. **Division of work** – Work and tasks should be perform by people specialized in the work and similar tasks should be organized as a unit or department.
2. **Authority** – Delegated persons ought to have the right to give orders and expect that they be followed.
3. **Discipline** – Workers should be obedient and respectful of the organization
4. **Unity of command** – Employees should receive orders from only one person with authority
5. **Unity of direction** – The organization and employees are dedicated to one plan of action or set of objectives.
6. **Subordination of individual interests to the general interest** – Organizational conflict should be limited by the dominance of one objective.
7. **Remuneration** – Although Fayol provides no guidance on pay, the organization must recognize the economic value of employees and that their economic interests are important.
8. **Centralization** – Whether an organization should be centralized or decentralized depends upon such factors as communications and the importance of who should make the decision.
9. **Scalar chain** – Authority in an organization moves in a continuous chain of command from top to bottom.
10. **Order** – Everything, people and resources, has a place that it belongs.
11. **Equity** – Fairness is important in management-employee relations
12. **Stability of tenure of personnel** – Turnover is disruptive; shared experience is important
13. **Initiative** – Workers are exhorted to be productive and motivated.
14. **Esprit de corps** – There is a need for harmony and unity within the organization

SOCIAL SYSTEM APPROACH

Chester I. Barnard

Chester I. Barnard developed the concept of cooperative social system and is considered the father of social system approach. According to this approach organization is a social system that is composed of people who work in cooperation. An organization comes into existence when there are a number of persons in communication with each other and they are willing to cooperate for a common purpose. He recognized informal organization representing social interactions, which generally do not have a concise coordinated joint purpose. The executives should encourage informal organization to serve as a means of communication and group cohesiveness.

The main features of social system approach are as follows:

1. Organization is treated as a social system.
2. There is a relationship between the external and internal environment of the organization.
3. Cooperation amongst group members is necessary for the achievement of organizational goals.

4. Efforts should be made for establishing harmony between organizational goals and group goals.

In a social system organization is essentially a cultural system composed of group of people who work in cooperation. Therefore it is important to understand the social behavior of groups and individuals for achieving organizational goals. The concept of informal organization is contribution of social system school. The analysis of social and group behavior has added to the knowledge of management. Efforts should be made to establish harmony between the goals of the organization and goals of the groups and individual members.

Barnard identified the following functions to achieve good human relations:

- Maintenance of organizational communication.
- Securing essential services from individuals.
- Formulating and defining the purpose.

HUMAN RELATIONS MOVEMENT

A group of management scholars trained in sociology, psychology, and related fields, who use their diverse knowledge to propose more effective ways to manage people in organizations lead to emergence of behavioral school. Eventually, unions and government regulations reacted to the rather dehumanizing effects of classical theories. More attention was given to individuals and their unique capabilities in the organization. A major belief included that the organization would prosper if its workers prospered as well. Human Resource departments were added to organizations. The behavioral sciences played a strong role in helping to understand the needs of workers and how the needs of the organization and its workers could be better aligned. Various new theories were spawned, many based on the behavioral sciences (some had name like theory "X", "Y" and "Z").

Characteristic features of this approach are:

1. **Social System**. Organization in general is a social system, which defines individual roles, and norms that may be different from those of the formal organization.
2. **Social Environment**. It affects the workers and is also affected by them.
3. **Informal Organization**. Within the formal organization exists the informal organization, which is affected by the formal organization and vive-versa.
4. **Group Dynamics**. At the workplace the workers act as members of groups. A person who resists pressure to change his behavior as an individual changes his behavior quite readily if his group changes his behavior.
5. **Leadership**. There is an informal leadership as against the formal leadership and that sets and enforces group norms. It helps the workers to function as a social group and the formal leader is rendered ineffective unless he conforms to the norms of the group of which he is in charge.
6. **Communication**. Both way communications is necessary because it carries necessary information downwards for the smooth functioning of the organisation and it communicates the sentiments and feelings of people upwards.
7. **Role of Money**. Money, though important is not the only factor of motivation for the workers. Other factors like socio-psychological factors act as important motivators.
8. **Conflict**. There is a conflict between individual and organizational goals, attempts should be made to integrate these goals.

NOTES

HAWTHORNE EXPERIMENTS

The Human relations movement grew out of famous series of studies conducted in the western electric company from 1924 to 1933.Elton Mayo is regarded as the father of Human Relations School. Between 1924 and 1933, George Elton Mayo and F.J. Roethlisberger, Professors of Industrial Research at the Harvard Graduate School of Business Administration, and William J.Dickson of Western electric Company carried out some significant experiments in the field of industrial psychology.

An overview of Hawthorne Experiments:

1. **Illumination experiment**. The purpose of this experiment was to test the effect of illumination on the performance of the employees. Two groups were selected from the employees. One group was placed where light remained constant. The other group was placed in another room where light varied periodically. It was observed that the output of both the groups increased steadily. Therefore, it was concluded that lighting is not a very important factor influencing performance of the employees.
2. **Relay Assembly Test Room Experiment.** It consisted of six female workers and frequent changes were made in their working conditions such as shorter working hours, rest periods, hot lunch, friendly supervisors, free interaction amongst member of the group etc. it was seen that the productivity of the workers increased even after the changes in the working conditions were withdrawn. It was observed that socio-psychological factors like recognition, attention and sense of group belonging had greater influence on productivity than other factors.
3. **Bank Wiring observation Room Study**. A group of fourteen workers were put under close observation. The pay of every member was made dependent on the group performance. It was seen that the group had developed its own norms of performance and a number of social pressure were exercised to enforce these norms. As a result output did not increase despite the group incentive scheme.
4. **Mass Interview Programme**. The researchers to understand their attitudes and opinions on the factors influencing productivity interviewed a large number of workers. It was seen that the opportunity to talk freely about things that are important to workers, has a positive effect on their morale and productivity.

The major findings of Hawthorne experiments or Human Relations studies are:

1. An organization is a psycho-social system.
2. Human behavior is the most important element in the social system.
3. The behavior of an individual is dominated by the informed group of which he is a member.
4. Workers are socio-psychological beings and respond to the total work situation.
5. Social and psychological factors exercise greater influence on employee behavior and performance than physical conditions of work.
6. Workers act or react not as individuals but as members of a group. The informal groups have their own norms and beliefs. These groups and their leader have influence on the attitudes, behavior and performance of individual employees.
7. Workers respond to total work situation. Their behavior and performance are conditioned by factors inside and outside the work place.

Drucker, has been a leading management consultant and a prolific writer. He considers management as the dynamic, life-giving element in an organization. His contribution may be analyzed as:

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1. **Nature of Management**. Drucker stresses upon creative and innovative management and considers management more as a practice than a profession.
2. **Managerial Functions**. According to him there are three functions of a manager: a) to manage managers. B) to manage workers. C) to manage work.
3. **Organizational Structure**. Drucker believes that an enterprise should be organized for business performance. It should contain the least possible management levels and must facilitate the testing and training of future managers.
4. **Decentralization.** He advocated decentralized decision-making combined with centralized control.
5. **Organizational Change.** He felt that organizations should be ready to visualize and adopt rapid technological and other changes in society.
6. **Management by Objectives (MBO).** He introduced this concept in 1954, in his classical work "The Practice of Management". MBO is known as method of planning, setting standards, appraising performance and motivating.

Drucker believes that business enterprise need a principle of management that will give full scope to individual strength and responsibility and at the same time give common direction to vision and effort, establish team work and harmonize the goals of the individuals with the common organizational goals. This is possible only by adopting principle of management by objectives. He emphasizes that objectives are needed in every area where performance and results directly affect the survival and prosperity of the business. The performance that is expected of the manager must be derived from the performance goals of the business; his results must be measured by the contribution they make to the success of the enterprise. Management by Objectives is widely applied by modern organizations.

THE MANAGEMENT SCIENCE SCHOOL

At the beginning of the World War II, Great Britain desperately needed to solve a number of new complex problems in warfare. With their survival at stake, the British formed the first Operations research (OR) teams. By pooling the expertise of mathematicians, physicists, and other scientists in the OR teams, the British were able to achieve significant technological and tactical breakthroughs.

Over the years, OR procedures were formalized into what is more generally called the management science School. The popularity of this school was mainly due to the emergence of high speed computers and communication channels; this helped in tackling complex and large-scale organizational problems. Robert McNamara implemented a management science approach at Ford Motor Company during 1950s and 60s

Check Your Progress

4. What are the features of Human Resource Approach?
5. What do you mean by system Approach?

RECENT DEVELOPMENTS IN MANAGEMENT THEORY

Theories are powerful influences. The longer we use a given theory, the more comfortable we become with it and the more we tend to not seek out alternative theories unless events force us to change. This explains why modern management theory is a rich mosaic of many theories that have endured over at least the past century.

The Systems approach: Rather than dealing with the various segments of an organization, the systems approach to management views the organization as unified, purposeful systems composed of interrelated parts. This approach gives managers a way of looking at the organization as a whole and as a part of larger, external environment.. Systems approach tells us that the activity of any segment of an organization affects, in varying degrees, the activity of every other segment.

NOTES

Some Key Concepts under systems approach:

Subsystems: Those parts making up the complete system

Synergy: The situation in which the whole is greater than its parts. In organizational terms, synergy means that departments that interact cooperatively are more productive than they would be singly

Open System: A system that interacts with its environment

Closed System: A system that does not interact with its environment

System Boundary: The boundary that separates each system from its environment. It is rigid in a closed system, flexible in open system

Flows: Components such as information, material, and energy that enter and leave the system.

Feedback: The part of system control in which the results of actions are returned to the individual, allowing work procedures to be analyzed and corrected

THE CONTINGENCY APPROACH: This approach was developed by managers, consultants, and researchers who tried to apply the concepts of major schools to real-life situations. When methods highly effective in one situation failed to yield the similar results in other situations they sought an explanation.

According to Stoner & Warkel – "The contingency approach, the managers' task is to identify which technique will, in particular situation, under particular circumstances, and at a particular time, best contribute to attainment of the management goals."

Contingency approach suggests that managers must do what the situation warrants or managers' actions must be contingent upon the organizational situation or environment. According to consistency approach, actions of managers vary with the situation or environment of the organization. There is no readymade solution to the problem of every situation. Correct principles, or techniques to be applied depend on the prevailing situation or environment.

Assumptions:

(1) Each organization is unique.

(2) External environment of each organization is different and unique.

(3) All sub-systems of the organization are interrelated.

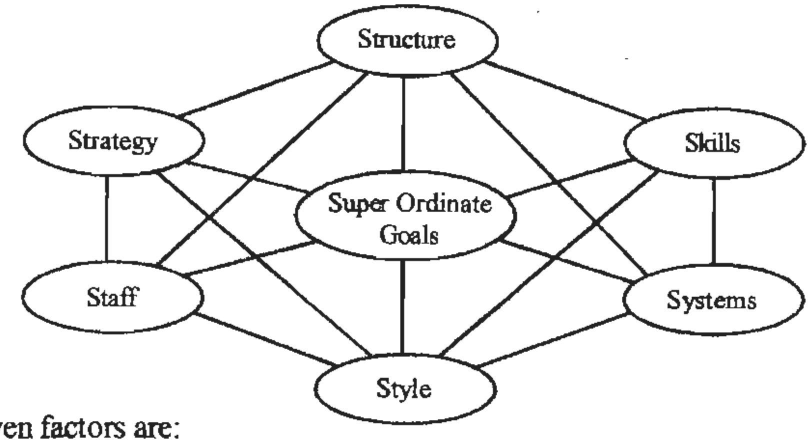
(4) There cannot be one best way of doing a thing.

(5) Best managerial technique and actions is one, which give maximum contribution to the organization goal.

(6) The key to a manager's success lies in his ability to perceive and analyze every situation.

EXCELLENT COMPANIES APPROACH/7-S FRAMEWORK

In 1982, Thomas J. peters and Robert H. Waterman Jr. developed a new approach to management, which is known as excellent companies approach Weihrich and Koontz call it 7-S framework for management. Managers, need to take account of all seven of the factors for successful organization. They all are interdependent, so if you fail to pay proper attention to one of them, it can bring the other crashing down around you. The relative importance of each factor will very overtime and you cannot always tell how that is changing.



The Seven factors are:

Strategy – A set of action that we start with and must maintain.

Structure – How people and task are organized.

Systems – All the process link the organization together.

Skills – Dominate capabilities.

Staff – How we develop current & future managers.

Style – The managerial behavior.

Super Ordinate Goals – Long-term vision.

If one element changes, then this will affect all the others. For e.g. a change in HR systems like internal career plans and management training will have an impact on organizational culture and this will affect structure, processes and finally characteristic competencies of organization.

The 7's Model is a valuable tool to initiate change process and to give them directions. A helpful application is to determine the current state of each element and to compare this with the ideal state. Based on this it is possible to develop action plans to achieve the intended state.

CONCLUSION:

1950s and onward management thought grew at a faster rate. Many new theories of organization, motivation, leadership etc. have been developed. Management science approach, Administrative approach etc. have made a significant contribution to the development of management thought many academicians and management consultants have written large number of books on management.

The practice of management is as old as civilizations but the systematic development began in mid- 19th century. The management thought developed is usually systematically classified into various approaches to management.

CHAPTER AT A GLANCE

- Classical management focuses on efficiency and includes bureaucratic, scientific and administrative management.
- Scientific management means knowing exactly what you want men to do and seeing that they do it in the best and the cheapest way.
- Fredrick Taylor – Father of scientific management have give 4 principles-Management as true science, scientific selection of workers, scientific education & development of worker and good relation among labour & management.
- Mechanism of Taylor- Scientific Task setting work study (Method study, Motion study, Time study, Fatigue study, scientific selection and training of workers, planning, standardization).

NOTES

- Max Weber- Father of Modern sociology, analyzed bureaucracy whose activities were rationally thought and which is based on law, procedures, rules and so on.
- Henri Fayol – Father of modern management emphasizes on administrative management his 14 principles are- Division of work, Authority, Discipline Unity of command, Unity of direction, Subordination, Remuneration, Centralization, Scalar chain, Order Equity, Stability, Initiative, Espirite de corps.
- Chester I. Barnard – Father of social system approach says that the organization is a social system that is composed of people who work in cooperation.
- Features of Human resource approach – Social System, Social environment, Informal organization, Group dynamics, Leadership, Communication, Role of money & conflicts.
- Hawthrone Experiments – Illumination Experiment, Relay Assembly Test Room Experiment, Bank wiring observation Room study, Mass Interview program.
- P. F. Drucker contribution are- Nature of management, Managerial functions, Organizational Structure, Decentralization, Organizational Change, MBO.
- Contingency Approach - The managers task is to identify which technique will, in particular situation, under particular circumstances and at a particular time, best contribute to attainments of the management goals.
- 7s Framework – Strategy, Structure, Systems, Skills, Staff, Style and Super Ordinate Goals.

ANSWER TO CHECK YOUR PROGRESS:

1. Traditional or **classical management** focuses on efficiency and includes bureaucratic, scientific and administrative management.
2. Bureaucratic management relies on a rational set of structuring guidelines, such as rules and procedures, hierarchy, and a clear division of labor.
3. Mechanism of Taylor- Scientific Task setting work study (Method study, Motion study, Time study, Fatigue study, scientific selection and training of workers, planning, standardization).
4. Features of Human resource approach – Social System, Social environment, Informal organization, Group dynamics, Leadership, Communication, Role of money & conflicts.
5. ***The Systems approach:*** Rather than dealing with the various segments of an organization, the systems approach to management views the organization as unified, purposeful systems composed of interrelated parts. This approach gives managers a way of looking at the organization as a whole and as a part of larger, external environment.. Systems approach tells us that the activity of any segment of an organization affects, in varying degrees, the activity of every other segment.

EXERCISE

1. Explain in detail the contribution of Taylor to management thought?
2. Comment o Henri Fayol's management principle?
3. Write short note on:
   (a) 7S framework (b) Human relations approach
   (c) Contingency approach
4. Write an essay on Hawthrone experiments?

03 Managers & Management Responsibilities Styles

The Chapter Covers :

INTRODUCTION

Manager is the person who has formal authority to direct the activities of people in an organization. He is the person who is accountable not only for his own work but also for the work done by those over whom he has authority. Thus, a manager is one who has subordinates and accountable for the performance of them as well as his own work.

The person who performs managerial functions has various job titles and designation, such as director, managing director, vice president, supervisor, manager, first-level supervisor, individual contributor, team leader etc.

Supervisor: A supervisor is a leader of a group of followers. A manager who directs subordinates and is responsible for their performance is also a supervisor.

First-level supervisor: A first-level supervisor is a manager who occupies the lowest step in the management chain and leads a group of pure followers, who have no subordinates reporting to them.

Manager: A manager is one who holds a position above the first level of supervision—mid, upper, and executive levels of management. This manager mainly supervises other managers and first-level supervisors.

NOTES

Senior Executives: A senior executive is a civilian manager who is a member of the senior executive service (SES). Referred to as an *SES*, this top-level manager holds a position comparable to that of a flag officer (general or admiral).

Individual Contributor: An individual contributor is an informal term referring to a manager who has no subordinates (perhaps a secretary or assistant). While lacking extensive resources or many people at his call, this manager makes major contributions because of unique expertise.

Team Leader: A team leader is one who is delegated authority to lead a group effort. While not enjoying formal supervisory authority, a team leader may be empowered to

- organize work
- assign tasks
- judge results, and
- provide input for performance appraisals.

Action officers typically play roles of individual contributors or team leaders.

TYPES OF MANAGERS ON BASIS OF STYLE :

1. **Micromanagers**: A micromanager is a manager who assigns specific tasks to each employee. Each task is already broken down into specific steps that must be followed precisely, therefore employees do not need to think for themselves. These types of managers are known to scrutinize the output of each task. Furthermore, these managers are sometimes known for verifying each step of each task too. Hence, the term "micromanager" implies a manager for each small step or "micro" detail.
2. **Teacher**: The teaching manager directly works with employees on each task assigned to the employee for two reasons. First, the manager can explain in detail each decision or step in each task. This helps ensure to the manager that the employee understands all aspects of the task. Second, the manager can ask employees for suggestions and possible enhancements to the process.
3. **Supporter**: Once employees understand their tasks, supporting managers tend to share responsibilities and decision making with their employees as long as the managers are kept in the loop whenever tasks fall out of the normal variance.
4. **Task Manager**: A task manager delegates all responsibilities and decisions to their employees. This is more of a "hands-off" approach; when employees only ask for advice from their managers with unforeseen circumstances that could be critical to the business.

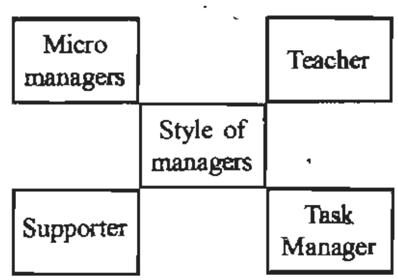


Figure 3.1

Note that not all managers fall into a single category. For instance, how a manager handles a new employee versus an employee who been in the same position for years will vary greatly. A new employee may need a micromanager. An experienced employee may need a teaching or supporting manager. An employee who may one day become a manager would need more of a task manager.

NOTES

Therefore, the style of management needs to be dynamic to the employee's needs. Otherwise if management is not dynamic, then employees will quickly become frustrated with their management.

Based On The Levels Of Management:

A Business system is a set of components that work together to accomplish one or more organizational goals.

On the basis of the management functions business organizations constitute of the top management, middle level management, the specialist, supporting and operating staff. These are the essential components in an organization and their arrangement depends on the form of the organization.

All these components are interconnected and work together to achieve the firm's objectives. The top management is responsible for all the planning and operations of the firm. Based on the organizational objectives, policies are drawn and implemented. After drawing the policy a separate set of programme is made and budgeting is done. It is the task of the management at the top to direct, integrate and control the activities at various levels.

Middle management group ensures that the directions of the top management are carried out by the operating staff efficiently. It is the task of the middle level managers to tackle all the bottlenecks, the managers at this level report to the top of any operating problems such as shortage of any material, inadequate specialized manpower, any other problem in the working condition. It is their job to ensure that organizational goals are met and the targets set by the top management are achieved.

The operating staff carries out the basic and routine work of the organization. It produces the products i.e. the Production part is handled by the operating staff and it also handles the support staff necessary for production.

Research and analysis is carried out by the specialist staff with the aim to optimize profits and increase the market share of the firm. If there is any scope for improvement of the product based on the feedback given by the direct consumers the required modification is designed and done by the specialist staff. This specialized staff reports to the middle level. Any requirement of the specialist staff is met by it.

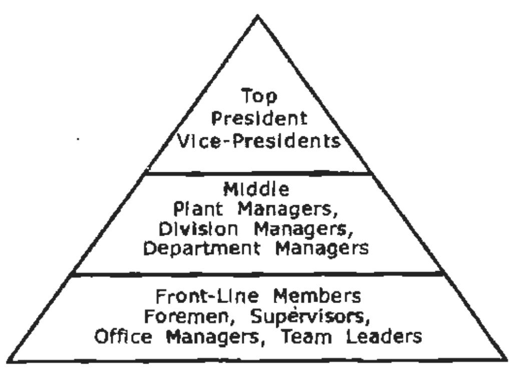
The supporting staff supports the functioning of the operating staff through indirect measures. The records of the staff, their salary, and their leave documents are handled by this department. The personnel department, all the activities relating to the employee wellbeing and a good healthy competitive environment is created by this staff.

Many managerial tasks must be done well for a business to earn a profit.

General Managers: Plan, organize, lead and control operation of an entire organization.

Financial Managers: Plan, organize, lead and control collection and payment of money and compliance with state and other law governing money management.

Marketing Managers: Plan, organize, lead and control product research, development, advertisement and delivery.



Levels of management

Figure 3.2

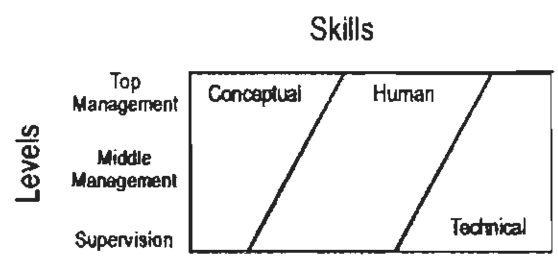
Human Resources Managers: Plan, organize, lead and control the hiring, training and compensation of employees.

Operations Managers: Plan, organize, lead and control the production and delivery of products and services as needed to keep external paying customers satisfied.

NOTES

In order to perform the functions of management and to assume multiple roles, managers must be skilled. Robert Katz identified three managerial skills that are essential to successful management: technical, human, and conceptual. Technical skill involves process or technique knowledge and proficiency. Managers use the processes, techniques and tools of a specific area. Human skill involves the ability to interact effectively with people. Managers interact and cooperate with employees. Conceptual skill involves the formulation of ideas. Managers understand abstract relationships, develop ideas, and solve problems creatively. Thus, technical skill deals with things, human skill concerns people, and conceptual skill has to do with ideas.

A manager's level in the organization determines the relative importance of possessing technical, human, and conceptual skills. Top level managers need conceptual skills in order to view the organization as a whole. Conceptual skills are used in planning and dealing with ideas and abstractions. Supervisors need technical skills to manage their area of specialty. All levels of management need human skills in order to interact and communicate with other people successfully.



Skills Distribution of Various Management Levels

Figure 3.3

Top-Level Managers: Use *conceptual skills* to plan, organize, monitor and lead the entire organization towards attainment of the organization's vision. They use their interpersonal skills to work with owners and the public. They have employees to perform technical skills for them.

Middle Level Managers: Use conceptual skills to plan, organize and monitor the work of multiple Front-Line Managers and their interpersonal skills to work with Top-Level and Front-Line Managers to get work done. Employees do their technical work for them.

Front-Line Managers: Use conceptual skills to plan, organize and monitor the work and interpersonal skills to get employees to do what needs to be done in the way it needs to be done. Technical skills need to be good enough to know right from wrong.

Employees: Use their technical skills to do what managers tell them to do. Good technical skills may not be enough to get one promoted or to make one successful in one's own business.

MANAGERIAL SKILLS

An effective manager must posses and continually develops a wide variety of skills. Following are the categories of skills for overall effectiveness of managers:

- **Technical skill**
- **Human skill**
- **Conceptual skill**
- **Design skill**
- **Analytical skill**
- **Administrative skill**

1. **Technical skills** – It is the ability to use principles, tools, techniques, procedures, resources etc. in a specialized manner in performing task or job. Higher the level of management, the need for technical skill decreases i.e. executive or top managers usually require the least technical skills, because the managers at higher level need not directly supervise and control the day-to-day activities.
2. **Human skills** – It is the ability to understand, motivate, lead and work with other people. It includes the inter-personal and behavior skills, i.e., communicating, leading, motivating & negotiating. At each level of management, the needs of human skill are equal.
3. **Conceptual skills** – It refers to the ability to think and visualize total the total system of the entire organization and develop a vision to deal with the environment surrounding it. Middle managers need moderate skills. Lower level manager need moderate conceptual skills because superior managers give them detailed plan.
4. **Design skills** – Design skills refers to the ability to design a workable solution to problem. It is a necessary skill for upper level managers.
5. **Analytical skills** – It is the ability to solve problems by identifying and analyzing its nature and key factors and their interrelationships. Every manager for solving complex problems needs analytical skills.
6. **Administrative skills** – It is the ability to communicate, cooperate and coordinate with others to get things done through and with others. Every manager need to have this skills.

QUALITIES OF A MANAGER

An excellent manager taps into talents and resources in order to support and bring out the best in others. An outstanding manager evokes possibility in others.

1. **Creativity:** Creativity is what separates competence from excellence. Creativity is the spark that propels projects forward and that captures peoples' attention. Creativity is the ingredient that pulls the different pieces together into a cohesive whole, adding enthusiasm and appeal in the process.
2. **Structure:** The context and structure we work within always have a set of parameters, limitations and guidelines. A manager knows how to work within the structure and not let the structure interrupt in the process or the project. It is important to know the structure intimately, so as to guide others to effectively work within the given parameters.

Check Your Progress

1. What are Role of Manager?
2. What do you mean by team leader?
3. What are role of Financial and Human Resource Manager?

NOTES

3. **Intuition:** Intuition is the capacity of knowing without the use of rational processes. People with keen insight are often able to sense what others are feeling and thinking; consequently, they're able to respond perfectly to another through their *deeper understanding. * The stronger one's intuition, the stronger manager one will be.

4. **Knowledge:** A thorough knowledge base is essential. The knowledge base must be so ingrained and integrated into there being that they become "transparent" focusing on the employee and what he needs to learn, versus focusing on the knowledge base. The excellent manager lives from a knowledge base, without having to draw attention to it.

5. **Commitment:** A manager is committed to the success of the project and of all team members. He holds the vision for the collective team and moves the team closer to the end result. It's the manager's commitment that pulls the team forward during trying times.

6. **Being Human:** Employees value leaders who are human and who don't hide behind their authority. The best leaders are those who aren't afraid to be them. Managers who respect and connect with others on a human level inspire great loyalty.

7. **Versatility:** Flexibility and versatility are valuable qualities in a manager. Beneath the flexibility and versatility is an ability to be both non-reactive and not attached to how things have to be. Versatility implies an openness this openness allows the leader to quickly change when and where necessary. Flexibility and versatility are the pathways to speedy responsiveness.

8. **Lightness:** A manager doesn't just produce outstanding results; he has fun in the process! Lightness doesn't impede results but rather, helps to move the team forward. Lightness compliments the seriousness of the task at hand as well as the resolution of the team, therefore contributing to strong team results and retention.

9. **Discipline/Focus:** Discipline is the ability to choose and live from what one pays attention to. Discipline as self-mastery can be elating! Role model the ability to live from your intention consistently and you'll role model an important leadership quality.

10. **Big Picture, Small Actions:** Excellent managers see the big picture concurrent with managing the details. Small actions lead to the big picture; the excellent manager is skillful at doing both: think big while also paying attention to the details.

How can a manager be more effective?

1. ***Choose a field***. It's hard to be productive without enthusiasm.

2. ***Hire carefully***. You need a strong team, because a mediocre team gives mediocre results, no matter how well managed it is. One mistake is holding on to somebody who doesn't measure up. It's easy to keep this person on the job because he's not terrible at what he does. But a good manager will replace him or move him to where he can succeed unambiguously;

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3. ***Create a productive environment.*** This is a particular challenge because it requires different approaches depending on the context. Sometimes you maximize productivity by giving everybody his or her own office. Sometimes you achieve it by moving everybody into open space. Sometimes you use financial incentives to stimulate productivity. A combination of approaches is usually required. One element that almost always increases productivity is providing an information system that empowers employees.

4. ***Define success.*** Make it clear to your employees what constitutes success and how they should measure their achievements. Goals must be realistic. Project schedules, for example, must be set by the people who do the work. Unachievable goals undermine an organization.

5. ***Good Communication.*** If a person don't enjoy interacting with people, it'll be hard to manage them well. There must be a wide range of personal contacts within the organization. Relationship is required. People must be encouraged to tell what's going on and give you feedback about what people are thinking about the company and your role in it;

6. ***Develop your people to do their jobs better than you can.*** Transfer your skills to them. This is an exciting goal, but it can be threatening to a manager who worries that he's training his replacement. Many smart managers like to see their employees increase their responsibilities because it frees the managers to tackle new or undone tasks. There's no shortage of jobs for good managers. The world has an infinite amount of work to be done;

7. ***Build morale.*** Make it clear there's plenty of goodwill to go around. Give people a sense of the importance of what they're working on - its importance to the company, its importance to customers;

8. ***Take active interest in projects.*** You need to do more than communicate. From time to time, managers should take on less attractive tasks and use it as an example to show to your employees how to meet challenges;

9. ***Don't make the same decision twice.*** Spend the time and thought to make a solid decision the first time so that the manager doesn't revisit the issue unnecessarily. If he is too willing to reopen issues, it interferes not only with the execution but also with the motivation to make a decision in the first place. People don't like indecisive leadership.

10. ***Let people know whom to please.*** Some traits, of course, are obvious: vision, passion, discipline, and persistence. The vision thing seems hollow when business is stuck in a slump. People get tired of hearing the same thing without a recovery in sight. One can have passion for an idea or a product, but that passion isn't worth very much if the competitors have a better idea or product. Only persistence may have value in difficult times. But there are a few other qualities that inspire people, get a company through challenges, and return it to a path of growth. These qualities lead to sustained greatness, not just a flash during good times. Managing must, of course, begin with an objective. Understanding what the people, customers, suppliers—and even competitors—are going through is critical to making intelligent decisions when business conditions are difficult. The caring

Check Your Progress

4. An effective manager must porses and continuosly develops a wide variety of skills Name it.
5. What are the qualities of Managers?
6. Name the Resposibilities towards the management should be consider.

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part of empathy, especially for the people with whom one work, is what inspires people to stay with a leader when the going gets rough. The mere fact that someone cares is more often than not rewarded with loyalty.

Next to empathy lies the willingness to understand one's personal responsibility for what trouble the company is in. Many managers are also prepared to blame their business conditions on others, or in times like this, the economy. They sit still, waiting for things to improve. Great leaders are quietly introspective, always asking whether they are a cause of the organization's problems or whether they are doing what needs to be done.

MANAGEMENT RESPONSIBILITIES

A firm is a social institution. Its survival depends upon its harmonious relationships with the various segments of the society. This harmonious relationship emanates from the firms' positive responsiveness to the various segments and its closely associated with the tasks a manager is expected to perform. The process of evolving this mutual relationship between firms and various interest groups begins by acknowledging the responsibilities of the management. In fact management responsibilities emanate from the responsibilities entrusted on managers.

The responsibilities include:

- **Responsibilities towards customers:** A manager must understand that the customer comes first. The starting point for the business firm is an understanding of the needs of the customers, and the management's foremost responsibility is toward the customer.
- **Responsibilities towards Shareholders:** except in case of proprietorship firm where the capital is fully contributed by the proprietor, in all other companies, capital is collected from a variety of sources. The primary responsibility of management is to ensure the security of the shareholders' capital along with a desirable return on their investments.
- **Responsibilities towards Employees:** Employees of a firm are the most important resources. Their hard work, ingenuity, loyalty and dedication are critical contributions to the success of the firm. In return management has to see that they are provided fairness and equity.
- **Responsibilities towards Suppliers:** Organizations depend upon the suppliers for regular, timely supplies and in turn the suppliers also depend upon for specifications this two way relationship works best when it is based on the principles of mutual interdependence.
- **Responsibilities towards Distributors and Retailers:** These provide the link between the end user and the manufacturer. Management and the managers in particular are responsible for ensuring regular supplies to the retailers an distributors. Supplying spoons in place of forks is , simply because spoons are out of stock in factory is not a responsible way of dealing with the distributors.
- **Responsibilities towards Industry and Competition:** Others firms within an industry are competitors in the market place but are associates when one has to lobby for or represent and as industry and not as individual firms.

- **Responsibilities towards Unions:** The first responsibility towards the employees union is to acknowledge it as a friend rather than foe of the firm. Problems arise because of the difference in attitude of management toward unions.
- **Responsibilities towards Government:** It is the responsibility of management to ensure that the constitution and operations of the firm are within the legal framework as specified by the government. This legal framework may vary depending upon the nature of the firm.
- **Responsibilities towards Society:** Apart from the specific society segments with whom the firm interacts in the course of conducting its business, the management also has responsibility towards its surroundings and the people living in the vicinity of the firm.

CONCLUSION : It responsibility of manager to be part of the process of planning, organizing, directing and controlling activities of, and using resources of an organization for accomplishing the organizational goals efficiently and effectively in an ever-changing environment. Manager is one who has subordinates and accountable for the performance of them as well as of his own work.

Managers need to be efficient as well as effective. They must do things in right manner for efficiency and also do the right things for effectiveness. Efficiency is essential for the success of an organization. But efficiency without effectiveness cannot ensure success of any organization. Managers must therefore, concentrate on effectiveness by doing things efficiently.

CHAPTER AT A GLANCE

- Manager is the person who has formal authority to direct the activities of people in an organisation.
- Manager – Director, Managing director, Supervisor, First Level Supervisor, President, Manager, Senior executives, Team leader etc.
- Types of manager on the basis of style – Micro managers, Teacher, Supporter and Task Manager.
- On the basis of the management functions business organizations constitute of the top management, middle level management, the specialist, supporting and operating staff.
- Levels of Management – Top level, Middle Level and lower level.
- Managerial skills – Technical skills, Human skills, Conceptual skills, Design skills, Analytical skills and Administrative skills.
- Qualities of a manager – creativity, structure, intuition, knowledge, commitment, Being Human, Versatility, Lightness, Discipline, Big picture & small actions.
- How can a manager be more effective – choose a field, Hire carefully, create a productive environment, Define success, Good communication, Develop your people, Build morale, take active interest in projects, let people know whom to please.

- Management responsibilities towards – customers, shareholders, Employees, suppliers, Distributors & Retailer, Industry & competition, union, Government and society.

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ANSWER TO CHECK YOUR PROGRESS:

1. Manager is the person who has formal authority to direct the activities of people in an organization. He is the person who is accountable not only for his own work but also for the work done by those over whom he has authority. Thus, a manager is one who has subordinates and accountable for the performance of them as well as his own work.
2. **Team Leader**: A team leader is one who is delegated authority to lead a group effort. While not enjoying formal supervisory authority, a team leader may be empowered to

   – organize work

   – assign tasks

   – judge results, and

   – provide input for performance appraisals.
3. (a) ***Financial Managers***: Plan, organize, lead and control collection and payment of money and compliance with state and other law governing money management.

   (b) ***Human Resources Managers***: Plan, organize, lead and control the hiring, training and compensation of employees.
4. Following are the categories of skills for overall effectiveness of managers:

   – **Technical skill** – **Human skill**

   – **Conceptual skill** – **Design skill**

   – **Analytical skill** – **Administrative skill**
5. Qualities of a manager – creativity, structure, intuition, knowledge, commitment, Being Human, Versatility, Lightness, Discipline, Big picture & small actions.
6. Management responsibilities towards – customers, shareholders, Employees, suppliers, Distributors & Retailer, Industry & competition, union, Government and society.

EXERCISE

1. Define the term 'Manager'? What are its types?
2. Write a note on 'Management Skill'
3. What are the management responsibilities?
4. What are the essential Qualities of managers?
5. How can a manager be more effective?

04 Managerial Roles

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The Chapter Covers :

INTRODUCTION

To meet the many demands of performing their functions, managers assume roles common to the work of all managers. The ten roles are divided into three groups: interpersonal, informational, and decisional. The ***informational roles*** link all managerial work together. The ***interpersonal roles*** ensure that information is provided. The ***decisional roles*** make significant use of the information. The performance of managerial roles and the requirements of these roles can be played at different times by the same manager and to different degrees depending on the level and function of management. The ten roles are described individually, but they form an integrated whole.

The three interpersonal roles are primarily concerned with interpersonal relationships. In the figurehead role, the manager represents the organization in all matters of formality. The top level manager represents the company legally and socially to those outside of the organization. The supervisor represents the work group to higher management and higher management to the work group. In the liaison role, the manger interacts with peers and people outside the organization. The top level

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manager uses the liaison role to gain favors and information, while the supervisor uses it to maintain the routine flow of work. The leader role defines the relationships between the manger and employees.

The direct relationships with people in the interpersonal roles place the manager in a unique position to get information. Thus, the three informational roles are primarily concerned with the information aspects of managerial work. In the monitor role, the manager receives and collects information. In the role of disseminator, the manager transmits special information into the organization. The top level manager receives and transmits more information from people outside the organization than the supervisor. In the role of spokesperson, the manager disseminates the organization's information into its environment. Thus, the top level manager is seen as an industry expert, while the supervisor is seen as a unit or departmental expert.

The unique access to information places the manager at the center of organizational decision making. There are four decisional roles. In the entrepreneur role, the manager initiates change. In the disturbance handler role, the manger deals with threats to the organization. In the resource allocator role, the manager chooses where the organization will expend its efforts. In the negotiator role, the manager negotiates on behalf of the organization. The top level manager makes the decisions about the organization as a whole, while the supervisor makes decisions about his or her particular work unit.

The supervisor performs these managerial roles but with different emphasis than higher managers. Supervisory management is more focused and short-term in outlook. Thus, the figurehead role becomes less significant and the disturbance handler and negotiator roles increase in importance for the supervisor. Since leadership permeates all activities, the leader role is among the most important of all roles at all levels of management.

MANAGERIAL ROLES ACCORDING TO HENRY MINTZBERG

Mintzberg intensively studied five CEOs and their organizations, along with a calendar of their scheduled appointments for a month. Additional data collected during a week of structured observations included anecdotal data about specific activities, chronological records of activity patterns, a record of incoming and outgoing mail, and a record of the executive's verbal contacts with others. On the basis of this data, Mintzberg divided managerial activities into Interpersonal, informational and decisional roles.

- **Interpersonal roles.**

	Description of actions	Examples from managerial practice requiring activation of corresponding roles
1. Figurehead	Symbolic leader of the organization performing duties of social and legal character	Attending ribbon-cutting ceremonies, hosting receptions, presentations and other activities associated with the figurehead role
2. Leader	Motivating subordinates, interaction with them, selection and training of employees	Virtually all managerial operations involving subordinates
3. Liaison	Establishing contacts with managers and specialists of other divisions and organizations, informing subordinates of these contacts	Business correspondence, participation in meetings with representatives of other divisions (organizations)

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- **Informational roles.**

1. Monitor (receiver)	Collecting various data relevant to adequate work	Handling incoming correspon dence, periodical surveys, attending seminars and exhibitions, research tours
2. Disseminator of	Transmitting information obtained from both external sources and employees to interested people inside the organization	Dissemination of information letters and information digests, interviewing, informing subordi nates of the agreements reached
3. Spokesperson	Transmitting information on the organization's plan's, current situation and achievements of the divisions to outsiders	Compiling and disseminating information letters and irculars, participation in meetings with progress reports

- **Decisional roles.**

1. Entrepreneur (initiator of change)	Seeking opportunities to develop processes both inside the organization and in the systems of interaction with other divisions and structures, initiates implementation of innovations to improve the organization's situation and employee well-being	Participation in meetings involving debating and decision making on perspective issues, and also in meetings dedicated to implementation of innova-tions
2. Disturbance handler	Taking care of the organizations, correcting ongoing activities, assuming responsibility when factors threatening normal work of the organization emerge	Debating and decision making on strategic current issues concerning ways of overcom-ing crisis situations
3. Resource allocator	Deciding on expenditure of the organization's physical, financial and human resources	Drawing up and approving schedules, plans, estimates and budgets; controlling their execution
4. Negotiator (mediator)	Representing the organization in all important negotiations	Conducting negotiations, estab-lishing official links between the organization and other compa-nies

Role of the manager can be put under the following headings:

Manager of Outcomes :

Firstly a manager is responsible for making things happen. For the newly appointed manager this is the first big role change. Rather than having to actually sell products, produce engineering drawings or deliver the meals on wheels, the manager must make sure that other people do these things, and do them well.

Manager as Coordinator

Managers must work to make the total effect of their team's work **meaningful.** They have to quickly get to know their team's activities, the strengths and weak-nesses and ensure that the team is working together, not duplicating each others work. The activities have to be balanced and focussed towards an ultimate goal.

This is rarely as simple as merely handing out the tasks in a project plan. Team members will each have their own ways of working and some will be stronger than others. There will be tasks that take longer than expected; and there will be regular obstacles and unexpected priorities to deal with.

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Manager as Facilitator

As well as coordinating the activities of the team a manager must act as a **facilitator**, bringing together the disparate skills of the team so that team members can **share skills** and **learn** from one another. The manager must also act as facilitator in **driving the momentum** of the team's energy, maintaining good morale and focusing the team on their goals. Managers must **encourage others to contribute**. Encouraging contributions from others can be a useful skill to practice before officially becoming a manager – to tactfully bring out the positive contributions of one's fellow team members and to ensure that credit is given where it is due, is more difficult than it might seem, but will reap rich rewards in terms of its effect on staff morale and increasing the pool of shared knowledge.

The manager as instructor

Managers are responsible for drawing out the best in their team and ensuring that their staff's efforts become more and more effective. One of the ways that this can be done is through **coaching**. Coaching means **helping others to improve by removing the obstacles in their way.** Such obstacles might be

- Lack of confidence
- Lack of clarity over personal and professional goals
- Confusion over which techniques and approaches to take to a situation

It is important to remember that the coaching support that a manager can provide is just as important a teaching someone a new skill or fighting for your share of the resources at budget allocation time.

The manager as politician

The world of work is always a political world, and **being a manager is a political job.** Taking a more political role is often a hidden, unspoken part of management, but it is an important part of your success as a manager.

Managers must negotiate often **difficult relationships** with all sorts of stakeholders and it pays to pay attention to growing these relationships in all directions. Being political can also mean improving one's **personal and professional networks.** The majority of new jobs and promotions are gained through contacts and already established relationships, so the successful manager will always pay attention to maintaining and increasing their networks.

The manager as commander

The traditional role of a manager is that of **commander or captain** of the ship. However easy it is to fall into, the command and control model has **serious drawbacks.** It can mean that staffs are limited in the degree of initiative they take, and constantly refer back to the manager for instructions, making more work in the long run. In particular long serving or skilled staff may become demotivated if they do not have enough responsibility, or feel that they are not trusted.

Support for development

These different roles require managers to develop a **wide range of skills**, along with a **reflective attitude** and knowledge of their own **management style.** Managers who receive support in developing these attitudes and skills are often better performers. Managers who are supported in their development:

- Have better working relationships with others
- Achieve a higher level of outcomes, making better use of resources
- Contribute more to the organisation as a whole
- Stay with the organisation for longer.

RESPONSIBILITIES OF A MANAGER IN AN ORGANIZATION

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The three vital determinants of team work are the leader, subordinates and the environment. These factors are interdependent. It is the leader's responsibility to make the environment conducive to work. He studies the employees individually and insists interest in them. By encouraging the inquisitive employees and by prohibiting insidious elements, he creates hygienic environment. He inculcates the sense of collectivism in employees to work as a team. The resultant output will then be efficiency.

STRIVES FOR EFFECTIVENESS

Quite frequently the managers are preoccupied and too busy with petty things to address to major details of effectiveness. To fill the gap, sometimes leaders throws his concerted efforts to bring effectiveness by encouraging and nurturing team work, by better time management and by the proper use of power. Further, leader provides and adequate reward structure to encourage performance of employees. Leader delegates authority where needed and invites participation where possible to achieve the better result. He also provides the workers with necessary resources. By communicating to workers what is expected of them, leader brings effectiveness to organization. The above functions of the leader are by no means comprehensive but they do suggest as to what leaders do generally.

TASKS OF A PROFESSIONAL MANAGER

- **Providing purposeful direction to the firm:** A manager has to, first of all, set objectives which a firm must achieve. Objectives provide the direction in which a firm should move. Having decided upon the objectives, the manager must continuously monitor the progress and activities of the firm to ensure that it is moving in the desired direction.
- **Managing survival and growth:** Ensuring survival of the firm is a critical task of the manager. But that alone is not enough. The manager has to actively seek growth.
- **Maintaining firms efficiency in terms of profit generation:** Efficiency is the ratio of output to the input. A manager has not only to perform and produce results, but to do so in the most efficient manner possible. Profit is essential for the survival and growth of business. A manager must decide to forego some profits today for the profits which he is seeking tomorrow but in long run he must understand that no business can survive if it does not make profits.
- **Building human organisations:** Man is by far the most critical resource of an organization. No amount of money, materials and machines can produce results by themselves. A manger with a competent team has already won half the battle.
- **Retaining Talent and inculcating sense of loyalty:** Hiring good people is still a relatively simple task as compared to the task of retaining them, people may join a company because of its favourable image but stay on only if they find appreciation for, and satisfaction from their work.
- **Sustaining leadership effectiveness:** An effective leader must be a man with vision who can think and plan ahead, and also have the persuation to carry along all the people.
- **Maintaining balance between creativity and conformity:** To succeed, an organisation needs both creative people and people who can produce business results. The manager must encourage both kinds of people in the organisation.
- **Postponing managerial obsolescence:** Managers and executive after a long career span find themselves reaching a plateau where they become unproductive and lack the edge. It is the manager which has to manage his own obsolescence.

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- **Meeting the challenge of change:** A manager has to be a change- agent. Delearnig and relearning is the task which has to be continuously performed.
- **Maintaining relations with various society segments:** Business organisations are a social entity. Social sanctions is must for the existence of business.

MANAGEMENT FUNCTIONS

Managers create and maintain an internal environment, commonly called the organization, so that others can work efficiently in it. A manager's job consists of planning, organizing, directing, and controlling the resources of the organization. These resources include people, jobs or positions, technology, facilities and equipment, materials and supplies, information, and money. Managers work in a dynamic environment and must anticipate and adapt to challenges.

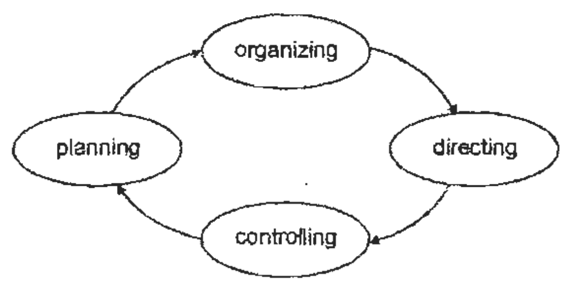
Different author accepts the pervasiveness of the managerial functions still there is a vast amount of disagreement on the number and classification of managerial function. **Henri Fayol** identified 5 functions as- Planning, Organising, Commanding, Coordinating and Controlling.

Luther Gullick coined the word **'POSDCORB'** for 7 functions :

P – Planning
O – Organization
S – Staffing
D – Directing
CO – Coordination
R – Reporting, and
B – Budgeting

Subsequent theorist over the years cordensed the list of management function and describe the following 4 as main functions :

(1) Planning
(2) Organising
(3) Directing
(4) Controlling



Experienced and well trained management is required for understanding the pressures on modern business and work closely with associate organizations and departments to develop working practices that support today's economic environment.

Broadly the management functions can be classified as:

Functions of Management

Main function
- Planning
- Organising
- Directing
- Controlling

Subsidiary function
- Leadership
- Motivation
- Communication
- Supervision
- Decision-making
- Staffing
- Innovation

NOTES

These functions are briefly described in ensuring paragraphs :

PLANNING

It is the most important part of the management since it has to foresee the outlook of the company .For this management has to have a mission to succeed. The management has to set objectives and plan ways to achieve it. Based on the objectives, policies are drawn and implemented. For each policy of the organization there is separate programme and budget. Once the budgets are decided the procedures and schedules are laid down and strictly followed. Planning is a mental process requiring the use of intellectual faculties, foresight and sound judgement.

A detailed Queprint prepared in respect of activity is known as plan

"Planning is deciding in advance what is to be done." – Haimann.

"Planning is process by which a manager looks to the future and discovers alternative sources of action open to him" – J.L. Massie.

Planning is a process of seeking answer of following questions (5W&p1H)

(1) What is to be done ? (Nature of Business)
(2) Why it is to be done ? (Objective of Business)
(3) Who will do the work ? (People)
(4) When the work will be done ? (Time factor)
(5) Where the work will be done ? (Place/Location)
(6) How the work will be done ? (Technology)

Types of plan :

Type	Explanation
Policies	General stetement for understanding to guide thinking.
Procedure	Manner in which activities were performed when and how they will be performed.
Rules	Definite action to be taken and not to be taken.
Strategies	Action plan based on actual plans or probable action of others.
Programmes	Single use plan for new and non-repetitive activities.
Budget	Time bound plans expressed in quantitative terms.
Schedule	Time Table of work
Method	Standard way to do a job

Planning involves the following steps:

1. Being aware of opportunity.
2. Establish the clear cut objectives.
3. Building the essential premises.
4. Identify alternative course of action.
5. Evaluation alternative course of action
6. Choice the best course of action.

The purpose of planning is to minimize the risk and at the same time take full advantage of the opportunities. Good planning is flexible in nature as it can adjust to changes in business conditions. Planning is done for both long term as well as short term.

ORGANISING

It includes identification and grouping of activities, definition and delegation of responsibility, authority. In other words it defines objectives of various departments and delegate authority at various levels to ensure proper functioning and achievement of departmental as well as organizational goals. The process of organizing involves the determination of authority and responsibility relations in an organization.

Check Your Progress

1. What are Managerial role and also define each group.
2. Name some role perform by manager.
3. Name the elements Direction consists.

NOTES

A manager determines the nature of activities required to attain the group goals, the grouping of these activities and the assignment of the activities to the individuals with necessary delegation of authority. It involves:

1. Determination of objectives.
2. Identification and grouping of activities.
3. Assignment of duties to individuals.
4. Development of relationships.

DIRECTING

The job of management is to delegate work to others, the main idea is to supervise the whole procedure. The management should be very thorough in the job since they have to guide the workers at the time of need. One of the most important part of the management is to communicate to all the departments and wherever needed to motivate them to give better results. In most of the cases the decision making part is kept with the management.

According to Dale, "Directing is telling people what to do and seeing that they do it to the best of their ability. It includes making assignments, explaining, procedure, seeing that mistakes are corrected, providing on the job instruction and of course issuing orders." It constitutes the life-spark to the enterprise which, like power sets into motion. It involves communicating and providing leadership and motivation to the people to contribute to the best of the capabilities for the achievement of objectives of the enterprise.

Direction consists of four elements :

(1) Issuing of orders that are clear, complete and with in the capabilities of subordinates.

(2) Continuous training activity.

(3) Motivation to subordinates.

(4) Maintaining discipline.

CONTROLLING

It includes the aspects which can enhance production. It can include laying down of the standards for performance for each worker and machine. The performance can be measured on regular basis and appreciated accordingly. If there is any problem which is hampering the smooth running of the system reasons are found out for the variance in performance and are tackled accordingly.

Planning and Control go together because planning seeks to set consistent, integrated goals, while control seeks to compel events conform to plans. A manager cannot control the past but can avoid problems in future by taking actions in the light of past experiences. The control process consists of the following steps:

1. Setting up of standards.
2. Measuring performance.
3. Comparing performance with standard.
4. Taking corrective measures.

LEADERSHIP

Leadership is a dynamic force essential for succes in any human group effort. Without leadership no organisation or enterprise can flourish. Infact, it is vital to the survival of a business. For all the technological changes that have taken place in business the need for human leadership is no less today. It can be said that management works when the manager live upto his role as leader. Leadership can be defined as an humanized activity or activities influencing group people to act for achievement of common specified goal or goals.

NOTES

"Leadership in group discussion, is the assumption of the tasks of initiating organising, clarifying, questioning, motivating, summarizing and formulating conclusions. Hence, the leader is the person who spends the most time talking these verbat tasks" – B.M. Bass

Leadership is an influential process where by the leader shapes, regulates, modifies, controls and directs the behaviour of the followers as to work in the direction of achieving pre-determined objectives.

MOTIVATION

Motivation is the need or reasons that makes people to work or to take action. It includes the processes and forces in an individual that influence or encourage him to act or not to act in particular ways. It arouses or energises the willingness to put ineffort in a particular direction.

According to McFarland - "Motivation refers to the way in which urges, drives, desires aspirations, behaviour of human beings".

According to D.S.Beach - "Motivation can be defined as a willingness to expend energy to achieve a goal or a reward".

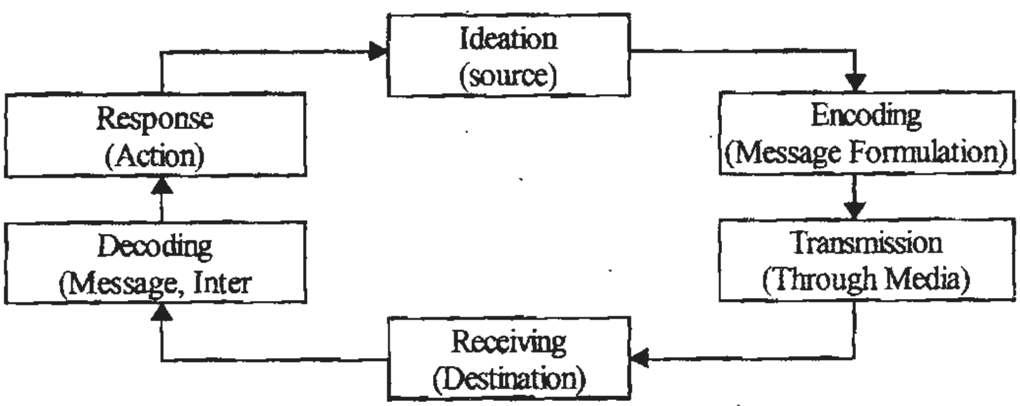
Motivation may be defined simply, "as the act of stimulating an individual or oneself to contribute the utmost to achieve the desired objectives. The central idea of motivation is the will to work. What ways and means could sharpen the will to work is the job of motivation of find out.

COMMUNICATION

Communication is the process of exchange of information, ideas, feelings and understanding human beings. It is the processing conveying meanings. It is the systematic process of conveying, listening and understanding something between two or more person through words, figures, symbol, pictures body language etc.

According to Herbert simon - "Communication is a process of passing information and understanding from one person to another".

Communication is a process and systematic chart is as :



SUPERVISION

The supervision is the process of ensuring performance of subordinates inaccordance with the plans, policies, programmes, procedures methods, rules etc. It is important at all levels specially at operative/cow level. A supervisor teacher his subordinates the way in which their job can be best performed. He enplains them the procedures, methods, rules of organisation as well as help them to solve their problems & grievances.

DECISION MAKING

Decision making is an essence of managerial process. In the managerial hierarchy, all managers make decisions. Although the nature, efficiency and significance of decision made by them, may very from management level. Making rational decision is a major challenge to a manager in today's world. It is a process of making a choice out of best alternatives. The process involves the following steps :

– Identify the problem. – Collect information from all possible sources.
– Develop alternatives – Compare and evaluate these alternatives.
– Decision making stage of making a choice among alternatives.
– Implementation and communication of decisions.
– Follow up and review.

STAFFING

Staffing is the process by which a firm ensures that it has the right number of people and ther right kind of people, at the right places, at the right time, doing things form which they are economically most useful. Staffing is also defined as Recruitment, Retainment and Retirement staffing include the following activities :

(1) Manpower Planning. (2) Recruitment (Positive process of inviting candidate for the job). (3) Selection (Process of rejection, normally consist of written tests, group discussion and interviews). (4) Placement (Job designation and terms of employments). (5) Induction (Introduction of a newcomer to the company and vice versa.) (6) Appraisal systems. (7) Transfer & promotion. (8) Training & Development. (9) Employee veyore. (10) Retirement including woluntary retirment scheme.

Staffing concept has changed over period of time. From the basic aims of retaining people, today its objective is effective organization. The judgement criteria are not lifetime empolyment but employability of an employee.

INNOVATION

Innovation consists of developing new and better ways of doing things. Every manager must originate new ideas, combine old ideas into new ones and adopt them in his practice. Planning function encompasses innovation because a manager plans for new activities and new way of doing things when the old way do no suffice.

REPRESENTATION

Every manager represents his organisation while dealing with a number of outside groups. They include sharcholders, trade unions & association, financial institutions, suppliers, government efficials, general public etc. A manager fulfill his responsibility for representing merely by being accessible and pleasent.

CONCLUSION

A large number of management professionals and scholars regard management as a process of interrelated functions of activities. All managers are required to perform all these functions in order to achieve the predefermined goals. All managers require certain skills to perform these functions.

All the managers at every level and in all types and sizes of organization perform similar roles. The importance of roles varies by the level of the managers in the organisation. Top level managers give more importance on planning where as middle managers give importance to organising and leading and supervisory managersdevole most of their time to the function of leading nad controlling.

CHAPTER AT A GLANCE

- Managerial role - Informational role, Inter personal role and decisional role.
- Managerial role according to henry Mintzbery Interpersonal role.
  - □ Figurehead □ Leader □ Liaison

  Informational roles

NOTES

- ◻ Monitor (receiver) ◻ Diseminator of information
- ◻ Spokesperson

Decisional roles

- ◻ Entrepreneur ◻ Distairbance handler
- ◻ Resource allocator ◻ Negotiator

- Role of manager
  - – Manager of Outcomes – Manager as Coordinator
  - – Manager as Facilitator – Manager as Instructor
  - – Manager as Politician – Manager as Commander
  - – Manager as support for development
- Task of a professional manager
  - – Providing purposeful direction to the firm.
  - – Managing survival and growth
  - – Maintaining firm effeciency interms of profit generation.
  - – Building human organisation
  - – Retaining taknt and inculcating sense of loyalty
  - – Sustaining leadership effectiveness and conformity
  - – Postponing managerial obsolence
  - – Meeting the challenge of change.
  - – Maintaining relations with various society segments
- Managerial function

  P – Planning
  O – Organisation
  S – Stayfirm
  D – Directing
  Lo – Corrdination Reporting, and
  B – Udgebing
- Functions of Management
  - **Main**
    - Planning
    - Organising
    - Directing
    - Controlling
  - **Subsidiary**
    - eadership
    - Motivation
    - Communication
    - Supervision
    - Decision-making
    - Staffing
    - Innovation

- Planning is deciding in advance what is to be done. The purpose of planning is to minimise the risk and at the same time take full advantage of the opportunities.
- Organization includes determination of objectives, identification and grouping of activities, Assignment of duties and development of relationship.
- Directing is taking people what to do and seeing that they do it to the best of their ability.
- Controlling include laying down of the standards for performance and compare it with actual performance; if there is any deviation for them find out cause and remedies.

Check Your Progress

4. Define motivation.
5. What do you understand by supervision
6. What is staffing?

NOTES

- Leadership can be defined as an humanized activity or activities influencing group people to act for achievement of common specified goal or goals.
- Motivation refers to the way in which urges drives, desires, aspirations, strivings, need direct control or explain the behaviour of human beings.
- Communication is the process of exchange of information, ideas, feelings and esstanding human beings.
- Supervision is the process of ensuring performance of subordinates as per plans policies.
- The nature, effeciency and significance of decision making vary from managerial level
- Stying is recruitment, retainment and retirement.
- Innovation consists of developing new and better ways of doing things.
- Representation is dealing with outside groups parties.

ANSWER TO CHECK YOUR PROGRESS:

1. The ten roles are divided into three groups: interpersonal, informational, and decisional. The ***informational roles*** link all managerial work together. The ***interpersonal roles*** ensure that information is provided. The ***decisional roles*** make significant use of the information.
2. Role of manager
   - Manager of Outcomes
   - Manager as Coordinator
   - Manager as Facilitator
   - Manager as Instructor
   - Manager as Politician
   - Manager as Commander
   - Manager as support for development
3. Direction consists of four elements :
   (1) Issuing of orders that are clear, complete and with in the capabilities of subordinates.
   (2) Continuous training activity.
   (3) Motivation to subordinates.
   (4) Maintaining discipline.
4. Motivation may be defined simply, "as the act of stimulating an individual or oneself to contribute the utmost to achieve the desired objectives. The central idea of motivation is the will to work. What ways and means could sharpen the will to work is the job of motivation of find out.
5. The supervision is the process of ensuring performance of subordinates inaccordance with the plans, policies, programmes, procedures methods, rules etc. It is important at all levels specially at operative/cow level.
6. Staffing is the process by which a firm ensures that it has the right number of people and ther right kind of people, at the right places, at the right time, doing things form which they are economically most useful. Staffing is also defined as Recruitment, Retainment and Retirement.

EXERCISE

1. Write an essay on "Managerial role as per heniry mintzbery"?
2. Define role and task of manager
3. What are functions of management ?
4. Short note on :
   (a) Stayfing (b) Planning (c) Leadership

NOTES

05 Business Environment

The Chapter Covers :

INTRODUCTION

An environment can be defined as anything, which surrounds a system. Therefore, the business environment is anything, which surrounds the business organization. It affects the decisions, strategies, processes and performance of the business. The microenvironment consists of different types of stakeholders - customers, employees, suppliers, board of directors and creditors. The macro environment consists of factors, which are beyond the control of the business (STEP) - Social, Technological, and Economic etc. Changes in the microenvironment will directly affect and impinge on the firm's activities. Changes in the macro environment will indirectly affect the business but will nonetheless affect it. For example, a change in legislation such as the smoking ban indirectly affects pubs and restaurants.

A manager is someone skilled in knowing how to analyze and improve the ability of an organization to survive and grow in a complex and changing world. This means that managers have a set of tools that enable them to grasp the complexity of the organization's environment.

NOTES

A management system describes the organization and the set of significant interacting institutions and forces in the organization's complex and rapidly changing environment that affect its ability to serve its customers. The firm must continuously monitor and adapt to the environment if it is to survive and prosper. Disturbances in the environment may spell profound threats or new opportunities for the firm. The successful firm will identify, appraise, and respond to the various opportunities and threats in its environment.

The Organization As A System

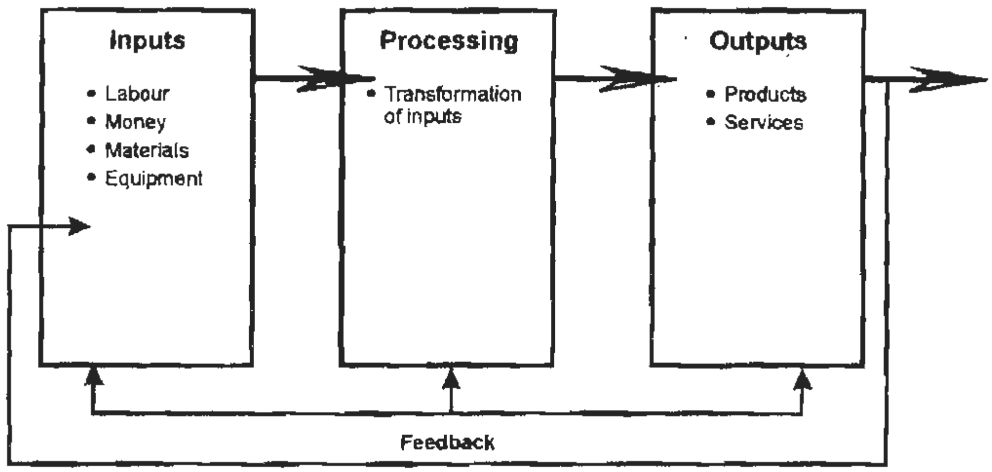


Figure 5.1

INTERNAL ENVIRONMENT

The management system can be conceptualized on two levels. The first level involves the organization's internal environment. Internally, an organization can be viewed as a resource conversion machine that takes inputs (labor, money, materials and equipment) from the external environment (i.e., the outside world), converts them into useful products, goods, and services, and makes them available to customers as outputs. The internal environment refers to all the factors within an organization that impart strength or cause weakness of a strategic nature. These are–

- Financial capability
- Marketing capability
- Operations capability
- General Management capability
- Personnel capability

EXTERNAL ENVIRONMENT

The second level of the management system involves the organization's external environment. It consists of all the outside institutions and forces that have an actual or potential interest or impact on the organization's ability to achieve its objectives: competitive, economic, technological, political, legal, demographic, cultural, and ecosystem.

Environmental forces create challenges and opportunities for the organization. Managers must react and adapt to changes in their internal and external environment. Globalization is an example of an opportunity for an organization. Improving technologies, such as transportation and communications, have enabled companies to expand into global or worldwide markets. Globalization affects how organizations are managed. Managers must learn to deal effectively with multiple cultures and political systems in the midst of rapidly changing markets and technology. They must be able to anticipate this changing environment and develop the vision and competencies at all levels in their organizations to embrace this dynamic future.

NOTES

Figure 5.2

CHANGES IN THE TECHNOLOGICAL ENVIRONMENT

Technological changes involve changes in the machines and equipment, methods and procedures used for the production of goods and services. Technological changes are closely related to other socio-cultural factors. Organizations can plan their activities with a large measure of certainty if the technology remains stable. Today we are living in the world of "dynamic technology". In future all types of organizations will be aided by tremendous improvement in communication systems, which provide information for other organizations and the environment.

Automation. With the use of automation, jobs in industry have become routinised and unchallenging. The organizations of the future will see a highly automated man-machine system. This will have an impact on the nature, style and practices of management.

Information Technology – Computerized information system has great impact on management. There will be use of electronic equipment to collect and process data. Application of quantitative techniques to management problems can be applied via computers. Computer programmes will enable higher level of thinking in the organization. Uses of information technology will great influence the management system.

Technological innovations influence the organizational relationships leading to change in social environment. Managers will have to face the challenge of striking balance between technological improvements and demands of the psychosocial system. With the technological advancement marketing strategies will have to be changed. Managers will be required to create markets and customers by conscious and systematic work. Increased attention will have to be given to product design, product planning, customer service and promotion planning. Managers will have to understand more clearly the marketing objectives and policies of their company and know what they have to contribute to them. The top managers will have to think through long range marketing objectives and to plan and build a long range marketing organization.

Check Your Progress

1. What do you understand by environment of the business?
2. Define external environment.
3. Define external environment.

CHANGES IN SOCIOLOGICAL ENVIRONMENT

These are the changes that effect established human relationships. Technological and sociological changes are interdependent. One sociological reaction is in the level of employment itself. Improvement in techniques of production will reduce total employment.

In the words of Peter Drucker, " Both because the new technology requires it and because social pressures demand it, the manager of tomorrow will have to make it possible to anticipate employment and to maintain it as close to stability as possible."

NOTES

The challenges imposed by sociological forces are:

1. **Changes in the demographic pattern.** The older population will increase due to increase in the average life span. The proportion of skilled workers will also increase because of technological innovations.
2. **Changes in Education System.** It will effect the management in two ways:
   (a) It will increase customer awareness and they will occupy central space in the organization. The management of customer relationship will be on top priority.
   (b) On the other hand, high rate of literacy among the people joining the organization force the manager for making drastic changes in the internal environment of the organization.
3. **Emergence of Strong middle-income group.** This group consists of mostly salaried people and self-employed professionals having enough buying capacity and consumption needs. This segment of the society is highly educated, well aware and vocal. It affects the policies and strategies of business organizations.
4. **Changes in the Value system.** Acceptance of women executives, concern about consumer protection, processes for equal pay for equal work, etc. are posing new challenges to the management.
5. **Rise of Nuclear family.** It increases the demand for household and luxury products. The business houses respond to the demands of smaller families.

CHANGES IN ECONOMIC ENVIRONMENT

A new spirit of economic freedom is at work in India, bringing with it great change. A series of ambitious economic reforms, aimed at deregulating the country and stimulating foreign investment have taken place.

India is a democracy of one billion people, and economic reform is a consensus shared by its many political parties. They have been quick to embrace free market enterprise, which has attracted a number of American corporations, including General Electric, General Motors, Hewlett-Packard, Johnson & Johnson, and Microsoft, to name a few.

Companies across the globe are coming to realize the opportunity India presents, and are wasting no time in acting. Siemens of Germany, a company, which produces and sells power plants, electric meters, hi tech medical equipment and mobile phones, has big plans for India. According to CEO Heinrich Von Pierer, "We are going to make new investments in India to the extent of $500 million in the years to come."

The Siemens group in India has 12 subsidiaries employing 10,000 people with combined sales of $650 million, more than six times the sales recorded a decade ago. The company, which also deals in infrastructure projects like airports and highways, plans to build an airport in Bangalore. Siemens plans to set up more hardware and software development centers there.

With the phenomenal expansion of the country's software industry, many Indian policy makers are predicting significant growth rates in the years to come.

Making optimal utilization of resources and expanding market outside the boundaries of the country have created new challenges for the managers. The challenges also arise out of cross-culture diversity. Working for foreign owned companies meeting world standards and pressure for free trade etc. are providing new exposure to the managers.

NOTES

CHANGES IN POLITICAL-LEGAL ENVIRONMENT:

Steps are being taken by the Government to liberalize the economy and grant greater freedom to the business organizations. The government has enacted various laws for the production of consumers, ecology and environment. The courts have also passed several orders to discipline the business organizations in the interest of general public.

CHANGES IN THE ECOLOGICAL ENVIRONMENT:

Every country in the race of economic development has to face the problem of ecological imbalances. More the industrialization more the problem of pollution along with increased industrial output. Growing environmental degradation, pollution, reckless use of natural resources and growing consumerism etc. have forced the government for making suitable pieces of legislation particularly for controlling pollution and protecting the ecology. Therefore suitable strategy has to be developed for making environmental friendly use of resources for producing eco-friendly products. Thus, to restore ecological balance, the managers have to cooperate with government to use natural resources in cautious manner and to prevent all types of pollution.

CONCLUSION :

Business word represents the organized efforts of enterprises to supply consumers with goods and services and environment refers to all external factors outside the firm, which have a bearing on the functioning of business. The environment includes factors outside the firm, which can lead to opportunities for or threats to the firm. Although there are many factors, the most important of the sector are socio economic, technological suppliers, competitors and government. Business environment is complex, dynamic multifaceted and it has far reaching impact. It is influenced by internal as well as external factor. In simple words, "BUSINESS IS INFLUENCED BY ITS ENVIRONMENT AND ENVIRONMENT IS INFLUENCED BY BUSINESS."

CHAPTER AT A GLANCE

1. The environment of business consists of all those external things to which it is exposed any by which it may be influenced, directly or indirectly.
2. A management system describes the organization and the set of significant interacting institutions and forces in the organizations complex and rapidly changing environment that affect its ability to serve its customers.
3. The internal environment refers to all the factors within an organization, which import strength or cause weaknesses of a strategic nature. These are- Financial, Marketing, Operations, General management & Personnel capability.
4. The external environment includes all the factors outside the organization, which provide opportunities to impose a threat to whole organisation. These are- Social, Economic, Market, Technological, Political, Regulatory & Supplier's environment.

Check Your Progress

4. What are the benifit of automation?
5. Define external environment.

5. Technological changes involves in the machine & equipment, methods & procedures used in production of goods/services.
6. Challenges imposed by sociological forces- Demo-graphic pattern, Education system, Value system, nuclear family etc.

NOTES

ANSWER TO CHECK YOUR PROGRESS:

1. An environment can be defined as anything, which surrounds a system. Therefore, the business environment is anything, which surrounds the business organization. It affects the decisions, strategies, processes and performance of the business.
2. The internal environment refers to all the factors within an organization, which import strength or cause weaknesses of a strategic nature. These are- Financial, Marketing, Operations, General management & Personnel capability.
3. The external environment includes all the factors outside the organization, which provide opportunities to impose a threat to whole organisation. These are- Social, Economic, Market, Technological, Political, Regulatory & Supplier's environment.
4. With the use of automation, jobs in industry have become routinised and unchallenging. The organizations of the future will see a highly automated man-machine system. This will have an impact on the nature, style and practices of management.
5. Managers must beract adapt to changes in their internal and external environment environment These are:
   a. Changes in the Technological Environment
   b. Changes in Sociological Environment
   c. Changes in politico-legal environment
   d. Changes in the ecological environment

EXERCISE

1. Define Business environment and its factors?
2. Write short note on:
   (a) Change in technological environment
   (b) Change in sociological environment
   (c) Change in economic environment

06 Organisation

NOTES

The Chapter Covers :

INTRODUCTION

In the words of Amitai Etizioni – "We are born in organisations educated in organisations and most of us spend much of lives working for organisations. We spend much of our leisure time paying, paying and praying in organisations. Most of us will die in are organisation and when the time comes for burial, the largest organisation of all the state must grant permission.

Organisation is a social grouping which consists of individuals. It operates through those individuals have their certain needs, interests, perceptions, attitudes and values and are known as members or employees of the organisations.

NOTES

DEVELOPMENT

Organizational structures developed from the ancient times of hunters and collectors in tribal organizations through highly royal and clerical power structures to industrial structures and today's post-industrial structures.

Pre-bureaucratic structures

Pre-bureaucratic (entrepreneurial) structures lack standardization of tasks. This structure is most common in smaller organizations and is best used to solve simple tasks. The structure is totally centralized. The strategic leader makes all key decisions and most communication is done by one on one conversations. It is particularly useful for new (entrepreneurial) business as it enables the founder to control growth and development.

They are usually based on traditional domination or charismatic domination in the sense of Max Weber's tripartite classification of authority.

Bureaucratic structures

Bureaucratic structures have a certain degree of standardization. They are better suited for more complex or larger scale organizations. They usually adopt a tall structure. Then tension between bureaucratic structures and non-bureaucratic is echoed in Burns and Stalker's (1961) distinction between mechanistic and organic structures.

Post-Bureaucratic

The term of post bureaucratic is used in two senses in the organizational literature: one generic and one much more specific (see Grey & Garsten, 2001). In the generic sense the term post bureaucratic is often used to describe a range of ideas developed since the 1980s that specifically contrast themselves with Weber's ideal type Bureaucracy. This may include Total Quality Management, Culture Management and the Matrix Organization amongst others. None of these however has left behind the core tenets of Bureaucracy. Hierarchies still exist, authority is still Weber's rational, legal type, and the organisation is still rule bound. Heckshcer, arguing along these lines, describes them as cleaned up bureaucracies (Hecksher & Donellson, 1994), rather than a fundamental shift away from bureaucracy. Gideon Kunda, in his classic study of culture management at 'Tech' argued that 'the essence of bureaucratic control - the formalisation, codification and enforcement of rules and regulations - does not change in principle.....it shifts focus from organizational structure to the organization's culture'.

Another smaller group of theorists have developed the theory of the Post-Bureaucratic Organization. Heckscher and Donnellson [1994], provide a detailed discussion which attempts to describe an organization that is fundamentally not bureaucratic. Charles Heckscher has developed an ideal type Post-Bureaucratic Organization in which decisions are based on dialogue and consensus rather than authority and command, the organisation is a network rather than a hierarchy, open at the boundaries (in direct contrast to culture management); there is an emphasis on meta-decision making rules rather than decision making rules. This sort of horizontal decision making by consensus model is often used in Housing cooperatives, other Cooperatives and when running a non-profit or Community organization. It is used in order to encourage participation and help to empower people who normally experience Oppression in groups.

Still other theorists are developing a resurgence of interest in Complexity Theory and Organizations, and have focused on how simple structures can be used to engender organizational adaptations. For instance, Miner and colleagues (2000) studied how simple structures could be used to generate improvisational outcomes in product development. Their study makes links to simple structures and improviseal learning. Other scholars such as Jan Rivkin, Kathleen Eisenhardt Nicolaj Sigglekow, and Nelson Repenning revive an older interest in how structure and strategy relate in dynamic environments.

NOTES

Functional Structures

The functional structure groups employees together based upon the functions of specific jobs within the organization. For example, a division of an internet service provider (ISP) with a functional organizational structure might be as follows:

Vice President

- Sales Department (sales function)
- Customer Service Department (customer service function)
- Engineering Department (engineering function)
- Accounting Department (accounting function)
- Administration Department (administration function)

Matrix Structure

Matrix structure groups employees by both function and product. This structure can combine the best of both separate structures. An example would be a company that produces two products, "product a" and "product b". Using the matrix structure, this company would organize functions within the company as follows: "product a" sales department, "product a" customer service department, "product a" accounting, "product b" sales department, "product b" customer service department, "product b" accounting department. Matrix structure is the most complex of the different organizational structures.

- **Weak/Functional Matrix:** A project manager with only limited authority is assigned to oversee the cross- functional aspects of the project. The functional managers maintain control over their resources and project areas.
- **Balanced/Functional Matrix:** A project manager is assigned to oversee the project. Power is shared equally between the project manager and the functional mangers. It brings the best aspects of functional and projectized organizations. However, this is the most difficult system to maintain as the sharing power is delicate proposition.
- **Strong/Project Matrix:** A project manager is primarily responsible for the project. Functional managers provide technical expertise and assign resources as needed. ps: There is no good or bad Matrix.

DEFINITIONS

According to S.L. Massie – "Organisation is the structure and process by which a cooperative group of human beings allocates its tasks among its members, identifies relationship and integrates its activities towards common objectives."

According to W.R. Sott – "Organisation are defined as collectivities, that have been established for the pursuit of relatively specific objective on a more or less continuous basis."

According to I. Bernard – "An organisation is a system of consciously coordinated activities or forces of two or more persons.

MEANING AND NATURE OF ORGANISATION

The term 'organisation' means different things to different people. For a sociologist, organization means study of the interactions of the people or the hierarchy of an enterprise, to the psychologist organization means an attempt to explain, predict and influence behaviour of individuals, to a top executive it may mean the weaving together functional components in the best possible combinations so that the enterprise can achieve its goal.

Basically, an organization is a group of people intentionally organized to accomplish an overall, common goal or set of goals. Business organizations can range in size from two people to tens of thousands.

'**Organisation**' means a group of people who work together for the achievement of common objectives. In the words of Barnard "*An organization comes into existence when there are a number of persons in communication and relationship to each other and are willing to contribute towards a common endeavour.*"

The characteristics of an organization, are :

1. Group persons.	2. Common objectives.
3. Deliberate creation.	4. Management function.
5. Continuous process.	6. Cooperative relationship.
7. Communication.	8. Hierarchy of authority.
9. Systematic working of organisation.	10. Rational Behaviour.
11. Leadership.	12. Coordination

There are several important aspects to consider about the goal of the business organization. These features are explicit (deliberate and recognized) or implicit (operating unrecognized, "behind the scenes"). Ideally, these features are carefully considered and established, usually during the strategic planning process.

Vision

Members of the organization often have some image in their minds about how the organization should be working, how it should appear when things are going well.

Mission

An organization operates according to an overall purpose, or mission.

Values

All organizations operate according to overall values, or priorities in the nature of how they carry out their activities. These values are the personality, or culture, of the organization.

Strategic Goals

Organizations members often work to achieve several overall accomplishments, or goals, as they work toward their mission.

Strategies

Organizations usually follow several overall general approaches to reach their goals.

Systems and Processes that (Hopefully) Are Aligned With Achieving the Goals

Organizations have major subsystems, such as departments, programs, divisions, teams, eta. Each of these subsystems has a way of doing things to, along with other subsystems, achieve the overall goals of the organization. Often, these systems and processes are define by plans, policies and procedures.

How you interpret each of the above major parts of an organization depends very much on your values and your nature. People can view organizations as machines, organisms, families, groups, eta. (We'll consider more about these metaphors later on in this topic in the library.)

ORGANISATIONS AS SYSTEMS (OF SYSTEMS OF SYSTEMS)

Organisation as a System

It helps to think of organizations are systems. Simply put, a system is an organized collection of parts that are highly integrated in order to accomplish an overall goal. The system has various inputs which are processed to produce certain outputs, that together, accomplish the overall goal desired by the organization. There is ongoing feedback among these various parts to ensure they remain aligned to accomplish the overall goal of the organization. There are several classes of systems, ranging from very simple frameworks all the way to social systems, which are the most complex. Organizations are, of course, social systems.

NOTES

Systems have inputs, processes, outputs and outcomes. To explain, **inputs** to the system include resources such as raw materials, money, technologies and people. These inputs go through a **process** where they're aligned, moved along and carefully coordinated, ultimately to achieve the goals set for the system. **Outputs** are tangible results produced by processes in the system, such as products or services for consumers. Another kind of result is **outcomes**, or benefits for consumers, e.g., jobs for workers, enhanced quality of life for customers, etc. Systems can be the entire organization, or its departments, groups, processes, etc.

Feedback comes from, e.g., employees who carry out processes in the organization, customers/clients using the products and services, eta. Feedback also comes from the larger environment of the organization, e.g., influences from government, society, economics, and technologies.

Each organization has numerous subsystems, as well. Each subsystem has its own boundaries of sorts, and includes various inputs, processes, outputs and outcomes geared to accomplish an overall goal for the subsystem. Common examples of subsystems are departments, programs, projects, teams, processes to produce products or services, eta. Organizations are made up of people — who are also systems of systems of systems — and on it goes. Subsystems are organized in an hierarchy needed to accomplish the overall goal of the overall system.

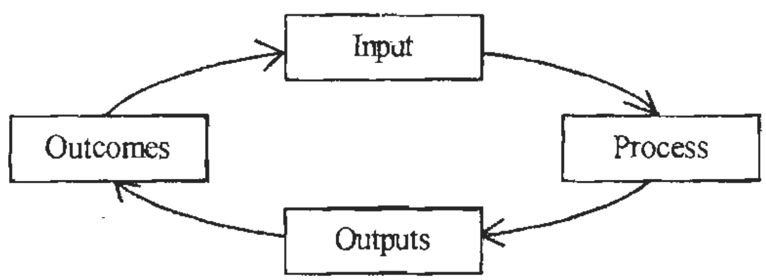


Figure 6.1

The organizational system is defined by, e.g., its legal documents (articles of incorporation, by laws, roles of officers, eta.), mission, goals and strategies, policies and procedures, operating manuals, eta. The organization is depicted by its organizational charts, job descriptions, marketing materials, eta. The organizational system is also maintained or controlled by policies and procedures, budgets, information management systems, quality management systems, performance review systems, eta.

Standard Planning Process is Similar to Working Backwards Through the System

Remember how systems have input, processes, outputs and outcomes? One of the common ways that people manage systems is to work backwards from what they

NOTES

want the system to produce. This process is essentially the same as the overall, standard, basic planning process. This process typically includes:

a) Establishing overall goals (it's best if goals are defined in measurable terms, so they usually are in terms of outputs) (the overall impacts of goals are outcomes, a term increasingly used in nonprofits)
b) Associating smaller goals or objectives (or outputs?) along the way to each goal
c) Designing strategies/methods (or processes) to meet the goals and objectives
d) Identifying what resources (or inputs) are needed, including who will implement the methods and by when.

People who form the organization are in a position to communicate with each other and are willing to cooperate with each other for the achievement of their goals or objectives. The objectives must be common for all. Rules and regulations govern the work-behaviour of the members of the organizations.

Structure of relationship. Organization is a structure of duties and responsibilities through which an enterprise functions. In other words organization defines the scope of activities of the enterprise by laying down the structure of the relationships.

An organization is the mechanism through which management directs, coordinates and controls the activities of the enterprise.

Process of Organisation. In the words of Louis A. Allen, "Organization is 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.

Organisation is a process by which management coordinates the activities of the group of persons for the achievement of certain predetermined goals. Through organizing, the duties of various members of the group are determined and assigned and responsibilities fixed so that the necessary work is performed with speed, accuracy and economy.

STEPS IN ORGANISATION

1. The first step in organizing is **determination of objectives.** The purpose of the organization must be identified which further will enable accomplishment of nature of work to be done.
2. The members of the group pool their efforts and there must be a rational decision of total activities of the organization. i.e. Identification of objectives. This enables them to know what is expected of them as members of the group and moreover duplication of efforts will be avoided.
3. The jobs are classified, the next step is to **fit suitable and qualified persons.** i.e. grouping of jobs and assigning duties. Each person will be given a specified job and will be held responsible for it. It should be seen that adequate authority is also given to them.
4. An organization structure consists of various positions arranged in a hierarchy with clearly **defined authority and responsibility** associated with each of these. Some positions must be placed over the others and must have authority to bind others by their decisions to facilitate smooth functioning of the organization.
5. To get optimum performance, **coordination is required** i.e., it is ensured that the work of one employee contributes to, rather than overlaps with the work of another employee. The tasks should be grouped according to their relation to each other.

NOTES

a. Determination of objectives.
b. Identification & Grouping of activities.
c. Asigning duties & delegation of authority.
d. Determine relationship.
e. Allocating resources.
f. Setting coordination system

IMPORTANCE OF ORGANISATION

It helps in achieving the following advantages:

1. For **smooth performance of management functions** like planning, staffing, directing and controlling organization is very essential.
2. Organisation is very important for **bringing coordination among the various departments** of the enterprise. It clearly defines relationships between various departments and helps in laying down balanced emphasis on various activities.
3. It also provides for the **channels of communication** for the coordination of the activities of different departments.
4. Sound organization helps in the **growth and expansion of the enterprise** by facilitating its efficient management. It helps in keeping various activities under control and increases the capacity of the enterprise to undertake more activities.
5. Sound organizations are flexible and have adequate scope for the **improvement in technology.** It adapts change rapidly by modifying the authority and responsibility relationships as and when required.
6. Sound organization ensures that every **individnal is placed on the job** for which he is best suited.
7. Organization divides the entire operations of the enterprise into departments and sections and lays down their goals. It clearly **states the role of various departments and sections** towards achieving the overall goals of the enterprise.
8. Sound organisation can contribute greatly to the **survival, continuity and success of** an enterprise.
9. Sound organization **promotes specialisation** and helps realise the full benefits of specialisation.
10. It helps in clarifying the locations for making strategic, policy and routine decisions.
11. A sound organisation contributes to the efficiency and effectiveness of the enterprises.
12. It facilitates change in organisation.

According to Peter Drucker – "a good organisation structure is not a panace a.. .But the right organisation structure is the necessary foundation, without it the best performance in all area of management will be ineffectual and frustrated."

PRINCIPLES OF ORGANISATION

1. ***Principle of Objective***. Every part of an organisation should be focused towards the achievement of basic objectives. Every member of the organization should be familiar with its goals and objectives. Universal objectives create commonness of interests. An organization structure must be considered for its effectiveness in meeting these objectives.

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2. ***Principle of division of job***. The job should be divided in a manner that the work of every individual in the organization is limited to the performance of a single principal function. The activities of the enterprise should be divided and grouped to achieve specialization. The allocation of tasks should be on the basis of qualification and aptitude.
3. ***Principle of unity of Command***. Each person should receive orders from only one superior to whom he is accountable. This is essential to avoid the conflict in instruction, uncertainty and divided loyalty and to ensure the feeling of personal responsibility for results. This principle promotes co-ordination.
4. ***Principle of span of control***. A Manager should supervise only that number of subordinates that he can effectively manage as time and ability are limited. There is a limit on the number of subordinates that an executive can effectively supervise. However, the exact number of subordinates that can be effectively supervised will vary from person to person depending upon the nature of job, and basic factors that influence relationships to be supervised.
5. ***Principle of scalar chain***. Authority and responsibility should be clear i.e., from the highest to the lowest executive. As far as possible, the chain of command should be short. The clearer the line of authority from the ultimate authority in an enterprise, the more effective will be decision-making and organization communication.
6. ***Principle of delegation***. Delegation of authority to the individual manager should be adequate to enable him to achieve results expected of him. Authority should be delegated to the lowest possible level consistent with necessary control so that co-ordination and decision-making can take place as close as possible to the point of action.
7. ***Principle of absoluteness of Responsibility***. The responsibility of the subordinate to his superior is absolute i.e., no executive can get away from the responsibility of delegation of authority to his subordinates.
8. ***Principle of equality of Authority and responsibility***. The responsibility expected for a position should be commensurate with the authority delegated to that position, and vice versa. In addition, authority and responsibility should be clearly defined for all positions.
9. ***Principle of Co-ordination***. There should be an orderly arrangement of group efforts and unity of action in the pursuit of a common purpose. This would help in securing unity of effort.
10. ***Principle of flexibility***. The organization must permit growth and expansion without displacement of operations. Devices, techniques and environmental factors should be built into the structure to permit quick and easy adaptation of the enterprise to changes in its environment.
11. ***Principle of Efficiency***. An organization is efficient if it is able to accomplish predetermined objectives at minimum possible cost. An organization should provide maximum possible satisfaction to its members and should contribute to the welfare of the community.
12. ***Principle of Continuity***. The organization should have continuity of operations. Arrangement must be made to facilitate people to gain experience in positions of increasing diversity and responsibility.
13. ***Principle of Balance***. The various parts of the organization should be kept in balance and none of the functions should be given undue emphasis at the cost of others. In order to create structural balance, it is essential to maintain a balance between centralization and decentralization, between line and staff, etc. Vertical and horizontal dimensions must be kept in reasonable balance by ensuring that the structure is neither too tall nor too flat.

14. Principle of Exception. Routine decisions should be taken at lower levels and top management should concentrate on matters of exceptional importance.

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FORMAL ORGANISATION

A formal organisation refers to the planned structure involving official authority and responsibility ranging from board of Directors and the president to the operative workers. A formal organisation means the intential structure of roles in a formally organised enterprise. If a manager is to organise well, the structure must furnish an environment in which individual performance, both present and future, contributes more effectively to group goals.

Formal organisation arise when there are prople who can communicate with one another and are willing to come together to accomplish a shared common purpose. This willingness to some implies depersonalisation of personal action which may be positive or negative depending upon the satisfaction or the dissatisfaction experienced by the members of organisation. The purpose of the organisation has to be acceptable to all contributors of the organisation. The basis elements of formal organisation are :

- Person are able to communicate with each other.
- They are willing to contribute action, and
- Accomplish a common purpose

Reason for existence of formal organisation–

- To facilitate the accomplishment of the goals of organisation.
- To facilitate the co-ordination of various activities.
- To aid the establishment of logical authority relationship.
- Create more group cohesiveness.

Characteristics of formal organisations :

- Created by management.
- For achieving organisational gol.
- Governed by well defined policies, procedures, rules and principles.
- Job centric rather than people centric.
- Clear lines of authority & responsibility.
- Maintains chain of command.
- Definite network of interaction and communication.

Importance of formal organisation – same as organisation

Informal organisation : Informal organisation is an organisation of persons at work which is not deliberately and formally structured but arises spontaneously as a result of personal and social relations among the people in the workplace. It involves any natural self, grouping of the individuals according to their personalities and needs rather than in any formal manner. ***According to Keith Davis*** – Informal organisation is a network of personal and social relations which is not established or required by the formal organisation but arising spontaneously as people associate with one another."

Characteristics of Informal organisation :

1. Spontaneous development.
2. Not formally sanctioned.
3. Social network of relations in the work place.
4. Part of a total organisation.
5. Superimposed on formal organisation.
6. Response to unfulfilled and active needs.

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7. InformalAuthority.
8. Usually smaller and less permanent.
9. Influences productivity.
10. Motivation ofhuman beings.

Importance of Informal Organisation.

To Members

1. Fulfil affication need
2. Ensure security
3. Satisfies egoistic needs
4. Increased power
5. Safety value for
6. Aids on the Job
7. Social Control
8. Effective communication

To Management

1. Easier to seek cooperation
2. Easier to supervise
3. Easily get feedback
4. More confident
5. Increases productivity
6. Increases the efficiency

DISTINCTION BETWEEN FORMAL AND INFORMAL ORGANISATION :

Basic	Formal organisation	Informal organisation
1. Structure	It is deliberately created and have prescribed roles & relationship consciously created by the top management.	It is a natural and spontaneous structure arising out of the personal and social relation among people at work place.
2. Objective	It is formed to attain enterprise objectives by proper division of labour & delegation of authority.	It is formed to satisfy employees need by proper relation among organisation members.
3. Orientation	It is largely oriented towards efficiency, productivity profitability & growth.	It is largely oriented towards socio psychological needs of individual in the group.
4. Flow of authority	Authority flows from top to the bottom of the formal organisation.	Authority in informal organisation may flow in any direction.
5. Size & durability	Large in size as well as durable and permanent.	Smaller in size as well as realitively unstable.
6. Leadership	Superior managers assume leadership position informal organisation.	Leader are elected or choosen by the member of informal organisation.

ORGANISATION STRUCTURE

When you first set up a small business, your prime concern may have been making a profit and staying alive. As time passes and you find customers who like your products or services, you may need to take on an employee to help to absorb some of the workload. Your employee will probably end up being *"Jack of all trades"* and not really concentrating on their original role or specialty they were employed to do. This situation works well for the small business, but once you start to employ more and more staff, things can get a bit tricky:

- Your employees may argue over the tasks they feel they were not taken on to do
- Queries don't get resolved because your time and availability are spread so thinly, and your employees haven't been asked to sort it out.
- Work gets neglected or ignored because there is no-one to check quality standards or help train new staff.
- New employees don't last long because no-one can spare the time to show then the ropes and make then feel they belong.
- Customers and suppliers have no real point of contact so you either loose business or orders fail to arrive.

The list of problems which can arise by hoping your business will organise itself can be enormous. If some of these examples seem familiar, then you might consider creating a business organisational chart to help you to organise your business more clearly.

STRUCTURE AS AN ENABLER

The structure of an organisation will determine the manner in which it operates and it's performance. Structure allows the responsibilities for different functions and processes to be clearly allocated to different departments and employees.

Organisations are structured in radically different ways ranging from relatively fixed structures with positions, rules, and established chains of communication to dynamic structures in which people belong to teams that are continually being formed and reformed for the duration of a project.

Typical ways of organising people are:

1. **By function** - dividing the organisation up into groups with similar specialisms e.g. marketing, finance and accounts, human resources, etc.
2. **By product** - grouping people together according to the product they make. For example, BIC has three main divisions - pens, lighters, and razors.
3. **By process** - grouping people together according to the processes that they are carrying out. For example retailing organisations like Argos and Travis Perkins will group employees according to whether they are involved in packing and display or customer service.
4. **By geographical area** - most large companies are widely dispersed. Companies like BIC, Gillette, Kellogg's, etc have European and North American divisions.

A further way of organising organisations, which is very popular today, is in a matrix pattern. A matrix is often two dimensional but can have more dimensions. In a matrix system an employee can be in two or more structures at the same time - e.g. a team in lighter production, and a team in marketing at the same time. Matrix structures allow considerable flexibility because employees can shift to different teams within the overall matrix structure.

Organisations can also be highly centralised or largely decentralised. In a highly centralised structure control will be tight from the centre or Head Office of the organisation. In contrast, in a decentralised organisation power will be passed down to the various project managers and teams.

MEANING OF ORGANISATION STRUCTURE?

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Structure denotes the pattern of relationships among positions and jobs with the objective of accomplishing enterprise's objectives. Organization structure is a systematic combination of people, functions and facilities. An organization structure is a set of formal and planned relationships between groups of related functions and personnel required for the performance of the operations. The organisatiion structure is generally shown on an organizational chart. It depicts authority relationships between various functions in the organization by clearly defining who reports to whom.

Organization Structure is developed to attain the objectives of the enterprise. A good organization structure should not be static but dynamic. It should be subject to change from time to time in the light of the changes in the business environment.

An organizational structure is a mostly hierarchical concept of subordination of entities that collaborate and contribute to serve one common aim.

Organizations are a number of clustered entities. The structure of an organization is usually set up in one of a variety of styles, dependent on their objectives and ambience. The structure of an organization will determine the modes in which it shall operate and will perform.

Organizational structure allows the expressed allocation of responsibilities for different functions and processes to different entities. Ordinary description of such entities is as branch, site, department, work groups and single people. Contracting of individuals in an organizational structure normally is under timely limited work contracts or work orders or under timely unlimited employment contracts or program orders.

According to Peter Drucker, "Good organization structure does not by itself produce good performance, but a poor organization structure makes good performance impossible, no matter how good the individual managers may be... a good organization structure... is not the only thing that matters in managing... But the right organization structure is necessary foundation; without it the best performance in all other areas of management will be ineffectual and frustrated.

DEFINITION OF ORGANISATION STRUCTURE

According to Carlisle – "Organisation structure is the system of relationships, formally prescribed and informally developed that governs the activities of people who are dependent upon each other for the accomplishment of common objectives."

According to Henry Albert – "Organisation structure is the framework within which managerial and operation task are performed."

In simple words, organisation structure means the systematic arrangement of people working for the organisation in order to achieve certain goals.

The most common success criteria for any organizational structures are:

- Decentralized reporting
- Flat hierarchy
- High transient speed

- High transparency
- Low residual mass
- Permanent monitoring
- Rapid response
- Shared reliability
- Technology
- socio-economic factors
- size of the enterprise
- operative activities or duties

IMPORTANCE OF STRUCTURE

- Organisation Structure allocates authority and responsibility. It specifies who is to direct whom and who is to report to whom.
- It lays down the pattern of communication and coordination in the enterprise.
- Location of centre of decision making is enabled.
- It creates proper balance and gives more emphasis on important areas of business of the enterprise.
- A flexible organization structure gives adequate scope for the improvement in technology. It can modify authority and responsibility relationship as and when required.
- Right individual should be matched with the right job. It facilitates better utilization of human resources in an organization.

A mid-sized organisation keeps experimenting with roles and people in the hope of creating an entity that will be successful in terms of revenues and profits. The organisation keeps chopping and changing. There have been times when changes have been announced and not implemented—because the decision was changed before the implementation commenced. The mindset seems to be that of a squirrel stuck in the middle of a busy street, not knowing in what direction to turn. Introspection and rational decision-making have been conspicuous by their absence.

This regular churn has resulted in a great degree of uncertainty and fear. People in the organisation have considerable doubts about what they should do, about how they would be perceived and what would happen during the next round of changes. This has resulted in reduced risk-taking ability and inability to seize opportunities. Most people are content with maintaining the status quo, thus remaining safe by avoiding the possibility of making mistakes. The action of changing structure, repeatedly, has resulted in the organisation struggling to cope with the changing dynamics and in maintaining a competitive edge in the marketplace.

What should the organisation do? How does it evolve a structure that will enable it to sustain and grow? How often should it change the structure? How does it ensure that the structure will enable it to achieve business results while providing a nurturing environment for the people who work there?

These are questions that some mid-sized organisations probably ask as they grow. There is a need to implement a formal structure or change the existing structure. This

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happens when the existing one no longer fits the requirement. This could be due to the growth in business—in terms of revenue, number of employees, addition in geographic locations or divisions, etc.

Some of the other questions that may arise pertain to aspects such as:

- Centralised or decentralised
- Flat or hierarchical
- Division of responsibility between line and staff rolesl Amount of authority that can be delegated down the levels
- Vertical or horizontal.

Structure could be a key factor to survive and grow in an environment where speed, service, architecting customised solutions, flexibility and time-to-market are important factors. Organisations need to align various elements—such as business strategy, people capability, systems and processes—to evolve a structure that will facilitate achievement of objectives.

Organisation structure needs to facilitate achievement of business objectives. The structure should normally follow the vision and strategy of the business; else it would be a case of the tail wagging the dog. Changing the structure and doing little else may not result in significant change in the way of working. Changes in structure may need to be accompanied by changes in systems and processes, role definition, interfaces within the organisation and the external environment, etc.

ORGANISATION STRUCTURE AND ROLE OF CULTURE

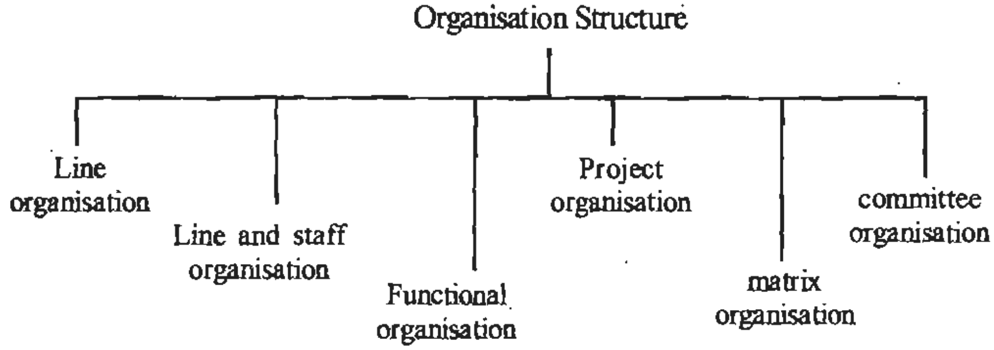
Culture of the organisation plays a key role in determining a structure that would suit. The organisation stance towards participation and risk-taking will have an impact on the decision pertaining to number of levels and delegation of authority. Congruence between culture and structure is important. Lack of congruence can result in mixed signals across the organisation. An example is where an organisation states an intention of providing an environment of independence (autonomy)—and yet, has the most routine issues kicked up for a decision. Such lack of congruence can result in senior and middle management losing their effectiveness. To reiterate, it is important to ensure a match between the culture and the structure.

It is also important to factor competencies of existing people while making changes to structures. Can some of the existing people shoulder additional responsibilities? Do some of them have the versatility to move to other functions or divisions? Will the structural changes need hiring of people into key positions because existing people do not have the necessary competency? This needs to be handled well to enable the organisation to settle into the new structure and continue working with its objectives.

Changes in structure will result in changes in roles and responsibilities. The new roles need to be defined with clarity; so do the changes in interfaces. For example, let us consider the case of an organisation that changes its customer support operation from a cost centre to a profit centre. This could affect the reporting relationships in the internal context and also the interfaces with the customer. The responsibility and authority of the head of customer support will change considerably. This could affect the systems and processes in the organisation. This is a case where a change in strategy results in changes in the structure, systems and interfaces in the organisation.

FORMS OF ORGANISATIONAL STRUCTURE

Following are the main forms of organisational structure :

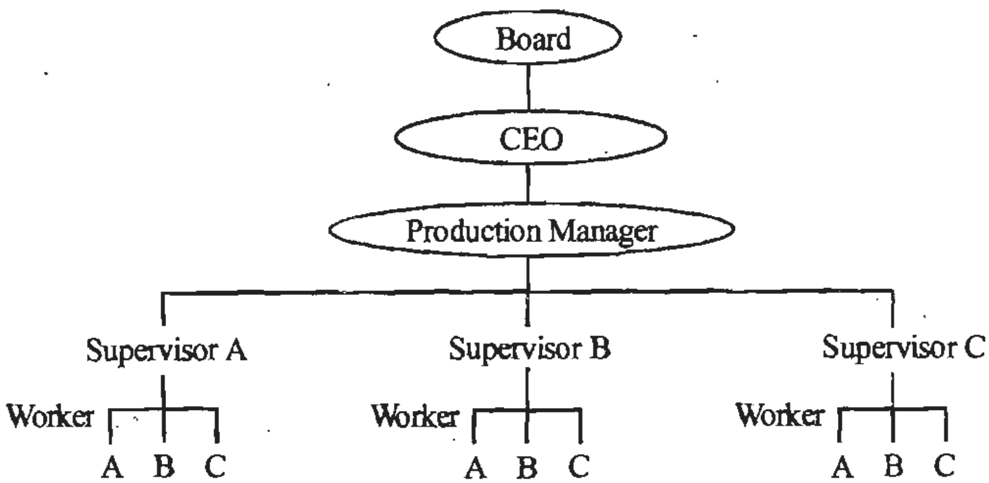


(1) **Line organisation** – Line organisation structure is one in which authority flows from top to the bottom vertically in a straight line manner and responsibility and accountability flows in an opposite but equally direct vertical manner. A manager with line authority is called a line managers or line officer. Line organisation may be of 2 types

(a) Pure Line

(b) Department

(a) **Pure line organisation** – In this structure activities at a particular level are same. This type of structure in not very common.



(b) Departmental line organisation – In this where work of organisation is divided into functional departments. i.e. marketing, production, finance etc and is the oldest of all methods.

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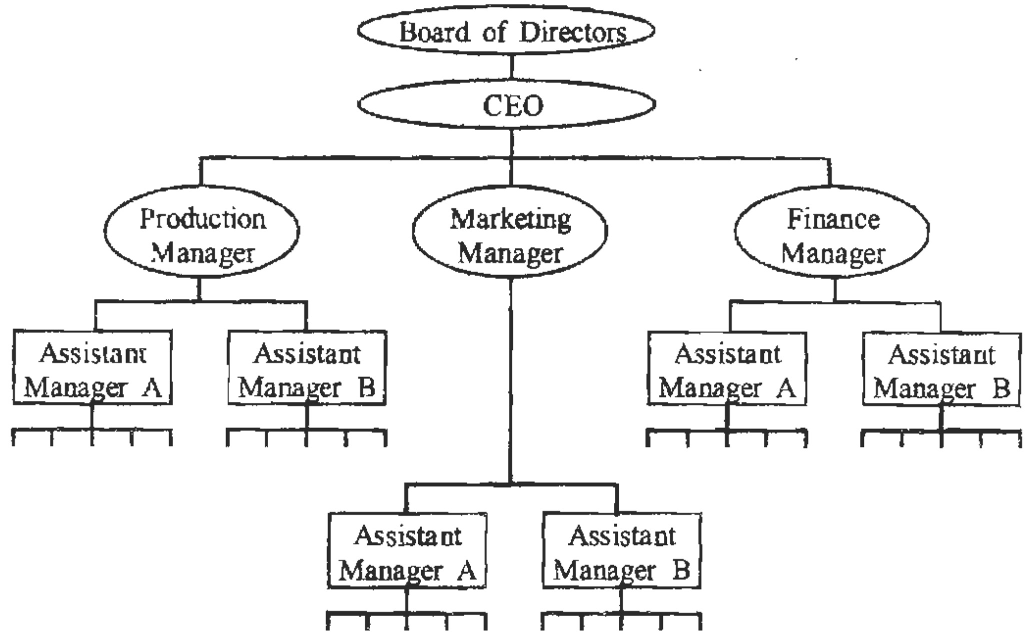
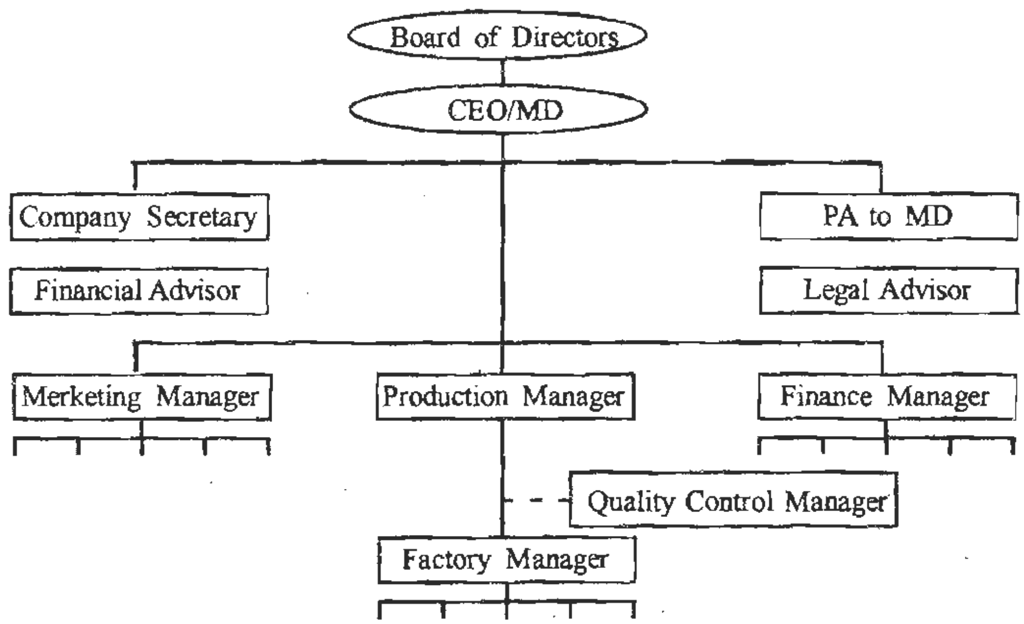


(2) **Line and Staff organisation** – A line and staff organisation is one that has line manager with direct, vertual relationships between different levels in the organisation in addition to the specialists responsible for advising and assisting the line manage. There type of structure are suitable for large and middle size organisation and not for small size are because of its high cost nature.



(3) **Functional organisation** – In this structure line authority is chamelised through the stags specialists. In such an organisation structure, line authority runs through many functional experts who have authority to issue orders in their respective areas of specialisation. This structure is empensive and thus suitable for large organisation.

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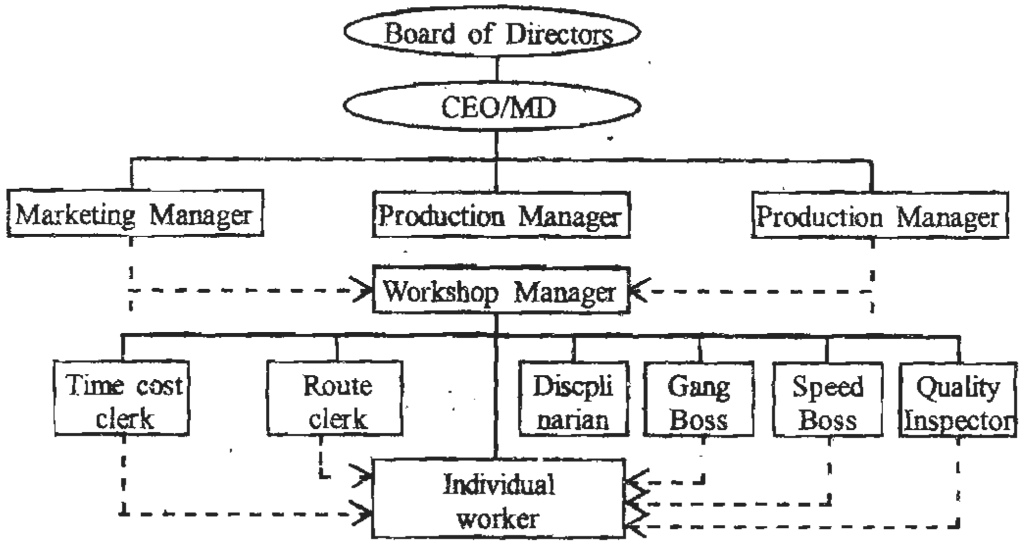
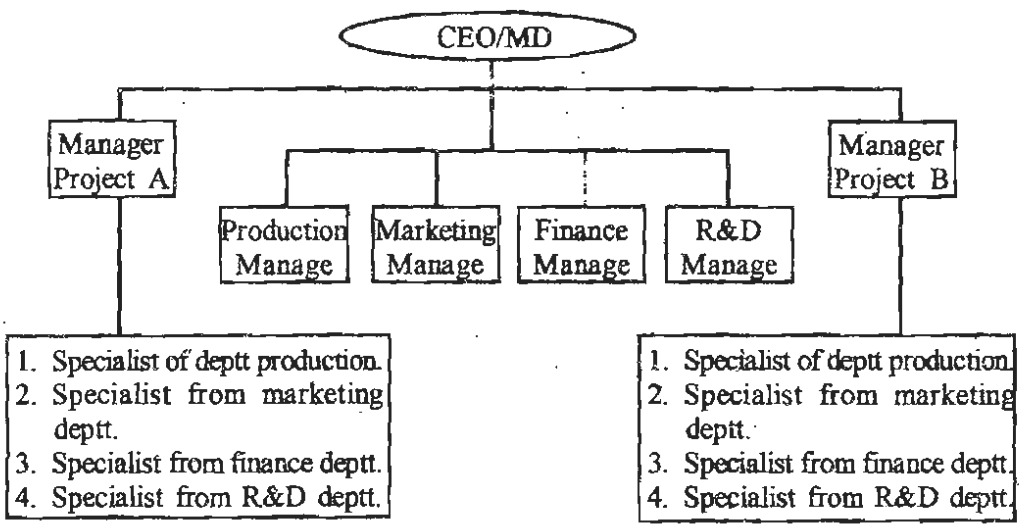


(4) **Project organisation** – It is atempt structure designed to accomplish a specific task or project with the help of specialists drawn from different functional departments within the organisation. This project is suitable in following cases :

(a) When work is on definite terms.

(b) When target date is fixed.



(5) **Matrix or Grid organisation** – A matrix organisation is a permanent organisation structure design to accomplish specific project- by using teams of experts drawn from various functional deptt with in the organisation. It is suitable particularly for acrospace, construction, advertising, hospital, college project etc.

Check Your Progress

1. What do you mean by an organisation.
2. Define bureaucratic structures.
3. What are characteristics of and organisation?

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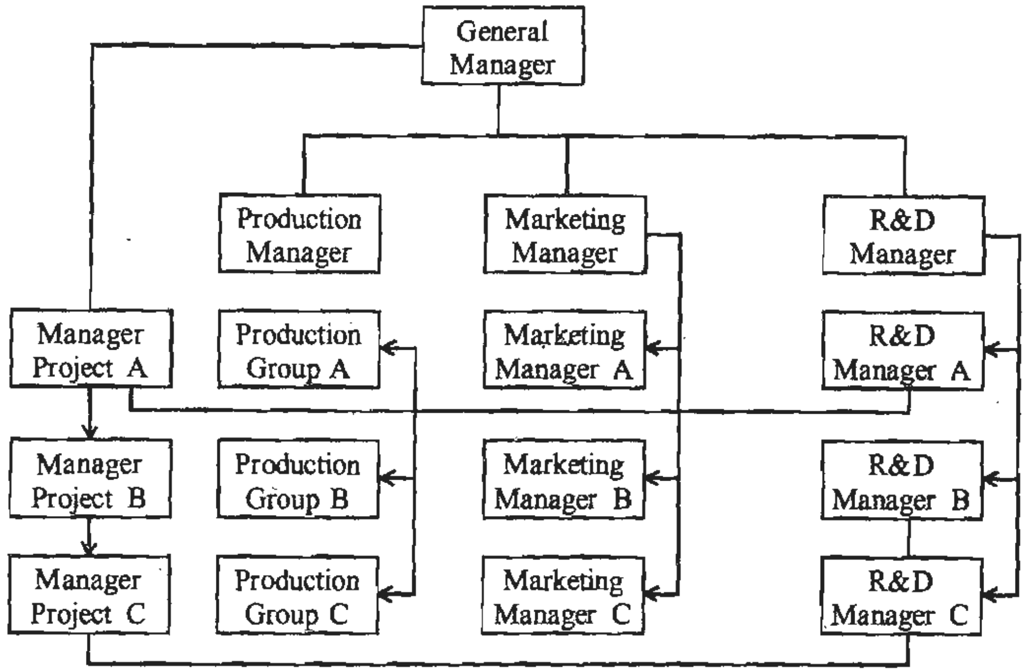

(6) **Committee Organisation** – A committee is a group of two or more appointed, nominated or elected persons to consider, discuss, decide, recommend or report on some issues or matter assign to it.

ORGANISATION CHARTS

A clear organisational chart lessens the likelihood of confusion by all concerned, it will also help you to plan for future expansion with greater success.

What is a business organisation chart?

An organisational chart clearly identifies a company's characteristics to enable both employees and bodies external to the company (customers, suppliers etc) to identify the make-up of the company. It identifies the number of people working in the company, what the company hopes to achieve and its line of command.

By clearly outlining an organisational structure following points can be identified:

- Who is responsible for what areas of business
- Who to go to with problems or queries arise
- Why the company exists and what it hopes to achieve
- Who is responsible to whom

An organizational chart is a graphical representation of the form which the organization structure takes. It shows only formal relationships at a particular moment of time. An organizational chart is a pictorial representation of functions and its relationships, lines of authority and responsibility, decision making centres, channels of communication and span of supervision. It is a record showing the formal organizational relationships which the management should prevail. It presents diagrammatically the lines of authority and responsibility among different individuals and positions. It may be either personnel or functional. Personnel organization chart depicts the relationships held between positions held by different persons. Functional organizational charts depict the functions or activities of each unit and sub unit in the enterprise.

An organization chart depicts the authority-responsibility relationships among the various job positions created around the organization tasks. It depicts the hierarchical, pyramidal shape of the organization in both vertical and horizontal dimensions. The vertical dimension shows levels of authority and responsibility with top, middle and lower management positions embracing the scalar chain of command. The horizontal dimension depicts the grouped activities categorized into various functional or product sub-systems. The chart is a means of conceptualizing the organization structure in terms of division of labour, scalar chain of command, span of control, unity of command and formal authority relationships.

Information in the organization chart

1. Structure and flow of authority.
2. Responsibility assigned to various individuals and departments.
3. Line, line and staff and functional relationships.
4. Positions and incumbents holding the positions.
5. Management levels.
6. Communication channels.
7. Basis of departmentalization such as product, process etc.
8. Line of authority in the organization.
9. Relationship of functions and roles.

Presentation of Organisation Structure

Organisational relationships may be shown in a chart in three ways, namely, (a) Vertical, i.e., from top down; (b) Horizontal, i.e. from left to right; and (c) Circular or concentric.

Vertical chart. This chart is used by most of the organizations, it presents the different levels of organization in the form of a pyramid with senior-most executive at the top of the chart and successive levels of management depicted vertically below that. Thus, lines of command proceed from top to bottom.

Horizontal Chart. Horizontal charts, read from left to right are rarely used. The pyramid lies horizontally, the line of command proceeds horizontally i.e. from left to right showing top level at the left and each successive level extending to the right.

Circular chart. The top positions are located in the centre of the concentric circle. Positions of successive echelons extend in all directions outwards from the centre. Positions of equal grade lie at the same distance from the centre on the same concentric circle. This chart shows the flow of formal authority from the chief executive in many directions.

Advantages of Organisation charts

1. It is the means which brings to light the line of authority and responsibility. It also depicts how various positions fit into the total organization and how they are related to each other.
2. It defines responsibility and authority and indicates various functions and their relationships. It will show if there is any overlapping and duplication and thus will enable timely corrective measures.
3. It helps in training of new workers by giving guidelines to the new employees and helps to know how synchronization of various activities has been done.

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4. It is the outline of how the positions are arranged. It clearly limits the authority of various positions. It makes clear the limits of authority of various positions.

Limitations of Organisation Charts

1. It reveals only the partial picture of the organization. It does not show informal relationships within organization.
2. A chart is static in nature since it is prepared at a given time. It introduces rigidity in organization relationships.
3. It implies status differentials which give rise to a feeling of superiority or inferiority among the people in the organization.
4. A chart shows the authority relationships but the extent of authority at various levels is not known.
5. In order to cope with the changing environment frequent changes are initiated in respect of structure, processes and design of organization which makes the chart less useful.

DETERMINATION OF STRUCTURE

According to Peter Drucker there are three specific ways to find the kind of structure needed to attain the organizational objectives:

1. **Activities Analysis**. It explores the kind of activities needed to attain the objectives of the enterprise. Each business undertaking has a set of business functions to perform such as manufacturing, purchasing, marketing, personnel, etc. these functions can be identified after proper analysis. In every organization some functional areas of business dominate. The organisational functions or activities should be listed in the order of importance. The work should be divided and sub-divided into smaller homogenous units so that the same may be assigned to different individuals. For Example the Managing Director may divide the whole activities into various functional departments and delegate authority to the departmental managers. The departmental managers may be assisted by deputy managers, deputy managers by the assistant managers and so on. The job constitutes the basic building block in designing an organization structure.
2. **Decision Analysis**. Analysis of the anticipated decision shows the structure of management the enterprise needs and what authority and responsibility different levels of operating management should have. Drucker has emphasized four basic characteristics, viz., (1) the decision; (2) the impact that decision has on other functions; (3) the character of the decisions is determined by a number of qualitative factors, such as basic principles of conduct, social and political beliefs, etc., and(4) whether the decisions are periodically recurrent or rare as recurrent decisions may require a general rule whereas a rare decision is to be treated as a distinctive event.
3. **Relations Analysis**. With whom will a manager-in-charge of an activity has to work? Such other questions of relations, e.g., line and staff relations, relations between subordinates and superiors will also help in deciding the structure of the organization. As said earlier, downward, upward and sideways relations must be analysed to determine the organization structure.

SPAN OF CONTROL

Span-of-control is a term originating in military organization theory, but now used more commonly in business management, particularly human resource management. Span of control refers to the number of subordinates a supervisor has.

Theories about the optimum span of control go back to V.A. Graicunas. In 1933 he used assumptions about mental capacity and attention span to develop a set of practical heuristics. L.F. Urwick (1956) developed a theory based on geographical dispersion and the need for face-to-face meetings. In spite of numerous attempts since then, no convincing theories have been presented. This is because the optimum span of control depends on numerous variables including organizational structure, available technology, the functions being performed, and the competencies of the manager as well as staff.

This term is used to describe the number of employees that each manager/supervisor is responsible for. The span of control is said to be wide if a superior is in charge of many employees and narrow if the superior is in charge of a few employees. There is a limit to one's capacity to supervise the performance of subordinates. If a supervisor is required to supervise a large number of people, his efficiency will be less. He may not find time to personally supervise each and every subordinate. If the number of subordinates is too less, supervision will be costlier because of higher salary of the supervisors.

Appropriate span of control is essential for effective coordination and for getting better performance from the workers. If the span of control is higher, the organization structure of the company will be flat. If the span of control is narrow, the organization structure will be a tall one. In a flat structure, there will be lesser levels of management and in a tall structure, there will be more levels of management.

Graicunas (Gulick and Urwick, 1937) distinguished three types of interactions–direct single relationships, cross-relationships, and direct group relationships–each of them contributing to the total amount of interactions within the organization. According to Graicunas, the number of possible interactions can be computed in the following way. Let n be the number of subordinates reporting to a supervisor. Then, the number of relationships of direct single type the supervisor could possibly engage into is

n. The number of interactions between subordinates (cross relationships) he has to monitor is $n (n - 1)$, and the number of direct group relationships is

$n (2n/2 - 1)$.

The sum of these three types of interactions is the number of potential relationships of a supervisor. Graicunas showed with these formulas, that each additional subordinate increases the number of potential interactions significantly. It appears natural, that no organization can afford to maintain a control structure of a dimension being required for implementing a scalar chain under the unity-of-command condition. Therefore, other mechanisms had to be found for dealing with the dilemma of maintaining managerial control, while keeping cost and time at a reasonable level, thus making the span of control a critical figure for the organization. Consequently, for a long time, finding the optimum span of control has been a major challenge to organization design. Span of control is an important consideration in designing an organization structure because it directly affects the number of executives needed.

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Check Your Progress

4. Define formal organisation.
5. Name the ways to represents the organisational relationships.

Factors influencing span of control

The optimal Span of Control is dependent upon a great number of factors, some of which include:

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1. The use of information technology.
2. The detail at which work rules and procedures have been formalized and are known by the subordinates.
3. The applied management style (command and control or democratic / affiliative).
4. The desired depth of the hierarchy in an organization (steep or flat).
5. Organizational approaches (Self-directed Teams, Empowerment, cross-functional teams, etc.)
6. Effective communication in the organization favours larger number of levels because there will be no difficulty of transmission of information in spite of large number of overriding layers. Thus, span of control must be restricted to five or six subordinates.
7. If the work is of consistent nature, the span of control will be wider. Work of simple and routine nature can be delegated to the subordinates. In this way, a supervisor can supervise more number of workers.
8. Supervisor having various qualities like leadership, decision-making and communication can supervise a higher number of workers.
9. If the subordinates are able and experienced, they will accept delegation of authority. It will be easier to control the performance of such workers .In such a case, the span of supervision could be higher.
10. If a supervisor has enough time at his disposal to supervise the workers, the span of control should be higher. The span should be narrower, if the supervisor is burdened with other responsibilities.
11. An executive who personally takes many decisions is able to supervise fewer people than an executive who merely provides encouragement and occasional coaching.
12. When subordinates get guidance on methods, schedules, personal problems, quality standards and other aspects of their work from the staff men, they need less contact with their line supervisor. Under such a system, the supervisor can handle more number of subordinates.

It is not possible to have a uniform span of control throughout the organization. In fact, it should be determined for each executive position. Adjustments can be made in several directions as we are dealing with interdependent factors and the important objective is to devise a total structure that gives required emphasis and balance along with reasonable span of control.

IMPACT OF SPAN OF CONTROL ON ORGANISATION STRUCTURE

It is difficult to supervise subordinates effectively when the span of control is too wide and it also stresses the manager more. When the groups are large, informal leaders and sub-groups develop and these may operate contrary to the policy of management. Planning, training, inspection and control may suffer in particular, leading to poor job performance. A wide span of control may limit opportunities for promotion. Too wide a span of control may also delay adoption of new methods or machines.

If the span of control is too narrow, it may present a problem of co-ordination and consistency in decision making and hinder effective communication across the organization structure. Morale and initiative of subordinates may suffer as a result of too close supervision. Narrow spans of control increase administrative costs. They can lead to additional levels of authority in the organization creating an unnecessarily long scalar chain.

In the hierarchical business organization of the past it was not uncommon to see average spans of 1 to 10 or even less. That is, one manager supervised ten employees on average. In the 1980s corporate leaders flattened many organizational structures causing average spans to move closer to 1 to 100. That was made possible primarily by the development of inexpensive information technology. As information technogy was developed capable of easing many middle manager tasks — tasks like collecting, manipulating and presenting operational information — upper managers found they could hire fewer middle managers to do more work managing more subordinates for less money.

The current shift to self-directed cross-functional teams and other forms of non-hierarchical structures, have made the concept of span of control less salient.

CHAPTER AT A GLANCE

- Organisation is a social grouping of individuals.
- Development of Organisation – Pre-bureaucratic structures, Bureaucratic structure and Post- bureaucratic structure.
- An organization is a system of consciously coordinated activities or forces of two or more persons.
- Organisations is a system and have inputs, processes, outputs and outcomes.
- The process includes establishing overall goals, associating each goal, designing methods, identify need of resources and method to implement them.
- Step in organization – determination of objectives, rational decision, fit suitable and qualified person, defined authority and responsibility and coordination.
- Importance of organization - smooth performance, coordination, channels of communication, improvement of technology, survival, continuity and success.
- Principles of organization – Objective, Division of Job, Unity of Command, Span of Control, Scalar Chain, Delegation, Equality of authority and responsibility, Co-ordination, Flexibility, Efficiency, Continuity, Balance and Exception.
- Formal Organisation refers to the planned structure involving official authority and responsibility ranging from Board of directors and the president to the operative workers.
- Informal organization is an organization of person at work that is not deliberately and formally structured but arises spontaneously as a result of personal and social relations.
- Distinction between formal and informal organisation - Structure, Objective, Orientation, Flow of authority, Size & durability and Leadership.
- The structure of an organization will determine the manner in which it operates and it's performance. Ways of organizing people are by function, product, process and area.

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- An organizational structure is a mostly hierarchical concept of subordination of entities that collaboration and contributes to serve one common aim.
- Forms of organizational structure – Line, Line & Staff, Functional, Project, Matrix and Committee.
- A clear organization chart lessens the likelihood of confusion by all concerned it will also help you to plan for future expansion with greater success.
- Presentation of organizational charts – Vertical, Horizontal and Circular.
- Determination of structure – Activities analysis, Decision analysis and relational structure.
- Appropriate span of control is essential for effective coordination and for getting better performance.

ANSWER TO CHECK YOUR PROGRESS:

1. Organisation is a social grouping which consists of individuals. It operates through those individuals have their certain needs, interests, perceptions, attitudes and values and are known as members or employees of the organisations.
2. Bureaucratic structures have a certain degree of standardization. They are better suited for more complex or larger scale organisation. They usually adopt a tall structure.
3. The characteristics of an organisation, are :

1. Group persons.	2. Common objectives.
3. Deliberate creation.	4. Management function.
5. Continuous process.	6. Cooperative relationship.
7. Communication.	8. Hierarchy of authority.
9. Systematic working of organisation.	10. Rational Behaviour.
11. Leadership.	12. Coordination

4. A formal organisation refers to the planned structure involving official authority and responsibility ranging from board of Directors and the president to the operative workers. A formal organisation means the intential structure of roles in a formally organised enterprise.
5. Organisational relationships may be shown in a chart in three ways, namely, (a)Vertical, i.e., from top down; (b) Horizontal, i.e. from left to right; and (c) Circular or concentric.

EXERCISE

1. Define the term "Span of Control" and give its factors affecting it and its impact on culture?
2. What do you understand by organisation, give its characteristics, steps and importance?
3. Give principles of organisation?
4. Write a essay on " organizational charts"?

07 Centralisation Vs Decentralisation and Change Management

The Chapter Covers :

AUTHORITY AND RESPONSIBILITY

Authority denotes the powers and rights entrusted to make possible the performance of the work delegated. Authority includes such rights or powers as those of spending specified amounts of money, of using certain kinds of materials, of hiring and firing people. It may involve the right to decide or act. However, authority often falls short of decision and action and may be limited to the power to advice consult and provide service.

The term 'responsibility' refers to duty or activity assigned. However, if the term is used with reference to the internal working of any organization, it really means the obligation of a subordinate to perform the duty assigned to him. In the words of **George R. Terry**, "Responsibility of an executive is the obligation to carry out assigned activities to the best of his abilities."

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Delegation of Authority

Delegation refers to the assignment of work to others and confer them the requisite authority to accomplish the job assigned. It enables the managers to distribute their load of work to others and concentrate on more important functions.

The process of delegation of authority involves the following steps:

1. Responsibility means the work or duties assigned to a person by virtue of his position in the organization. The superior must clearly tell the subordinate as to what is expected of him.
2. Authority is the right or power granted to an individual to make possible the performance of work assigned. Power to procure or use raw material, spend money, or to hire people, etc. has to be delegated to individuals to whom the work is assigned.
3. Along with the task to be performed and grant of authority is given the responsibility or obligation to carry out the duties assigned. The subordinate must give an account of the results achieved in terms of standards of performance laid down.

Centralisation and decentralisation refers to the extent to which authority is delegated in a business. If there were complete centralisation, then subordinates would have no authority at all. Complete decentralisation would mean subordinates would have all the authority to make decisions. Traditionally, the business structure of most firms throughout the world has been centralised as the markets companies operated in did not require delegation of responsibility with there being few competitors and usually an ample amount of consumers. However, as the markets of the world expand and change it has become apparent for many companies to examine alternative forms of business structure to operate successfully in the competitive and ever changing markets of today.

DECENTRALISATION OF AUTHORITY

Meaning & Definition

Acc to McFarland, "Decentralisation is a situation in which ultimate authority to command and ultimate responsibility of results is localized as far down in the organization as efficient management of the organization permits."

Decentralisation means reservation of some authority at the top level and delegation of authority to make routine decisions at points as near as possible to where actions take place.

According to Henry Fayol – "Everything that goes to increase the importance of the subordinate's role is decentralisation."

Decentralisation is an extension of delegation, which means handing over of responsibility and authority from one individual to another. The authority is scattered throughout the organization. It is the diffusion of authority within the entire enterprise. Delegation of authority and responsibility takes place from one person to another and then the process will be complete. Decentralization is said to be complete only when the fullest possible delegation is made to all the people. In the case of delegation, control rests entirely with the delegant, but under decentralization top management exercises minimum control and delegate the authority of controlling to the Department Managers.

It should be noted that complete decentralization is not desirable and it involves more than one level in the organization. Decentralization is not the disposal of physical facilities. It can proceed without separation of facilities and facilities can also be separated without decentralization. An organization may be highly centralized although its physical facilities and employees are widely dispersed and a company may be highly decentralized even though physical facilities and employees are in the same building.

Decentralization may be achieved even without changing the organization structure as it refers to the systematic delegation of authority throughout the organization.

Characteristics of decentralisation :

1. Dispersal of decision making authority.
2. Operating and routine decision is delegated.
3. Delegated to middle and lower level managers.
4. Managers at middle and lower levels have discretion in specific operational areas.

Factors leading to Decentralisation

1. Decentralisation of authority is facilitated when it is released to take quick and appropriate decisions at various levels at which they are required with a view to cash on the opportunity present.
2. It is desirable when the top management wants to reduce communication work.
3. The nature of products or markets is such that it requires decentralization of decision making to provide special emphasis to a product line or market. Technological changes may also create conditions favorable to decentralization.
4. In order to bring flexibility in operations, facilitate proper discretion and relieve the top executive of the burden of extra work, decentralization is essential.
5. To achieve better results physical dispersion of activities requires decentralization of authority.

DEGREE OF DECENTRALISATION

Following guidelines should be followed to test the degree of decentralization in the company:

1. The greater the number of decisions made at the lower levels in the organization, greater is the degree of decentralization.
2. The closer the level at which decision is made in relation to the point where the problem arose, the greater the decentralisation.
3. The more important the decisions made at the lower levels, the greater the decentralization.
4. The greater the spread of decisions in terms of number of functions they cover, the greater the decentralisation.
5. The less a subordinate has to consult his superior before taking decisions, the greater the decentralization.
6. Greater the discretion permitted by the company's policies, procedures and rules, the greater the decentralization.

Advantages of Decentralisation

1. It relieves top management of much workload so that they can devote time on other important issues.
2. The motivation level of the employee increases as decentralization make jobs at the lower level more attractive.
3. Decntralisation encourages initiative at lower levels since the employees are allowed to participate in decision-making process.
4. The decisions taken are more realistic as they are made closer to the actual situations. Effective decisions are possible because of the speed and first hand knowledge that decentralisation provides.

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5. It helps management development. It develops future executives as they are given authority and responsibility to manage things.
6. The performance of an executive can be judged better if an executive is put in charge of an autonomous unit of administration.

Disadvantages of Decentralisation

1. The administrative cost increases due to duplication of specialist services and the appointment of capable executives at lower levels.
2. It is difficult for the top management to control decisions taken by them.
3. The executives may develop a narrow outlook and overall interest of the organisation may be lost.
4. Uniformity in decision-making and consistency of procedures is hampered.
5. Emergency situations cannot be tackled properly and adjustment to changing conditions may be difficult.

CENTRALISATION OF AUTHORITY

Senior management makes the main decisions, where little authority is passed down the organization.

In the words of Allen, "Centralisation is the systematic and consistent reservation of authority at central points in an organization, while decentralization refers to consistent and systematic delegation to the lowest levels all authority except that which can only be exercised at central points."

Centralization denoted that a majority of the decisions having to do with the work being performed are not made by those doing the work but at a point higher in the organization. Everything that increases the subordinate's role is decentralisation, everything which goes to reduce it is centralization. Centralization represents certain attitudes and approaches which the management follows. The major implication of centralization is the reservation of decision making power in regard to planning, organizing, directing and control at the top level. If the top management is particular about the use of authority, it will make all the operations and decisions at the lower levels subject to its approval.

Characterists of Centralisations :

1. Authority retained by higher level manager.
2. Reserves the right to make decisions.
3. Actions and operations are regulated by the top managers.
4. Operating authority vests with the middle managers.
5. Reduces the role of subordinates.
6. Undertakes close supervision and control.

Need and Importance of Centralisation

Centralised Structure of organization may be preferred because of the following factors:

1. Personal leadership is important for the success of small enterprises. It is desirable during the early stages of big enterprises. In both the cases, the operations are relatively on small scale and the top executive can concentrate entire authority with himself. This will result in quick decisions and enterprising and imaginative action essential for the success of the business.
2. When a company wishes all its operative units to do the same thing in the same way there must be centralization of decision making.
3. Certain degree of centralization of authority is necessary to unite and integrate the total operations of the enterprise. This is the coordination function of management. In order to perform better management must restore authority with

itself. Centralised control is needed to keep all the parts of the enterprise to attain common objective.

4. Centralisation of decision making is essential when the business conditions are uncertain and there are chances that emergency conditions may develop to endanger the very existence of the company. Centralisation will help in taking rational decisions from both short as well as long term perspectives to meet such uncertainties.
5. Centralised structure permits better utilization of highly qualified personnel, particularly in administrative and technical capacities.
6. It permits greater flexibility in the utilization of existing personnel and facilities and in handling fluctuations in volume of work.

Demerits of Centralisation

1. High in cost and delay in making the decisions. Since the decisions are not taken at the point where work is being done, but at a point higher in the organization.
2. Centralisation of authority increases the burden on the top managers and hampers the growth of low level managers. Therefore, absolute centralization rarely exists. Complete decentralisation is not a feasible proposition of creating an effective organization structure. Some authority must be reserved at the highest level of management.

CENTRALISATION Vs DECENTRALISATION

Centralization produces uniformity of policy and action, utilizes the skills of centralized and specialized staff and enables closer control over operating units.

Decentralization tends to affect faster decision making and action on the spot without consulting higher levels. Decentralization has the effect of motivating the subordinates since they get a greater share in management decision-making.

It is not possible to conceive an organization which is extremely centralized as some decentralization of authority is bound to exist. Similarly, there can be no absolute decentralized structure, as the top executive cannot delegate all his authority.

The issue of centralization and decentralization should be decided taking into consideration the size and nature of enterprise, diversity of the company's product, location of markets, availability of trained and capable managers, etc. The important factors which should be considered while determining the relative degree of centralization and decentralization are:

1. **Size of the organization.** If the size of the organization is large more authority and responsibility should be delegated to the subordinates.
2. **Skill of Personnel.** If at the lower level, capable and trained personnel are available, the firm should go for decentralization. If the personnel lacks initiative and are good followers than a highly centralized structure will be required.
3. **Efficiency of Communication.** If there is an adequate and efficient communication system, centralization of authority is preferred as it would be easier to control the operational units. With computerized management information system the capacity of managers to take effective decisions has increased.
4. **Spread of organizational units.** If the firm have a number of plants located at different places, decentralization is more beneficial. The finance function should be centrally controlled in order to ensure effective control over the assets and capital expenditure of the organization.
5. **Degree of Standardization.** If there is uniformity of operations control becomes easier. In such case centralization would be the obvious choice be-

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cause only centralized structure can bring uniformity of actions at the operative levels.

6. **Complexities of circumstances.** The situational factors also influence the degree of centralization required for the organization. When the business conditions are highly uncertain and there are chances that some conditions may develop to endanger the very existence of the organization, centralization should be advocated to deal with such situations in future. Centralization will help in taking rational decisions from both short as well as long term perspectives to meet such challenges.

CENTRALISATION Vs DECENTRALISATION

S.N. Centralisation	Decentralisation
1. It refers to centralization or retention of authority of decision making at higher or top level of management.	It refers to systematic delegation of authority at all the levels of manage ment and in all departments of organization.
2. Top management retains absolute authority for making all the decisions on the functioning of organization.	Top management retains authority for making major decisions and framing major policies and for overall control and co-ordination of the organization.
3. Managers have less freedom of action since they are kept under close supervision by their supervisors.	Managers enjoy more freedom since they are not kept under close supervision by their supervisors.
4. The problems cannot be tackled quickly and competently as it does not allow great flexibility.	It is flexible therefore; problems can be tackled quickly and more competently.
5. It is needed to strengthen the top executive's position and to associate the subordinate in performing the routine jobs only.	It is essential for preparing the organi zation for handling major expansion program and to cope with the com plexities of changes in the competitive and economic environment.

The relative degrees of centralization and decentralization determine the shape of structure, i.e., tall or flat. Where there is higher degree of centralization, the organization structure would be tall with greater number of layers. But where there is higher degree of decentralization, the organization structure would be flat with lesser number of layers.

Decentalisation is an extension of delegation to the lowest levels in the organization. It amounts to pushing down authority to the lower levels.

CHANGE MANAGEMENT WHY, WHAT, HOW?

Almost all people are nervous about change. Many will resist it - consciously or subconsciously. Sometimes those fears are well founded - the change really will have a negative impact for them. In many cases, however, the target population for the change will come to realise that the change was for the better.

Meaning and Nature of Change

Change Management is a structured approach to transitioning individuals, teams, and organizations from a current state to a desired future state. The **current definition of Change Management includes both organizational change management processes and individual change management models, which together are used to manage the people side of change.** The term 'organisational change' means making of imbalances in the existing pattern of the enterprise. When an enterprise operates and functions for a long time, an adjustment between its technical, human and structural set-up is established. It tends to maintain a state of equilibrium with its environment. They have an adjustment with the job, working conditions, colleagues etc. Change requires individuals to make new adjustments and the fear of adjustment gives rise to the problem of resistance to change.

Organisational change denotes any change which occurs in the overall work environment of an organization. It has the following characteristics:

1. Change may results from both outside and inside pressure in an organization.
2. The organization tends to be affected by change in any part of it.
3. Change takes place in all parts of the organization, but at varying rates of speed and degree of significance.

Change is a constant phenomenon of organizational life. The survival and growth of an organization depends to a great extent on its ability to cope with the changes required by forces operating within its boundaries and in its external environment. An organization is an open system, meaning that it has a constant interactive and interdependent relationship with its environment. Any change in its environment, such as changes in consumer tastes and preferences, competition, economic policies of the government, etc., make it vital for the organization to make changes in its internal system. Further, organization is composed of a number of subsystems, which are also in a dynamic relationship of interaction and interdependence with one another. Any change in the sub-system creates a chain of changes throughout the entire system.

Definition of Change Management

There are four basic definitions of change management.

"Change Management" can be defined in four ways;

1. The **task** of managing change.
2. The **area** of professional practice.
3. A **body** of knowledge.
4. A **control** mechanism.

The task of Managing Change.

This term refers to the task of managing change. Managing change itself has two meanings.

- One meaning is making of changes in a planned and managed or systematic fashion. The aim is to implement effectively new methods and systems in an existing organization. The changes to be managed are within and controlled by the organization. These internal changes might have been influenced by the external environment. Hence, the second meaning of managing change, namely, the response to changes over which the organization exercises little or no control. (e.g., legal, social, political etc. factors).
- The task of management change includes managing its impact on the people. For many managers, this aspect of the task of managing change is complicated by the fact that they have to help their people cope with change and the managers also face their own coping challenges.

An area of professional practice.

There are numerous small consulting firms and consultants engaged in planned Change, managing changes for their clients. Most of the major management consulting firms have a change management practice area. These change management experts help clients manage the changes they face-the change happening to them. Other claims to help clients make changes. They also offer help by taking on the task of managing changes that must be made. In almost all cases the process of change is treated separately from the specifics of the situation. It is expertise in this task of managing the general process of change that is laid claim to by professional change agents.

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A body of Knowledge

The third definition deals with the content or subject matter of change management. This consists of the models, methods and techniques, tools, skills and other forms of knowledge that go into making of any practice. The content of change management is drawn from psychology, sociology, business administration, economics, industrial engineering, systems engineering and study of human and organizational behaviour. For many practitioners all these component bodies of knowledge are linked by a set of concepts and principles known as General System's theory.

A Control Mechanism

Information Systems software ride herd on changes to systems and applications hat run on them. This is referred to as "version control" and most people in the workplace are familiar with it. In recent years, systems people have begun to refer to this control mechanism as "change management." Moreover, similar control mechanisms exist in other areas. To recapitulate, there are at least four basic definitions of change management:

1. **The task of managing change** (from a reactive or a proactive posture)
2. **An area of professional practice** (with considerable variation in competency and skill levels among practitioners)
3. **A body of knowledge** (consisting of models, methods, techniques and other tools)
4. **A control mechanism** (consisting of requirements, standards, processes and procedures).

FORCES FOR CHANGE

All organizations depend and interact with their external environment in order to survive and grow. They get inputs from their environment, transform them through various processes and export outputs to the environment. Organisations are constantly responding to their external environment by making necessary changes in the in the internal forces.

External Forces

1. **Technological changes** – Rapid technological changes are responsible for changing the nature of jobs performed at all levels in the organizations. The computer technology and automation have made a remarkable impact on the functioning of organizations in the recent times. Technological advancement continues to demand the manager's attention as a pressure for change.
2. **Market Conditions** – Marketing conditions are in the process of rapid change as the needs, desires and expectations of the customers change frequently. Moreover, there is tough competition between sellers in the market. Market is flooded with new products and innovations everyday. New media of advertisement and publicity are being evolved for influencing the customers. All these factors put great pressure on the modern organizations to change their technologies and marketing strategies.
3. **Social changes** – With the spread of education, knowledge explosion and government's efforts, social changes are taking place at a fast pace. The drive for

social equality has posed new challenges for the management. The management has to follow social norms in shaping its employment, marketing and other policies.

4. **Political and legal Forces** – Political forces within and outside the country have an important influence on business. The relation between the government and business houses has become very complex. Many laws have been passed to regulate the activities of the corporate sector.

Internal forces.

1. **New Managerial personnel** – New managers replace the existing ones due to retirement, resignation, transfer and promotion. As a result new values and ideas enter the organization. A new Managing Director may reexamine the entire structure and functioning of the organization. He may follow his own style and put into practice his own ideas and philosophy. This may lead to important changes in the organization in terms of organization design, allocation of work to individual, delegation of authority, etc.
2. **Change in Operative Personnel** – The profile of workforce is changing fast. The new workers have better educational qualifications, place greater emphasis on human values and question authority of managers.
3. **Shortcoming in Existing Structure** – There may be deficiencies in the existing organizational set up in the form of unmanageable span of management, larger number of managerial levels, lack in coordination between various departments, obstacles in communication, multiplicity of committees, lack of uniformity in policy decisions, lack of co-operation between line and staff, and so on. However, the need for change in such cases goes unrecognized until some major crisis occurs.
4. **Effect of Change** – A change sets off a sequence of related and supporting changes. For instance, creation of a new department may lead to creation of new managerial posts and reallocation of work in some other departments. Therefore, repercussions of any change must be analysed adequately before introducing them.
5. **Fear of rigidity** – Dynamic managers introduce changes to avoid developing rigidity in the organization the rationale behind this is that organizational members develop liking for change and they do not resist changes unnecessarily whenever need arises in the future.

TYPES OF CHANGES FOR MANAGERS

Joseph L. Massie has identified the following types of changes:

1. **Changes in the knowledge, Information and Techniques** – New techniques of production are being invented. Now a great deal of research is also being conducted in various institutions of the world on behavioural science. It is recognized that wherever a manager must deal with other persons, some aspect of behavioural science come into play. Therefore, the application of behavioural science to the management is getting top priority.
2. **Changes in extent of management** – Many problems in different types of organizations like industrial, educational, religious, hospital etc. are common and they call for the application of certain management principles. This has broadened the scope of management and given birth to the demand for specialization of the application of management knowledge.

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3. **Changes in Issues and troubles before Managers** – With the emergence of large scale organizations and the separation of management from ownership, there has been an awakening of the working class. Trade Unionism has spread throughout the world. Consumers have also become conscious about their power over the organization.
4. **Changes in Environment** – The world is changing fast, population changes are becoming extremely significant to managers. Other changes can be viewed as changes in consumers, factors of production, social conditions, political conditions and economic trends. The increase in the size of the consumer markets and the segmentation of markets into the strata has created new problems. Consumption pattern are changing widely and managers continually search for market information to help them make sound decisions.
5. **Change in the rate of Change** – The types of changes and the differences in the rate of change will create an organizational world filled with uncertainty and problems. The manager facing the possibility of change must be prepared and willing to accept the conditions of uncertainty.

TYPES OF ORGANISATIONAL CHANGES

- **Proactive Change**. They are made with the intention to take advantage of favourable situation which is likely to arise. Such changes are systematically planned because the manager monitors the situation regularly and whenever he expects change, he attempts to make a change in the organization as to get its benefits.
- **Reactive Change.** Such changes are forced on the organization by unexpected environmental pressures. In order to cope with the changing environment reactive changes are made in the organization. Such changes are made for survival of the organization.
- **Incremental Change**. Changes which are made with the intention to maintain functioning of the organization. Change is made in one of the sub-system of the organization and other sub-system remains unaffected. Adjustments in other subsystems are made from time to time so as to secure smooth functioning of the whole organization. Such changes are known as incremental changes.
- **Strategic Change**. These changes have great influence on the overall functioning of the organization. They alter the direction of the organization. For example, change in location of plant, diversification of organizational operations etc.

ORGANISATIONAL CHANGE AMANGEMENT-MODEL

Organizational change management includes processes and tools for managing the people side of the change at an organizational level. These tools include a structured approach that can be used to effectively transition groups or organizations through change. When combined with an understanding of individual change management, these tools provide a framework for managing the people side of change. Organizational change management processes include techniques for creating a change management strategy (readiness assessments), engaging senior managers as change leaders (sponsorship), building awareness of the need for change (communications), developing skills and knowledge to support the change(education and training), helping employees move through the transition (coaching by managers and supervisors), and methods to sustain the change (measurement systems, rewards and reinforcement).

Dynamic conservatism

This model by Donald Schön explores the inherent nature of organisations to be conservative and protect themselves from constant change. Schön recognises the increasing need, due to the increasing pace of change for this process to become far more flexible. This process being one of 'learning'. Very early on Schön recognised the need for what is now termed the 'learning organization'. These ideas are further expanded on within his framework of 'reflection-in-action, the mapping of a process by which this constant change could be coped with.

The role of the management

Management's responsibility (and that of administration in case of political changes) is to detect trends in the macro environment as well as in the microenvironment so as to be able to identify changes and initiate programs. It is also important to estimate what impact a change will likely have on employee behaviour patterns, work processes, technological requirements, and motivation. Management must assess what employee reactions will be and craft a change program that will provide support as workers go through the process of accepting change. The program must then be implemented, disseminated throughout the organization, monitored for effectiveness, and adjusted where necessary. Organizations exist within a dynamic environment that is subject to change due to the impact of various change "triggers", such as evolving technologies. To continue to operate effectively within this environmental turbulence, organizations must be able to change themselves in response to internally and externally initiated change. However, change will also impact upon the individuals within the organization. Effective change management requires an understanding of the possible effects of change upon people, and how to manage potential sources of resistance to that change. Change can be said to occur where there is an imbalance between the current state and the environment.

Other Approaches to Managing Change

- **Appreciative Inquiry** – a collaborative approach to organizational change, is partly based on the assumption that change in a system is instantaneous ('Change at the Speed of Imagination')
- **Scenario Planning** – Scenario planning provides a platform for doing so by asking management and employees to consider different future market possibilities in which their organizations might find themselves.
- **Organize with Chaos of Rowley and Roevens** – who describe Change as a process where certain events need to be managed whereas others need to be 'under'managed, left alone to self-organize and improve the business naturally.
- **Theory U of Otto Scharmer** – who describes a process in which change strategies are based on the emerging future rather than on lesson from the past.

The constructionist principle

The map is not the territory: The map/territory relation is proven by neuroscience and is used to signify that individual people do not have access to absolute knowledge of reality, but in fact only have access to a set of beliefs they have built up over time, about reality. It has been coined into a model by Chris Argyris called the Ladder of

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Inference. As a consequence, communication in change processes needs to make sure that information about change and its consequences is presented in such a way that people with different belief systems can access this information. Methods that are based on the Map/Territory Relation help people to:

- become more aware of their own thinking and reasoning (**reflection**),
- make their thinking and reasoning more visible to others (**advocacy**), and
- inquire into others' thinking and reasoning (**inquiry**).

Some methodological frameworks that are based on this principle are:

- Neuro-linguistic programming (NLP), an eclectic school of modern psychotherapy developed by Richard Bandler, John Grinder, Robert Dilts, and others;
- Circular Questioning and other techniques basically developed in Systemic Family Therapy;
- Gestalt Psychology, a theory of mind and brain that proposes that the operational principle of the brain is holistic, parallel, and analog, with self-organizing tendencies;
- The concept of the Fifth Discipline by Peter Senge and other management thinkers
- Scenario Thinking, a method that helps people to create stories about the future

WHY DO PEOPLE RESIST TO CHANGE?

People resist changes to protect themselves from the real or perceived effects of change. Man by nature fears the new and unknown. Also, adoption of new ideas is a painstaking process. The resistance to change may be logical in some cases. Sometimes people may oppose to the mode of implementing change.

Human resistance to change may take the form of passive acceptance, aggressive refusal, complete breakdown of work and so on. Resistance in any form is not a good sign for industrial relations. It is the duty of the management to restore and maintain the group equilibrium and personal adjustment that change upsets. Change requires individuals to make new adjustment for which they are not prepared.

The factors causing resistance are as under:

1. Employees take in for questioning technological unemployment.
2. Employees fear that they will be idle due to higher efficiency of new technology.
3. Employees are afraid of demotion as they lack required skills for the performance of new jobs.
4. Human being resists change by nature.
5. Employees may apprehend boredom in new jobs because of increased automation.
6. Employees may be reluctant to learn new things.
7. Employees do not have complete knowledge of the change and have their own fear.
8. Employees feel that their status will go down as a result of new technology.

9. Changes may require new social adjustments, which are not liked by the workers.
10. Employees as a group oppose change, as they are unfamiliar with the change.
11. Employees resist changes that are brought about without consulting them.

HOW SHOULD THE MANAGERS OVERCOME RESISTANCE?

Efforts to overcome resistance to change can be made both at the individual level and the group level. The main techniques used to overcome resistance to change are given below:

1. **Education and Communication** – It is used in situations where there is a lack of information or inaccurate information. This would help people understand the need and logic for change. Then people would appreciate and accept the change and will also help in implementation of change. The disadvantage is that it is very time consuming if people involves are too many.
2. **Participation and involvement** – It is common in situation where complete information is not available and there is a need to design the change and others also have power to resist. Managers should discuss the change with the employees because people who have an opportunity to participate in planning for change will have more feeling of command and will generate in them a feeling of importance. But, this too can be very time consuming if participators design a proper change.
3. **Education and Training** – The subordinates must be taught new skills, help to change attitude, give them the requisite information and explain to them how they have to operate under new set-up. The employees can be trained via meetings, classes and conferences. It can be time consuming, expensive and still fail.
4. **Facilitation and Support** – The change process is made easy and appropriate support is provided for those involved. These include listening, providing necessary guidance, allowing time off at regular periods and providing them with facilities (training, tools, materials etc.) and emotional support.
5. **Negotiation and Agreement** – It is most appropriate where someone or some group will loose in change and where the group has considerable power to resist. Resistors are offered incentives to overcome resistance. It can be too expensive if it alerts others to negotiate for compliance.
6. **Manipulation and Co-optation** – It is used when other tactics do not work or are too expensive. Managers manipulate workers by releasing information selectively or by structuring the sequence of events. They may co-opt a person from the group a desirable role in designing or carrying out the change. It is relatively quick and expensive solution and can also lead to future problems if people feel manipulated.
7. **Explicit and Implicit Coercion** – It is used where speed is essential and the change initiators possess considerable power. Managers may force people to go along with a change by explicit and implicit threats like loss of job, lack of promotion etc. This method is risky and will make future change difficult.

MANAGEMENT OF CHANGE

It is a very complex process. It involves a number of steps:

1. ***The first step is to identify the need for change*** – Both internal as well as external factors should be monitored. The manager gets the requisite information

Check Your Progress

1. According to McFarland define Decentralisation.
2. What are the characteristic of decentralisation?
3. Define centralisation.

NOTES

either from the feedback process or monitors the situation on regular basis. Manager has also to see if the change is 'people oriented', or 'process oriented' or 'strategic'.

2. ***The objective of change should be developed*** – The gap between the desired situation and existing situation would help in deciding the goals for change. Because of changing environment existing goals of the organization may become obsolete and the organization will work on new set of goals.

3. ***The type of change required should be determined*** – After deciding the need and objective of change, the type of change to be introduced and implemented is decided. Change can be brought in structure, technology and people. Change in structure may cover job redesign, span of control, power structure etc. technological changes involve production methods, engineering processes, etc. Changes in people comprise changes in their attitudes, behaviour, informal groupings, etc.

4. ***How the change should be planned*** – It is the most important phase in the management of change. It answers queries like the right time to bring the change, how should the change be implemented and who will bring change. It is essential to consider the probable reactions to change, time required to convince people to accept the change, counseling and training them to make them more competent for the new situation etc. for deciding the method and procedure of change, a logical sequence of steps is required, e.g., putting change, measuring its impact and taking corrective measures, etc. Specific individuals may be designated for bringing a major change. The objective of preparing the plan for change is to facilitate proper and smooth implementation of change.

5. ***How the change should be implemented*** – After preparing the change plan it should be communicated to all within the organization. It is to be done with the purpose to convince the members the need, objective and the possible benefits of change. Resource allocation and other administrative arrangement must be made for the execution of plan.

6. ***Follow-up and feedback*** – With constant monitoring problems can be identified and rectified at the right time. Feedback received is used to make modifications in the change programme. Management must ensure smooth implementation of the change process and should take corrective measures if necessary.

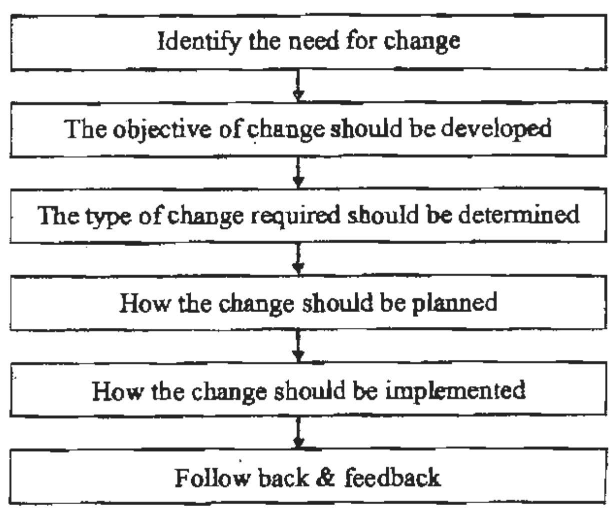

Figure 7.1

ROLE OF GROUPS IN CHANGE MANAGEMENT

A group is a bunch of persons having some common interests over a period of time. Members of the group interact with each other and develop cohesiveness. Therefore, management must consider the group and not individuals if he has to bring change. Group interaction facilitates adoption to change. Individuals do not set goals himself, they are enforced by the group and any deviation is also checked by the group. If any person in a group is resist to change and the group has changed its behaviour towards change process the behaviour of that employee can be changed by asserting pressure. It has been established that group discussions are very effective in changing attitudes then any other methods.

Planned Change

Change may be initiated due to pressure exerted by external environment or due to deliberate change brought by management efforts. The change brought about by the management efforts is known as planned change.

In the words of Warren Bennis: "Planned change encompasses the application of systematic and appropriate knowledge to human affairs for the purpose of creating intelligent action and choices."

Planned change prepares for change in process, structure, technology or goals to adapt to changing situation. A manager keeps constant watch on the constantly changing external environment, he also measures impact of change and accordingly assess and introduces change that can cope up with the rapidly changing external environment.

Planned change prepares the entire organization for changing its process, structure, technology or goals. A planned change has the following characteristics:

1. It is always **deliberate, systematic and rational** in nature. It is the outcome of the innovation and creativity of the managers.
2. Planned change **aims at coping with external environment** and achievement of new goals for the organization.
3. Planned **changes result** in both from internal as well as external environment. If the organization grows planned changes keep it in right direction.
4. Planned changes are **broader in scope and magnitude.** They may effect whole or part of organization in a significant way. These changes prepare the organization to adapt to these changes.
5. Planned changes are **difficult, expensive and at times painful.** The employee has to surrender his comfortable and convenient work habits, it might also take the job of some of the loyal employees.

The change Process as Problem Solving and Problem Finding

Managing change is seen as a matter of moving from one state to another, from the problem state to the solved state. Diagnosis or problem analysis is essential. Goals are set and achieved at various levels and in various areas or functions. Ends and means are discussed and related to one another. Careful planning is accompanied by efforts to obtain buy-in, support and commitment. The net effect is a transition from one state to another in a planned, orderly fashion. This is a planned change model.

The word "problem" carries with it connotations that some people prefer to avoid. They choose instead to use the word "opportunity." They see problem as a bad situation, one that shouldn't have been allowed to happen in the first place, and for which someone is likely to be punished-if the guilty party can be identified.

From a rational, analytical perspective, a problem is nothing more than a situation requiring action but in which the required action is not known. Hence, there is a requirement to search for a solution, a course of action that will lead to the solved state. This search activity is known as "problem solving."

NOTES

Problem finding is the search for situations requiring action. Whether the situations are called "problems" or "opportunities" is immaterial. In both cases, the practical method is one of identifying and settling on a course of action that will bring about some desired and predetermined change in the situation.

ANSWERING THE Ws OF CHANGE

It means that there is some future state that is to be realized, some current state to be left behind, and some structured, organized process for getting from one to the other. The change problem may be large or small in scope and scale, and it might focus on individuals or groups, on one or more divisions or departments, the entire organization, or one or more aspects of the organisation's environment.

At a conceptual level, the change problem is a matter of moving from one state (A) to another (B). Moving fromA to B is accomplished as a result of setting up and achieving three types of goals: transform, reduce and apply. Transform goals are concerned with identifying differences between the two states. Reduce goals are concerned with determining ways of eliminating these differences. Apply goals are concerned with putting into play operators that actually effect the elimination of these differences.

The analysis of a change problem will at various times focus on defining the outcomes of the change effort, on identifying the changes necessary to produce these outcomes, and on finding and implementing ways and means of making the required changes. The change problem can be treated as smaller problems having to do with the how, what and why of change.

Change as a "How" Problem

The change problem can be expressed in the form of a "how" question. How do we get people to assume more responsibility, to be more creative? How to change from System X to System Y in Division Z? How to make organization more innovative, competitive, or productive? How to reduce cycle times? How to make suppliers more loyal to the organization? In short, the initial formulation of a change problem is means-centred, with the goal state more or less implied. The "how" question focuses the efforts on means. Diagnosis is assumed or not performed at all. Therefore, the ends sought are not discussed. This at times may be problematic.

Change as a "What" Problem

To focus on ends requires the posing of "what" questions. What is to be accomplished? What changes are necessary? What measures of performance are we trying to affect?

Change as a "Why" Problem

Ends and means are relative notions, something is an end or a means only in relation to something else. Thus, chains and networks of end-means relationships often have to be traced out before one finds the "true" ends of a change effort. "Why" questions prove extremely useful.

Why is additional capital needed? Why do profits need to be increased?

To ask "Why" question is to get at the ultimate purposes of functions and to open the door to finding new and better ways of performing them. "Why" questions also gets at the ultimate purposes of people, but that's a different matter all together.

The emphasis placed on the three types of questions reflects the management mindset, that is, the tendency to think along certain lines depending on where one is situated in the organization. A person's placement in the organization defines the scope and scale of the kinds of changes with which the employee will become employed and the nature of the changes with which he will be concerned. The systems people tend to be concerned with technology and technological developments, the marketing people with customer needs and competitive activity and so on. Higher up the person in the hierarchy, the longer the time perspective and the wider the range of issues with which he or she must be concerned.

For the most part, changes and the change problems they present are problems of adaptation, that is, they require of the organization only that it adjust to an ever-changing set of circumstances. But, either as a result of continued, cumulative compounding of adaptive maneuvers that were nothing more than band-aids, or as the result of sudden changes so significant as to call for a redefinition of the organization, there are times when the changes that must be made are deep and far-reaching. At such times, the design of the organization itself is questioned.

Organisations frequently survive the people who establish them. For Example, IBM. It has been designed by one group of people but are being operated or run by another. Successful organizations resolve early on the issue of structure, i.e., the definition, placement coordination of functions and people. Other people live with this design and, because the ends have already been established, these other people are chiefly concerned with means. This is why so many problem-solving efforts start out focused on means.

Five basic principles of change management, and how to apply them

Change management is a basic skill in which most leaders and managers need to be competent. There are very few working environments where change management is not important. When leaders or managers are planning to manage change, there are five key principles that need to be kept in mind:

1. Different people react differently to change
2. Everyone has fundamental needs that have to be met
3. Change often involves a loss, and people go through the "loss curve"
4. Expectations need to be managed realistically
5. Fears have to be dealt with

There are a few points which managers should keep in mind while managing change:

- Give people information to be open and honest about the facts, but overoptimistic speculation should not be given. OPENNESS needs should be met, but in a way that does not set UNREALISTIC EXPECTATIONS.
- For large groups, produce a communication strategy that ensures information is disseminated efficiently and comprehensively to everyone (don't let the grapevine take over). E.g., tell everyone at the same time. However, follow this up with individual interviews to produce a personal strategy for dealing with the change. This helps to recognise and deal appropriately with the INDIVIDUAL REACTION to change.
- Give people choices to make, and be honest about the possible consequences of those choices. i.e., meet their CONTROL and INCLUSION needs
- Give people time, to express their views, and support their decision making, providing coaching, counseling or information as appropriate, to help them through the LOSS CURVE.

Check Your Progress

4. Which factors should be considered while determining?
5. Name the external and internal forces for change.
6. What are the basic principles of change management?

NOTES

- Where the change involves a loss, identifies what will or might replace that loss - loss is easier to cope with if there is something to replace it. This will help assuage potential FEARS.
- Where it is possible to do so, give individuals opportunity to express their concerns and provide reassurances - also to help assuage potential FEARS.
- Keep observing good management practice, such as making time for informal discussion and feedback (even though the pressure might seem that it is reasonable to let such things slip - during difficult change such practices are even more important).

Where one is embarking on a large change programmes, one should treat it as a project. That means one should apply all the rigors of project management to the change process - producing plans, allocating resources, appointing a steering board and/or project sponsor etc. The five principles above should form part of the project objectives.

CONCLUSION :

The pace of change is ever increasing - particularly with the advent of the Internet and the rapid deployment of new technologies, new ways of doing business and new ways of conducting one's life. Organisational Change Management seeks to understand the sentiments of the target population and work with them to promote efficient delivery of the change and enthusiastic support for its results.

In Organisational Change Management we are concerned with winning the hearts and minds of the participants and the target population to bring about changed behaviour and culture. The key skills required are founded in business psychology and require "people" people.

CHAPTER AT A GLANCE

- Authority includes such rights or powers a those of spending specified amounts of money, material and men.
- Responsibility refers to duty or activity assigned.
- Delegation refers to the assignment of work to others and confer them the requests authority to accomplish the job assigned.
- Decentralisation is a situation in which ultimate authority to command and ultimate responsibility of results is localized as far down in the organisation as efficient management of the organizations permits.
- Greater degree of decentralization -
  - Greater the number of decision at the lower level
  - Closer the level at which decision is made
  - More important decision at lower level
  - Greater the spread of decision in terms of number of function
  - Less a subordinate need to consult there superior
  - Greater the discretion permitted by the company's policies, procedures and rules.
- Advantages of decentralisation relieves top management, motivation level of the employee, encourage initiate at lower level, more realist, management development.
- Disadvantages of decentralisation – Increases cost, narrow outlook, Inconsistent, emergency situation cannot be tackled.

- Centralization is the systematic and constant reservation of authority at central point in an organization.
- Factors to consider relative degree of centralization and decentralization size of the organization, effeciency of communication, spread of organizational units, degree of standardization and complexities of circumstances.
- Change management is the task of managing change, area of professional practice, body of knowledge and control mechnism.
- External forces for change – Technological changes, market conditions, social changes, and political and legal forces.
- Internal force for change – New manageable personnel, changes in operative personnel, shortcoming in existing structure, and effect of change and fear of rigidity.
- According to J.L. Massie following are types of changes in knowledge, Information and Techniques, extent of management; Issues and troubles before managers; Environment and rate of change.
- Types of organization change – Proactive change Reactive change, Incremental change and strategic change.
- Organisational change management model include techniques for creating a change management strategy engaging senior managers as change leaders, building awareness of the need for change, developing skills and knowledge to support the change, helping employees move through the transition and methods to sustain the change.
- Change can be said to occur where there is an imbalance between the current state and the environment.
- Approaches to managing change – Appreciative inquiry, Scenario planning, organize with chaos of Rowley and Roevens.
- People resist to change to protect themselves from the real or perceived effects of change.
- Factors causing resistance – fear of new technology afraid of demotion, lack of skill technological questioning, change by nature, boredoms, reluctant to new things etc.
- How should the managers overcome resistance ? – Education and communication, participation and involvement, Education and training, facilitation and support, Negotiation and agreement, manipulation and co-operation, Explicit and Implicit Coercion.
- Management of change – Identify the need for change, objectives of change should be developed, the type of change should be determined, How the change should be planned. How the change should be implemented and follow up & feedback.
- Planned change encompasses the application of systematic and appropriate knowledge to human affairs for the purpose of creating intelligent action and choices. A planned change has the following characteristics – Deliberate, systematic rational, Aim at coping with external environment, change result, broader in scope and magnitude, Difficult, expensive and at times painful.
- 5 keys principles for managing change – 1. Different people react differently to change. 2. Everyone has fundamental needs that have to be met. 3. Fears have to be dealt with. 4. Change often involves a loss. 5. Expectations need to be managed realistically.

ANSWER TO CHECK YOUR PROGRESS:

NOTES

1. Decentralisation is a situation in which ultimate authority to command and ultimate responsibility of results is localized as far down in the organization as efficient management of the organization permits.
2. **Characteristics of decentralisation :**
   1. Dispersal of decision making authority.
   2. Operating and routine decision is delegated.
   3. Delegated to middle and lower level managers.
   4. Managers at middle and lower levels have discretion in specific operational areas.
3. Centralisation is the systematic and consistent reservation of authority at central points in an organization, while decentralization refers to consistent and systematic delegation to the lowest levels all authority except that which can only be exercised at central points.
4. Factors to consider relative degree of centralization and decentralization size of the organization, effeciency of communication, spread of organizational units, degree of standardization and complexities of circumstances.
5.
   - External forces for change – Technological changes, market conditions, social changes, and political and legal forces.
   - Internal force for change – New manageable personnel, changes in operative personnel, shortcoming in existing structure, and effect of change and fear of rigidity.
6. When leaders or managers are planning to manage change, there are five key principles that need to be kept in mind:
   1. Different people react differently to change
   2. Everyone has fundamental needs that have to be met
   3. Change often involves a loss, and people go through the "loss curve"
   4. Expectations need to be managed realistically
   5. Fears have to be dealt with

EXERCISE

1. Write short note on :

   (a) Delegation of Authority (b) Centralisation

   (c) Decentralisation (d) Change management
2. Distinguish between centralisation and Decentralisation.
3. What are the factors to be kept in mind while determining the degrees of centralisation & decentralisation ?
4. What are the forces of management for change ?
5. Define types of organisational changes ?
6. Write a short essay on organisational change ?
7. Why do people resist to change and how should the managers overcome it ?
8. What are basis principle of manage change and how to apply them ?

08 Concept of Social Responsibility Management obligations and Government Regulations

The Chapter Covers :

INTRODUCTION

Management obligations as proposed by Deming's -Deming first stated the 14 points in Quality, Productivity, and Competitive Position. Over time he continually revised them. The points are part of a system of management which Deming later described as the system of Profound Knowledge.

1. Create constancy of purpose for the **improvement of product and service**. With the aim to become competitive, stay in business, and provided jobs.
2. **Adopt the new philosophy** of cooperation (win-win) in which everybody wins. Put it into practice and teach it to employees, customers and suppliers.
3. **Cease dependence on mass inspection** to achieve quality. Improve the process and build quality into the product in the first place.
4. **End the practice of awarding business** on the basis of price tag alone. Instead, minimize total cost in the long run. Move toward a single supplier for any one item, on a long-term relationship of loyalty and trust.
5. **Improve constantly** and forever the system of production, service, planning, or any activity. This will improve quality and productivity and thus constantly decrease costs.

NOTES

6. **Institute training for skills.**
7. **Adopt and institute leadership** for the management of people, recognizing their different abilities, capabilities, and aspiration. The aim of leadership should be to help people, machines, and gadgets do a better job. Leadership of management is in need of overhaul, as well as leadership of production workers.
8. **Drive out fear** and build trust so that everyone can work effectively.
9. **Break down barriers** between departments. Abolish competition and build a win-win system of cooperation within the organization. People in research, design, sales, and production must work as a team to foresee problems of production and in use that might be encountered with the product or service.
10. **Eliminate slogans,** exhortations, and targets asking for zero defects or new levels of productivity. Such exhortations only create adversarial relationships, as the bulk of the causes of low quality and low productivity belong to the system and thus lie beyond the power of the work force.
11. **Eliminate numerical goals,** numerical quotas and management by objectives. Substitute leadership.
12. **Remove barriers** that rob people of joy in their work. This will mean abolishing the annual rating or merit system that ranks people and creates Competition and conflict.
13. **Institute a vigorous program** of education and self-improvement.
14. Put everybody in the company to work to accomplish the transformation. The transformation is everybody's job.

SOCIAL RESPONSBILITY:

There is a large **inequality** in the means and roles of different entities to fulfill their claimed responsibility. This would imply the different entities have different responsibilities, in so much as states should ensure the **civil rights** of their citizens, that corporations should respect and encourage the human rights of their employees and that citizens should abide with written **laws.** But social responsibility can mean more than these examples. Many **NGOs** accept that their role and the responsibility of their members as citizens is to help improve society by taking a proactive stance in their societal roles. It can also imply that corporations have an implicit obligation to give back to society (such as is claimed as part of **corporate social responsibility** and/or **stakeholder theory**).

Social responsibility is an **ethical** or **ideological** theory that an **entity** whether it is a government, **corporation**, **organization** or **individual** has a responsibility to society. This responsibility can be "negative," in that it is a responsibility to refrain from acting (resistance stance) or it can be "positive," meaning there is a responsibility to act (proactive stance). While primarily associated with business and governmental practices, activist groups and local communities can also be associated with social responsibility, not only business or governmental entities.

It means a private enterprise has responsibility towards society that goes beyond the production of goods and services at a profit; a corporation has a broader constituency to serve than that of stockholders; corporations relate to society through more than the market place alone; and they serve a wider range of human values than the traditional economic values that dominate the market place. **Corporate social responsibility** means that the corporations are more than simply economic institutions and thus, they have a responsibility to help society in solving some of its most pressing social problems.

The concept of social responsibility received increasing attention during 1960's because of the need for corporations to respond to the changing social environment of business. This change was often described as change in terms of the understanding between business and society was based on the view that economic growth was the source of all progress, social as well as economic. The basic mission of business was thus, to produce goods and services at a profit, and in doing this business was making its maximum contribution to society, and in fact, being socially responsible. The new understanding between business and society is based on the view that the single-minded pursuit of economic growth produces some detrimental side effects that impose social costs on certain segments of society or on organization as a whole. Economic growth does not necessarily lead to social progress. In many cases it has lead to deterioration in the physical environment, an unsafe workplace, exposure to toxic substances on the part of workers and consumers, discrimination against certain groups in society etc. this new understanding between business and society involved the reduction of these social costs of business by impressing upon business the idea that it has an obligation to work for social as well as economic betterment. This new understanding does not invalidate the old one but simply adds new terms or additional clauses to that understanding. The new understanding includes a responsibility for both economic and social impacts.

The concept of social responsibility is fundamentally an ethical concept. It involves changing notions of human welfare and emphasizes a concern about the social dimensions of business activity that have a direct connection with quality of life in society. The concept provides a way for business to concern itself with these social dimensions and pay some attention to its social impacts. The word responsibility implies that business organizations have some kind of obligation toward the society in which they function to deal with social problems and contribute more than just economic goods and services.

Corporate Social Responsibility (CSR) is a concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on customers, employees, shareholders, communities and the environment in all aspects of their operations. This obligation is seen to extend beyond the statutory obligation to comply with legislation and sees organizations voluntarily taking further steps to improve the quality of life for employees and their families as well as for the local community and society at large.

The term CSR itself came in to common use in the early 1970s although it was seldom abbreviated. The term stakeholder, meaning those impacted by an organization's activities, was used to describe corporate owners beyond shareholders from around 1989.

Many large companies now issue a corporate social responsibility report along with their annual report. The CSR report concentrates on their non-financial societal activities (usually positive contributions in nature).

Check Your Progress

1. What do you mean by CSR?
2. Define corporate social responsibility.

NOTES

The increased awareness of CSR has also come about as a result of the United Nations Millennium Development Goals, in which a major goal is the increased contribution of assistance from large organizations, especially Multi-National Corporations, to help alleviate poverty and hunger, and for businesses to be more aware of their impact on society. There is a lot of potential for CSR to help with development in poor countries, especially community-based initiatives.

The concept of corporate social responsibility can be traced to actions taken and pronouncements made by American business leaders as strategic responses to anti-business sentiments that developed during the late 1800s and early 1900s. The goal of these business leaders was to promote corporations as forces for the social good and thereby lessen the threat of government intervention and regulation.

Social responsibility is voluntary; it is about going above and beyond what is called for by the law. It involves an idea that it is better to be proactive towards a problem rather than reactive to it. Social responsibility means eliminating corrupt, irresponsible or unethical behavior that might bring harm to the community, its people, or the environment before the behavior happens.

In today's society a business must maintain ethical principles in order to be successful. Businesses can use ethical decision making to strengthen their businesses in three main ways. **The first way is to use their ethical decision making to increase productivity.** This can be done through programs that employees feel directly enhance their benefits given by the corporation, like better health care or a better pension program. One thing that all companies must keep in mind is that employees are stakeholders in the business. They have a vested interest in what the company does and how it is run. When the company is perceived to feel that their employees are a valuable asset and the employees feel they are being treated and such, productivity increases.

A second way that businesses can use ethical decision making to strengthen their businesses is by making decisions that affect its health as seen to those stakeholders that are outside of the business environment. Customers and Suppliers are two examples of such stakeholders. Take a look at companies like Johnson & Johnson, their strong sense of responsibility to the public is well known. In particular, take for instance Johnson & Johnson and the Tylenol scare of 1982. When people realized that some bottles of Tylenol contained cyanide they quit buying Tylenol, stocks dropped and Johnson & Johnson lost a lot of money. But they chose to lose even more money and invest in new tamper resistant seals and announce a major recall of their product. There was no "certain amount" for this situation; Johnson & Johnson had to lose money to be socially responsible, but in the long run they gained the trust of their customers. Now when people look at other products, there is a sense of faith and trust in that Johnson & Johnson would not allow a product to harm people just to meet their own bottom line. The exactly opposite picture had been portrayed by Union Carbide in the Methyl Isocyanide gas leak incident in Bhopal,India in 1984..

A third way that business can use ethical decision making to secure their businesses is by making decisions that allow for government agencies to minimize their involvement with the corporation. For instance if a company is proactive and follows the **EPA** guidelines for admissions on dangerous pollutants and even goes an extra step to get involved in the community and address those concerns that the public might have; they would be less likely to have the EPA investigate them for environmental concerns. "A significant element of current thinking about privacy, however, stresses "self-regulation" rather than market or government mechanisms for protecting personal information" Most rules and regulations are formed due to public outcry, if there is not outcry there often will be limited regulation.

DEFINITIONS OF SOCIAL RESPONSIBILITY

"Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large" **World Business Council for Sustainable Development.**

According to **Howard R. Bowen:** Social responsibility refers to the obligations of businessmen to pursue those policies, to make those decisions, or to follow those lines of action, which are desirable in terms of the objectives and values of our society.

According to **Joseph W. McGuire:** The idea of social responsibilities supposes that the corporation has not only economic and legal obligations but also certain responsibilities to society, which extend beyond these obligations.

According to **Edwin M. Epstein:** Corporate social responsibility relates primarily to achieving outcomes from organisational decisions concerning specific issues or problems, which have beneficial rather than adverse effects upon pertinent corporate stakeholders. The normative correctness of the products of corporate action has been the main focus of corporate social responsibility."

Case for social responsibility

In spite of the dominant role of profit in the running of business, today, businessmen are more conscious of their social responsibilities on account of:

1. **Changed public expectations from business**. It is reasoned that the institution of business exists only because it satisfies valuable needs of society. Society gives business its charter to exist, and that charter can be amended or revoked at any time that business fails to live up to society expectations. Therefore, if business wishes to remain viable in the long run, it must respond to society's needs and give society what it wants.

2. **Better Environment for business**. A better society may produce environmental conditions more favourable for business operation. The firm, which is the most responsive to improve people's quality of life, will as a result have a better community in which to conduct its business. Recruitment of labour will be of a better quality. The turnover and absenteeism will be reduced. As a result of social improvements, crime will decrease, with the consequence that lesser amount would be spend to protect property, and less taxes have to be paid to support police forces.

3. **Public image**: another argument is that social responsibility improves the public image of the business. Each individual firm seeks an enhanced public image so

that it may gain more customers, better employees and other benefits. This type of expectation is traditional with business; therefore, it is easy to extend this public image concept to the accomplishment of various types of social goals.

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4. **Avoidance of Government regulations**: Business should engage in socially responsible behaviour to avoid regulation by government. Regulation is costly to business and restricts its flexibility of decision making. From the businessman's point of view, it is desirable to retain freedom in decision making so that initiative cam be maintained in meeting market and social forces. This view is also consistent with political philosophy, which wishes top keep power as decentralized as possible in our democratic system.

5. **Problems can become profits**: it may also be argued that if the innovative ability of business can be turned to meet social problems many problems could be handled profitably according to traditional business concepts. It is recognized that all problems can be handled in this way, but the fact that some can be so handled should encourage business to become more activity in social areas.

6. **Balance of responsibility with power**: Another reason underlying the notion of social responsibility relates to the balancing of power and responsibility. Because business enjoys considerable social power-in that its activities and decisions affect the environment, consumers employees, community conditions, and many areas of society

THE ETHICS AND THE SOCIAL RESPONSIBILITY OF MANAGEMENT

Each of us has our own set of values and beliefs that we have evolved over the course of our lives through our education, experiences and upbringing. We all have our own ideas of what is right and what is wrong and these ideas can vary between individuals and cultures.

As a manager you bring with you your own concept of what is right and what is wrong. Every decision that you make, for better or for worse, is the application of these values to the question at hand. This is made more difficult by the pressures of organisational life. There are the pressures of productivity, competition, bosses... Sometimes managers make decisions which conflict with their own or society's values because of what they see as the pressures of the business world.

But what is the right thing to do when it comes to social responsibility? This is one of the most crucial questions that managers will face in the next decade. Is it a manager's job just to maximise profits? Or should managers be concerned with using their organisation to carry out other social responsibilities such as controlling pollution, employing disadvantaged groups or supporting education? There are five factors which affect decisions made on ethical problems.

- Law and Order
- Government Regulations
- Industry and Company Ethical Codes
- Social Pressures
- Tension between personal standards and the goals of the organisation

Tension between personal standards and the goals of the organisation

This can complicate a manager's job enormously. If a manager's task is to ensure that the organisations goals are achieved, and the task of a good citizen is to advance the welfare of the community, what if they clash? You may refer back to the example involving the sale of banned substances overseas. It is not illegal, but it may be against your personal values to sell these products to unsuspecting overseas clients. Would you insist on a warning label such as those carried on cigarette packets? What would you do if this action was a direct order from a superior? Does this take away your responsibility? As with many ethical problems there are no easy answers.

Social Pressures

There are often, in any society, groups of people who wish to change or influence government or businesses behaviour and decisions. These groups may exert pressure on businesses through picketing, boycotting, publicity in the press, political lobbying etc. Sometimes organisations respond to what they see as the general feeling of the public on an issue.

For example, in 1989 on a televised debate on the issue of bleached paper products (i.e. toilet papers, sanitary products, writing and photocopying paper products etc) many businesses claimed that the Australian public would not buy unbleached paper products. A quick look at the products now available and selling well in supermarkets in 1991 should indicate how public pressure through selective buying and boycotting of unacceptable products has forced many of these same businesses to change their view. Keep an eye on television advertising which claim that their products are "environmentally friendly" as an example of many businesses seeing the publics concern over the environment as an "opportunity".

Industry and Company Ethical Codes

These are codes which clearly state the ethical standard a manager should follow within his or her organisation. These standard practices are usually followed if they are written down and the rules enforced, however many companies have "unwritten" codes of practice or if written down, have no method of enforcing these rules.

The Law and Order

This defines the minimum ethical standards in a given area of practice. For example, deceptive advertising is illegal and violators of this law are liable to large fines, court action and/or loss of goodwill. Some unethical behaviour is often not considered ***very*** illegal, such as pirating employees from other companies, padding expense accounts etc.

Government Regulations

The opportunities and incentives firms have to invest, create jobs and grow depend on expected profits. Profits are influenced by costs, risks and barriers to competition. Governments can have a major impact on each of these three factors:

Check Your Progress

1. What do you mean by CSR?
2. Define corporate social responsibility.

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- Costs, though the regulatory burden and red tape, taxes, levels of corruption, infrastructure services, labor market regulation, and finance.
- Risks, through policy predictability, property rights, and contract enforcement.
- Barriers to competition, through regulations controlling startup and bankruptcy, competition law, and entry to finance and infrastructure markets.

These are also fairly clear cut outlining what is acceptable and what is not. These regulations set standards on issues such as unfair competition, unsafe products, etc. Failure to comply with these regulations could lead to criminal charges, or fines etc.

Another plausible driver of CSR is by independent mediators to ensure that corporate goals don't harm or disadvantage anyone or environment. This remark supported by Friedman feels demonstrates that governments themselves should set the agenda for social responsibility by the way of laws and regulation that will allow a business to conduct themselves without disadvantage or degradation. In many instances separate organizational bodies are established to administer the workings of fair-trading on a local and global front. The issues surrounding government regulations poses some problems; the first, regulation in itself is unable to cover every aspect of detail in a corporation's process. This leads to the argument and interpretation of the law and the debatable "grey areas". General Electric is an example of a corporation that has failed to clean up the Hudson River after contaminating it with organic pollutants. They continue to argue via the legal process on the decisions of liability, while the cleanup remains stagnant. (Sullivan & Schiafo 2005). The second issue is the financial burden this places on an economy if such a corporation contributed significantly to the nation's economy. This view shared by Bulkeley, who identifies the Australian Federal Governments actions to not comply with Kyoto in 1997, on the concerns of economic loss and national interest especially relating to the energy and resources industries.

Regulation as a legal term

A regulation is a form of secondary legislation which is used to implement a primary piece of legislation appropriately, or to take account of particular circumstances or factors emerging during the gradual implementation of, or during the period of, a primary piece of legislation.

Other forms of secondary legislation are statutory instruments, statutory orders, by-laws and rules. Some of these (but not all of them) need to be referred back before being implemented, to the primary legislative process.

Types of regulation

Regulations, like any other form of coercive action, have costs for some and benefits for others. Efficient regulations may only be said to exist where the total benefits to some people exceed the total costs to others. Regulations are justified using a variety of reasons and therefore can be classified in several broad categories:

- **Market failures** - regulation due to inefficiency
- **Risk of monopoly**
- **Collective action or public good**

- **Inadequate information**
- **Unseen externalities**
- **Collective desires** - regulation about collective desires or considered judgements on the part of a significant segments of society
- **Diverse experiences** - regulation with a view of eliminating or enhancing opportunities for the formation of diverse preferences and beliefs
- **Social subordination** - regulation aimed to increase or reduce social subordination of various social groups
- **Endogenous preferences** - regulation's purpose is to affect the development of certain preferences on an aggregate level
- **Irreversibility** - regulation that deals with the problem of irreversibility – the problem in which a certain type of conduct from current generations results in outcomes from which future generations may not recover from at all.
- **Interest group transfers** - regulation that results from efforts by self-interest groups to redistribute wealth in their favor, which may disguise itself as one or more of the justifications above.

Regulations also assist the primary legislative process, the national parliament, to avoid the potential bottleneck of the detailed implementation of all the laws it produces in all the varying circumstances throughout the land or throughout the process of their implementation.

Since 1997, central government has been working to improve regulation by applying new principles of better regulation.

CONCLUSION : It is universally accepted that managers own social responsibility. They are the trustees of the resources of the various stakeholders in the organisation. They therefore are liable to act in the best interest of the stakeholders in the organisation such as shareholders, customers, employees, government and general public at large.

CHAPTER AT A GLANCE

1. Management obligation proposed by Deming for improvement of product and services.
2. Its important points are adopted the news philosophy, cease, and dependence on mass inspection, improve constantly training leadership, drive out fear, remove barriers, eliminate slogans, a vigorous program.
3. Corporate social responsibility means that the corporations are more than simply economic institutions and thus, they have a responsibility to help society in solving some of its most pressing social problem.
4. Business can use ethical decision making to strengths their business in three main ways -

(1) To increase productivity

(2) Take decision that give healthy effect to stake holders.

(3) Allow government agencies to minimize their involvement with the corporation.

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5. Case for social responsibility – changed public expectations from business, Better environment for business, public image, avoidance of govt. regulations, problems can become profits and balance of responsibility with power.
6. There are 5 factors that affect decision made on ethical problem – Law & order, Government regulations, Industry and company ethical codes, Social pressures, tension between personal goal and goals of the organisation.
7. Government regulations get standards on issues such as unfair competition, unsafe product etc.
8. Types of regulation – Market failures, Risk of monopoly, unseen externalities, collective desires diverse experiences, social subordination, irreversibility and interest group transfer.

ANSWER TO CHECK YOUR PROGRESS:

1. **Corporate Social Responsibility** (CSR) is a concept whereby organizations consider the interests of society by taking responsibility for the impact of their activities on customers, employees, shareholders, communities and the environment in all aspects of their operations.
2. "Corporate Social Responsibility is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large" **World Business Council for Sustainable Development.**
3. There are five factors which affect decisions made on ethical problems.
   - Law and Order
   - Government Regulations
   - Industry and Company Ethical Codes
   - Social Pressures
   - Tension between personal standards and the goals of the organisation
4. Types of regulation – Market failures, Risk of monopoly, unseen externalities, collective desires diverse experiences, social subordination, irreversibility and interest group transfer.

EXERCISE

1. Write short note on :

   (a) Management obligation (b) Government regulation
2. Explain in brief the concept of corporate social responsibility ?
3. What are the factors which affect decisions made on ethical problems ?

09 Strategy – Meaning, Process and Elements

The Chapter Covers :

STRATEGY-INTRODUCTION

There is considerable confusion in management literature regarding the various terms used in strategic management. A recent survey by the American Management Association revealed that respondents found it difficult to define policy, and differentiate between strategy, policy and objectives, further compounding the difficulty. According to Andrews, strategy, policy and objectives embrace a range of statements from the "broad" and "important" to "narrow" and "unimportant". Policies get merged into procedures and procedures into rules. Strategies get blended into tactics, resulting in an "end-means continuum". This can be illustrated by the following example. Suppose a company decides upon a sales growth of 35% and desires to achieve this by acquiring other companies, instead of introducing new products. Acquisition in this case can be considered as a strategy chosen by the company. The company will then have to decide on the size of the firm to be acquired. If it decides on acquiring a small company, this becomes the objective.

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STRATEGY- DEFINED

The word strategy has entered the field of management more recently. At first, the word was used in terms of Military Science to mean what a manager does to offset actual or potential actions of competitors. The word is still being used in the same sense, though by few only. Originally, **the word strategy has been derived from Greek 'Strategos', which means generalship**. The word strategy, therefore, means the art of the general. When the term strategy is used in military sense, it refers to action that can be taken in the light of action taken by opposite party.

According to Oxford Dictionary, 'military strategy is the art of so moving or disposing the instruments of warfare (troops, ships, aircrafts, missiles, etc.) as to impose upon the enemy, the place, time and conditions for fighting by oneself. Strategy ends, or yields to tactics when actual contact with enemy is made'.

First of all we need to look at the different views and opinions expressed by leading thinkers in the field of business strategy.

"Tomorrow always arrives. It is always different. And even the mightiest company is in trouble if it has not worked on the future. Being surprised by what happens is a risk that even the largest and richest company cannot afford, and even the smallest business need not run." - **Peter Drucker**

"If we know where we are and something about how we got there, we might see where we are treading and if the outcomes which lie naturally in our course are unacceptable, to make timely change." **-Abraham Lincoln**

"Without a strategy, a company is like a ship without a rudder, going around in circles. It's like a tramp; it has no place to go." **-Hoel Ross and Michael Kami**

"If a man takes no thought about what is distant, he will find sorrow near at hand. He who will not worry about what is far off will soon find something worse that worry." **-Confucius**

"It is human nature to make decisions based on emotion, rather than fact. But nothing could be more illogical."**-Toshiba Corporation**

'No business can do everything. Even if it has the money, it will never have enough good people. It has to set priorities. The worse thing to do is a little bit of everything. This makes sure hat nothing is being accomplished. It is better to pick the wrong priority than none at all."**-Peter Drucker**

"Strategic management is the process of managing the pursuit of organizational mission while managing the relationship of the organization to its environment ." - **James M. Higgins.**

"Strategic management is defined as the set of decisions and actions resulting in the formulation and implementation of strategies designed to achieve the objectives of the organization". **-John A. Pearce II and Richard B. Robinson, Jr.**

"Strategic management is the process of examining both present and future environments, formulating the organization's objectives, and making, implementing, and controlling decisions focused on achieving these objectives in the present and future environments." - **Garry D. Smith, Danny R. Arnold, Bobby G. Bizzell**

"Strategic management is a continuous process that involves attempts to match or fit the organization with its changing environment in the most advantageous way possible ". **-Lester A. Digman**

Further, Based on various thinkers point of view we need to define strategy:

The term **strategic management** is used to refer to the entire scope of strategic-decision making activity in an organization. Strategic management as a concept has evolved over time and will continue to evolve. As result there are a variety of meanings and interpretations depending on the author and sources. For example, some scholars and practitioners the term strategic planning connote the total strategic management activities. Moreover, sometimes managers use the terms strategic management, strategic planning, and long-range planning interchangeable. Finally, some of the phrases are used interchangeably with strategic management are **strategy and policy formulation**, and **business policy**.

Management is an art as well as science. Many of the concepts used in building management theory have been derived from practice. Unlike the pure sciences, which have their foundation in experimental research, management studies draw upon the practical experiences of managers in defining concepts. Business policy is rooted in the practice of management and has passed through different phases before taking its shape in the present form of strategic management. One of the earliest contributors to this young subject was **Alfred D Chandler (1962)**

Chandler made a comprehensive analysis of interrelationships among environment, strategy, and organizational structure. He analyzed the history of organizational change in 70 manufacturing firms in the US. While doing so, Chandler defined strategy as: "The determination of the basic long-term goals and objectives of an enterprise and the adoption of the courses of action and the allocation of resources necessary for carrying out these goals." Note that Chandler refers to three aspects:

- Determination of basic long-term goals and objectives,
- Adoption of courses of action to achieve these objectives, and
- Allocation of resources necessary for adopting the courses of action.

Kenneth Andrews (1965)

Andrews belongs to the group of professors at Harvard Business School who were responsible for developing the subject of business policy and its dissemination through the case study method. Andrew defines strategy as: "The pattern of objectives, purpose, goals, and the major policies and plans for achieving these goals stated in such a way so as to define what business the company is in or is to be and the kind of company it is or is to be". This definition refers to the 'business definition', which is a way of stating the current and desired future position of company, and the objectives, purposes, goals, major policies and plans required to take the company from where it is to where it wants to be.

Igor Ansoff (1965)

Professor Ansoff is a well-known authority in the field of strategic management and has been a prolific writer for the last three decades. In one of his earlier books, Corporate Strategy (1965), he explained the concept of strategy as: "The common thread among the organization's activities and product- markets... that defines the essential nature of business that the organization was or planned to be in future". Ansoff has stressed on the commonality of approach that exists in diverse organizational activities including the products and markets that define the current and planned nature of business.

William F Glueck (1972)

Another well-known author in the area of strategic management was Glueck, who was a Distinguished Professor of Management at the University of Georgia till his death in 1980. He defined strategy precisely as: "A unified, comprehensive and integrated plan designed to assure that the basic objectives of the enterprise are achieved". The three adjectives, which Glueck has used to define a plan, make the definition quite adequate.'Unified' means that the plan joins all the parts of an enterprise together; 'comprehensive' means it covers all the major aspects of the enterprise, and 'integrated' means that all parts of the plan are compatible with each other.

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Henry Mintzbeg (1987)

Mintzberg of McGill University is a noted management thinker and prolific writer on strategy. He advocates the idea that strategies are not always the outcome of rational planning. They can emerge from what an organization does without any formal plan. He defines strategy as: "a pattern in a stream of decisions and actions". Mintzberg distinguishes between intended strategies and emergent strategies. Intended strategies refer to the plans that managers develop, while emergent strategies are the actions that actually take place over a period of time. In this manner, an organization may start with a deliberate design of strategy and end up with another form of strategy that is actually realized.

Michael E Porter (1996)

Michael Porter of the Harvard Business School has made invaluable contributions to the development of the concept of strategy. His ideas on competitive advantage, the five-forces model, generic strategies, and value chain (you will get to learn about all these later at appropriate places in this book) are quite popular. He opines that the core of general management is strategy, which he elaborates as: "... developing and communicating the company's unique position, making trade-offs, and forging fit among activities".

The field of strategy is indeed fascinating, prompting an author to give the title-: What is Strategy and does it matter?"- To his thought-provoking book. Drucker goes to the extent of terming the strategy of an organization as its "theory of the business". By means of the deeper insight that developed through years of experience and thinking, they have attempted to define the concept of strategy with greater clarity and precision.

"Strategic management is an ongoing process that assesses the business and the industries in which the company is involved; assesses its competitors and sets goals and strategies to meet all existing and potential competitors; and then reassesses each strategy annually or quarterly [i.e. regularly] to determine how it has been implemented and whether it has succeeded or needs replacement by a new strategy to meet changed circumstances, new technology, new competitors, a new economic environment., or a new social, financial, or political environment."

Strategic management is the art and science of formulating, implementing and evaluating cross-functional decisions that will enable an organization to achieve its objectives. It is the process of specifying the organization's objectives, developing policies and plans to achieve these objectives, and allocating resources to implement the policies and plans to achieve the organization's objectives. Strategic management, therefore, combines the activities of the various functional areas of a business to achieve organizational objectives. It is the highest level of managerial activity, usually formulated by the Board of directors and performed by the organization's Chief Executive Officer (CEO) and executive team. Strategic management provides overall direction to the enterprise and is closely related to the field of Organization Studies. In the field of business administration it is possible mention to the "strategic consistency." According to Arieu (2007), "there is strategic consistency when the actions of an organization are consistent with the expectations of management, and these in turn are with the market and the context."

... that this discipline is in the process of evolution and a uniform terminology is still evolving. By combining the above definitions we do not attempt to define strategy in a novel way but we shall try to analyze all the elements that we have come across. One should note that strategy is:

- **A plan or course of action or a set of decision rules forming pattern or creating a common thread,**
- **The pattern or common thread related to the organization's activities which are derived from its policies, objectives and goals,**
- **Related to pursuing those activities, which move an organization from its current position to a desired future state.**

Let's take an example to focus more on strategy:

Strategy defines a framework for guiding the choice of action. Some time we may ask, "What is Coca-Cola's strategy to go on to become a market leader?

KEY TERMS IN STRATEGIC MANAGEMENT

Strategic management, like many other subjects, has developed terminology to identify important concepts. Each of the following definitions is amplified and supplemented with additional examples in subsequent chapters.

Purpose

The organization's purpose outlines why the organization exists; it includes a description of its current and future business .The purpose of an organization is its primary role in society, a **broadly** defined aim (such as manufacturing electronic equipment) that it may share with many other organizations of its type.

Mission

The mission of an organization is the unique reason for its existence that sets it apart from all others. The organization's mission describes **why** the organization exists and guides **what** it should be doing. Often, the organization's mission is defined in a formal, written **mission statement**. Decisions on *mission* are the most important strategic decisions, because the mission is meant to guide the entire organization. Although the terms "*purpose*" and "*mission*" are often used interchangeably, to distinguish between them may help in understanding organizational goals.

Goals

A goal is a desired future state that the organization attempts to realize, it is an open ended attribute.

Objectives

The term **objective** is often used interchangeably with goal but usually refers to pecific targets for which measurable results can be obtained. Organizational objecives are the end points of an organization's mission. **Objectives refer to the pecific kinds of results the organizations seek to achieve through its existnce and operations.** Objective defines **what** it is the organization hopes to acmplish, both over the long and short term.

rategy

egies are the means by which long-term objectives will be achieved. "**A strat- a unified, comprehensive, and integrated plan that relates the stra- dvantages of the firm to the challenges of the environment. It is d to ensure that the basic objectives of the enterprise are achieved proper execution by the organization**" . The role of strategy is to identify the general approaches that the organization utilize to achieve its organizational objectives. Therefore, the choice of strategy is so central to the study and understanding of strategic management.

Tactics

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In contrast, **tactics** are specifics actions the organization might undertake in carrying its strategy.

Policy

In years past it was common practice to title courses and books in the strategic management areas as "**Business policy**," if one wished to take up broader range of organizations. In one sense, what has happened is that word strategy has replaced policy. But there is another sense in which the term policy is used that differentiates it from strategy, and from tactics as well. In this view, policies are the means by which objectives will be achieved. **Policies are guide to action. They include how resources are to be allocated and how tasks assigned to the organization might be accomplished**.

Policies include *guidelines, procedures, rules, programs, and budgets* established to support efforts to achieve stated objectives. Therefore, policies become important management tools for implementing them.

Strategists

The final key term to be highlighted here is "*strategists*". ***Strategists** are the individuals who are involved in the strategic management process*. Several levels of management may be involved in strategic decision-making. However, the people responsible for major strategic decisions are the board of director, president, the chief executive officer, the chief operating officer, and the division managers.

THE SCOPE OF STRATEGIC MANAGEMENT

J. Constable has defined the area addressed by strategic management as "*the management processes and decisions which determine the long-term structure and activities of the organization*". This definition incorporates five key themes:

1. Management Process
2. Management Decisions
3. Time Scales
4. Structure of the Organization
5. Activities of the Organization

Figure 2.1

- **Management process**. Management process as relate to how strategies are created and changed.
- **Management decisions**. The decisions must relate clearly to a solution of perceived problems (how to avoid a threat; how to capitalize on an opportunity).
- **Time scales**. The strategic time horizon is long. However, it for company in real trouble can be very short
- **Structure of the organization**. An organization is managed by people within a structure. The decisions which result from the way that managers work together within the structure can result in strategic change.
- **Activities of the organization** This is a potentially limitless area of study and we normally shall centre upon all activities which affect the organization.

These all five themes are fundamental to a study of the strategic management field and are discussed further in this chapter and other part of this thesis.

DIMENSIONS OF STRATEGIC MANAGEMENT

Strategic management process involves the entire range of decisions. Typically, strategic issues have six identifiable dimensions:

- Strategic issues require **top-management decisions** .
- Strategic issues involve the **allocation of large amounts of company resources** .
- Strategic issues are likely to have significant impact on the **long-term prosperity of the firm**.
- Strategic issues **are future oriented**.
- Strategic issues usually have **major multifunctional or multibusiness consequences** .
- Strategic issues necessitate considering factors in **the firm's external environment**.

THE STRATEGIC DECISION MAKERS

The strategic management process requires competent individuals to ensure its success. Therefore, to understand strategic management, we must know where strategic decisions are made in organizations.

Inputs to strategic decisions can be generated in a number of ways. Overall, **top management, board of directors**, and **planning staff** tend to be those positions that have the most significant involvement and influence in the strategic management process of organizations. The failure of an organization to achieve its objectives can often be traced to a breakdown at the level of the board or top management. However, the final responsibility rests with top management. Some of the strategic management responsibilities are outlined in

Top Management

The term "**top management**" refers to a relatively small group of people include president, chief executive officer, vice president, and executive vice president. Because the insights of these executives play such a critical role, a number of writers have stressed the importance of matching the characteristics of these executives with the firm's strategies. The strategic management process of today tends to be dominated by the **chief executive officer (CEO)**. For example, *Kenneth R. Andrews* described the chief executive's role as "*Chief Executive as Architect of Purpose*."

George Steiner summarized the role of the CEO in strategic management as follows:

1. The CEO must understand that strategic management is his responsibility. Parts of this task, but certainly not all of it, can be delegated.
2. The CEO is responsible for establishing a climate in the organization that is congenial to strategic management.
3. The CEO is responsible for ensuring that the design of the process is appropriate to the unique characteristics of the company.
4. The CEO is responsible for determining whether there should be a corporate planner. If so, the CEO generally should appoint the planner (or planners) and see that the office is located as close to that of the CEO as practical.
5. The CEO must get involved in doing planning.

6. The CEO should have face-to-face meetings with executives for making plans and should ensure that there is a proper evaluation of the plans and feedback to those making them.
7. The CEO is responsible for reporting the results of the strategic management process to the board of directors.

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The chief executive officer (CEO) is responsible for the final decisions, but its decisions is the culmination of the ideas, information, and analyses of others

Other Managers and Staff Members

In many organizations, the job of strategic management can become so overwhelming, that the chief executive must assign individuals, usually called **planning staff personnel**, to help with the tasks. Recent theory and studies suggest that **middle-level managers** attempt to influence business strategy and often initiate strategic proposals.

Board of Directors

The business which exists in corporate form has a **board of directors**, elected by stockholders and given ultimate authority and responsibility. Boards typically elect a chairperson who is responsible for overseeing board business, and they form standing committees which meet regularly to conduct their business. A strategy committee is a board committee that works with CEO to develop strategic management process.

It is common practice for organizations to have boards of directors consisting of both outsiders and insiders. One approach used to reconcile the differing roles of outside directors and inside strategic decision makers is **agency theory**.

Agency theory defines as a nexus of contractual relationships among various stakeholders, including shareholders, managers, employees, and customers, each motivated by self-interest. In this view, a firm exists to exploit the potential advantages of cooperative behavior among stakeholders, and strengthening the link between the company and its environments.

Board of directors it plays an important role in the strategic management process. A strategy committee commonly audits various components of an organization's strategic management process in order to make it more effective and efficient. For example, the board can demand reexamination of the company's mission, its long-term goals, its corporate strategy, and its approach to the competition.

To quote *Kenneth Andrews, "A responsible and effective board should require of its management a unique and durable corporate strategy, review it periodically for its validity, use it's as the reference point for all other board decisions,"*'

The boards guide the affairs of corporation and protect stockholder interests. A growing literature suggests that boards can make a difference in the way the firms is managed. Each of the four cells in the matrix can be labeled according to type: caretaker, statutory, proactive, and participative boards.

Variations in these qualities affect company performance in different ways:

1. The **caretaker board** is characterized by a low level of power in both the board and in the CEO. This type of board does not contribute significantly to effective company performance.
2. The **statutory board** differs from the caretaker board in that a powerful CEO is the central figure in organization decision making. The CEO does not consider the board as a true partner in shaping the strategic posture of the company.

3. The **proactive board** commands powers that surpass those of its CEO. These boards are a true instrument of corporate governance.
4. The **participative board** is characterized by discussion, debate, and disagreement. Leadership is shared among management, board members, and outside directors, who constitute a majority. In this case, negotiation and compromise are essential for effective governance.

Recently, the role of the directors has been growing in importance because of increasingly vocals stockholders. In essence, the board functions as the brain and soul of the organization and as the guardian of shareholders interests, its pervasive influence in many aspects of organizational life is believed to enrich the firm.

Strategic decisions are evaluated by the board of directors, but are the responsibility of top management, supported by corporate planning staffs, that perform analyses and manage the planning processes.

BASIC MODELS OF STRATEGIC MANAGEMENT

There is no one perfect strategic planning model for each organization. Each organization ends up developing its own nature and model of strategic planning, often by selecting a model and modifying it as they go along in developing their own planning process. The following models provide a range of alternatives from which organizations might select an approach and begin to develop their own strategic planning process. Note that an organization might choose to integrate the models, e.g., using a scenario model to creatively identify strategic issues and goals, and then an issues-based model to carefully strategize to address the issues and reach the goals.

The following models include: "basic" strategic planning, issue-based (or goal-based), alignment, scenario, and organic planning. The strategic management model identifies concepts of strategy and the elements necessary for development of a strategy enabling the organization to satisfy its mission. Historically, a number of frameworks and models have been advanced which propose different normative approaches to strategy determination. However, a review of the major strategic management models indicates that they all include the following elements:

1. Performing an environmental analysis.
2. Establishing organizational direction.
3. Formulating organizational strategy.
4. Implementing organizational strategy.
5. Evaluating and controlling strategy.

Strategic management is a continuous and dynamic process. Therefore, it should be understood that each element interacts with the other elements and that this interaction often happens simultaneously.

Andrews' Models

In 1965, *Kenneth Andrews* developed a simple model. This model includes the choice of a strategy, but ignores implementation and control. In 1971, *Andrews* formulated a more complete model that included implementation, but it still ignores a strategic control and evaluation.

Glueck's Model

William F. Glueck developed several models of strategic management based on the general decision-making process. The phases of this model are as follows:

- **Strategic management elements**: "*...to determine mission, goals, and values of the firm and the key decision makers.*"
- **Analysis and diagnosis**: "*...to search the environment and diagnose the impact of the threats and opportunities.*"

- **Choice**: *...to consider various alternatives and assure that the appropriate strategy is chosen."*
- **Implementation**: *"...to match plans, policies, resources, structure, and administrative style with the strategy."*
- **Evaluation**: *"...to ensure strategy and implementation will meet objectives."*

NOTES

As major contribution to the strategic management process, Glueck considered two elements: "***enterprise objectives***" (the mission and objectives of the enterprise," and "***enterprise strategists***" (who are involved in the process). Moreover, Glueck broke down the planning process into analysis and diagnosis, choice, implementation, and evaluation functions. This model also treats leadership, policy, and organizational factors. However, Glueck omitted the important medium- and short-range planning activities of strategy implementation.

The Schendel And Hofer Model

Dan Schendel and Charles Hofer developed a strategic management model, incorporating both planning and control functions. Their model consists of several basic steps:

(1) Goal formulation,

(2) Environmental analysis,

(3) Strategy formulation,

(4) Strategy evaluation,

(5) Strategy implementation, and

(6) Strategic controL

According to Schendel and Hofer, the formulation portion of strategic management consists of at least three sub processes:

- **Environmental analysis,**
- **Resources analysis,**
- **And value analysis.**

Resource and value analyses are not specifically shown, but are considered to be included under other items (strategy formulation).

The Thompson and Strickland Model

Thompson and Strickland developed several models of strategic management. According to Thompson and Strickland strategic management is an ongoing process: "**nothing is final and all prior actions and decisions are subject to future modification**." This process consists of five major five ever-present tasks:

1. Developing a concept of the business and forming a vision of where the organization needs to be headed.
2. Converting the mission into specific performance objectives.
3. Crafting a strategy to achieve the targeted performance.
4. Implementing and executing the chosen strategy efficiently and effectively.
5. Evaluating performance, reviewing the situation, and initiating corrective adjustments in mission, objectives, strategy, or implementation in light of actual experience, changing conditions, new ideas, and new opportunities.

Thompson and Strickland suggest that the firm's mission and objectives combine to define "**What is our business and what will it be**?" and "**what to do now**" to achieve organization's goals. How the objectives will be achieved refers to the strategy of firm. In general, this model highlights the relationships between the organization's mission, its long- and short-range objectives, and its strategy.

Korey's Model

Modern theorist and writer, **Jerzy Korey-Krzeczowski, founder and President Canadian School of Management**, have proposed an integrated model of strategic management. Korey's model consists of three discrete major phases:

(1) **Preliminary analysis phase,**
(2) **Strategic planning phase,**
(3) **Strategic management phase.**

Further, Korey states that the systematic planning consists of at least four continuous sub processes:

(1) **Planning studies,**
(2) **Review and control,**
(3) **Feasibility studies**, and
(4) **Feasibility studies.**

The planning is ongoing process, thus all these sub processes are integrated and they are interacted each other; creating the fully dynamic model. Korey's model incorporates both planning and control functions. Moreover, it describes not only long-range strategic planning process, but also includes elements of medium and short range planning.

Korey's model is based on existing models; but it differs in content, emphasis, and process. This model adds several facets to the planning process that the reader has not seen in other models. Some of these are: *development of educational philosophy, analysis of the value systems, review of community orientation and social responsibilities, definition of planning parameters, planning studies, and feasibility studies.*

Schematic Model

This model was developed by *Peter Wright, Charles Pringle and Mark Kroll* (1994). It consists of five stages:

1. **Analyze the environmental opportunities and threats.**
2. **Analyze the organization's internal strengths and weaknesses.**
3. **Establish the organizational direction: mission and goals.**
4. **Strategy formulation.**
5. **Strategy Implementation.**
6. **Strategic Control.**

The model begins with an analysis of environmental opportunities and threats. The organization is affected by environmental forces; but the organization can also have an impact upon its environment. The organization's mission and goals are linked to the environment by a dual arrow. This means that the mission and goals are set in the context of environmental opportunities and threats. The next arrow depicts the idea that strategy formulation sets strategy implementation in motion. Specifically, strategy is implemented through the organization's structure, its leadership, and its culture. Then, the final downward arrow indicates that the actual strategic performance of the organization is evaluated. The control stage is demonstrated by the feedback line that connects strategic control to the other parts of the model.

Developing the Strategic Management Process-Strategic Planning

Frederick W. Glueck, Stephan P. Kaufman, and A. Steven Walleck, studied the evolution of strategic management in 120 companies. They suggested that strategic planning in most organizations must evolve through four sequential phases.

NOTES

Phase 1 - Basic financial planning - Organizations in phase 1 emphasize preparing and meeting annual budgets. Financial targets are established and revenues and costs are carefully monitored. The emphasis is short-term, and the primary focus is on the functional aspects of the organization. Most organizations in this phase exhibit few other characteristics relating to the future

Phase 2 - Forecast-based planning - Organizations in phase 2 usually extend of the time frames covered by the budgeting process. Managers tend to seek more sophisticated forecasts and to become aware of their external environment and its effect on their organizations. Therefore, organization in phase 2 has more effective resource allocation and more timely decisions relating to organization's long-range competitive position.

Phase 3 - Externally oriented planning - Phase 3 is characterized by the attempt to understand basic marketplace phenomena. Organizations begin to search for new ways to define and satisfy customer needs. Moreover, phase 3 differs from the earlier phases that the corporate planners are expected to generate a number of alterative courses of action for top management. Top management begins to evaluate strategic alternatives in a formalized manner to planning and actions.

Phase 4 - Strategic Management - Phase 4 is characterized by the merging of strategic planning and management into a single process. This integrated approach is accomplished through the presence of three elements: **pervasive strategic thinking** (managers all levels have learned to think strategically), **comprehensive planning process**, and **supportive value system**.

Model One - "Basic" Strategic Planning

This very basic process is typically followed by organizations that are extremely small, busy, and have not done much strategic planning before. The process might be implemented in year one of the nonprofit to get a sense of how planning is conducted, and then embellished in later years with more planning phases and activities to ensure well-rounded direction for the nonprofit. Planning is usually carried out by top-level management. The basic strategic planning process includes:

1. **Identify your purpose (mission statement)** - This is the statement(s) that describes why your organization exists, i.e., its basic purpose. The statement should describe what client needs are intended to be met and with what services, the type of communities are sometimes mentioned. The top-level management should develop and agree on the mission statement. The statements will change somewhat over the years.
2. **Select the goals your organization must reach if it is to accomplish your mission** - Goals are general statements about what you need to accomplish to meet your purpose, or mission, and address major issues facing the organization.
3. **Identify specific approaches or strategies that must be implemented to reach each goal** - The strategies are often what change the most as the organization eventually conducts more robust strategic planning, particularly by more closely examining the external and internal environments of the organization.
4. **Identify specific action plans to implement each strategy** - These are the specific activities that each major function (for example, department, etc.) must undertake to ensure it's effectively implementing each strategy. Objectives should be clearly worded to the extent that people can assess if the objectives have been met or not. Ideally, the top management develops specific committees that each have a work plan, or set of objectives.

5. **Monitor and update the plan** - Planners regularly reflect on the extent to which the goals are being met and whether action plans are being implemented. Perhaps the most important indicator of success of the organization is positive feedback from the organization's customers.

Note that organizations following this planning approach may want to further conduct step 3 above to the extent that additional goals are identified to further developing the central operations or administration of the organization, e.g., strengthen financial management.

Model Two - Issue-Based (or Goal-Based) Planning

Organizations that begin with the "basic" planning approach described above, often evolve to using this more comprehensive and more effective type of planning. The following table depicts a rather straightforward view of this type of planning process.

Summary of Issue-Based (or Goal-Based) Strategic Planning

(Note that an organization may not do all of the following activities every year.)

1. External/internal assessment to identify "SWOT" (Strengths and Weaknesses and Opportunities and Threats)
2. Strategic analysis to identify and prioritize major issues/goals
3. Design major strategies (or programs) to address issues/goals
4. Design/update vision, mission and values (some organizations may do this first in planning)
5. Establish action plans (objectives, resource needs, roles and responsibilities for implementation)
6. Record issues, goals, strategies/programs, updated mission and vision, and action plans in a Strategic Plan document, and attach SWOT, etc.
7. Develop the yearly Operating Plan document (from year one of the multi-year strategic plan)
8. Develop and authorize Budget for year one (allocation of funds needed to fund year one)
9. Conduct the organization's year-one operations
10. Monitor/review/evaluate/update Strategic Plan document

Model Three - Alignment Model

The overall purpose of the model is to ensure strong alignment among the organization's mission and its resources to effectively operate the organization. This model is useful for organizations that need to fine-tune strategies or find out why they are not working. An organization might also choose this model if it is experiencing a large number of issues around internal efficiencies. Overall steps include:

1. The planning group outlines the organization's mission, programs, resources, and needed support.
2. Identify what's working well and what needs adjustment.
3. Identify how these adjustments should be made.
4. Include the adjustments as strategies in the strategic plan.

Model Four - Scenario Planning

This approach might be used in conjunction with other models to ensure planners truly undertake strategic thinking. The model may be useful, particularly in identifying strategic issues and goals.

NOTES

Check Your Progress

1. Define strategic Management.
2. What do you means objective terms in strategic Management?
3. Strategic issues have six identifiable dimesions Name it.

NOTES

1. Select several external forces and imagine related changes which might influence the organization, e.g., change in regulations, demographic changes, etc. Scanning the newspaper for key headlines often suggests potential changes that might effect the organization.
2. For each change in a force, discuss three different future organizational scenarios (including best case, worst case, and OK/reasonable case) which might arise with the organization as a result of each change. Reviewing the worst-case scenario often provokes strong motivation to change the organization.
3. Suggest what the organization might do, or potential strategies, in each of the three scenarios to respond to each change.
4. Planners soon detect common considerations or strategies that must be addressed to respond to possible external changes.
5. Select the most likely external changes to effect the organization, e.g., over the next three to five years, and identify the most reasonable strategies the organization can undertake to respond to the change.

Model Five - "Organic" (or Self-Organizing) Planning

Traditional strategic planning processes are sometimes considered "mechanistic" or "linear," i.e., they're rather general-to-specific or cause-and-effect in nature. For example, the processes often begin by conducting a broad assessment of the external and internal environments of the organization, conducting a strategic analysis ("SWOT" analysis), narrowing down to identifying and prioritizing issues, and then developing specific strategies to address the specific issues.

Another view of planning is similar to the development of an organism, i.e., an "organic," self-organizing process. Certain cultures, e.g., Native American Indians, might prefer unfolding and naturalistic "organic" planning processes more than the traditional mechanistic, linear processes. Self-organizing requires continual reference to common values, dialoguing around these values, and continued shared reflection around the systems current processes. General seps include:

1. Clarify and articulate the organization's cultural values. Use dialogue and story-boarding techniques.
2. Articulate the group's vision for the organization. Use dialogue and story-boarding techniques.
3. On an ongoing basis, e.g., once every quarter, dialogue about what processes are needed to arrive at the vision and what the group is going to do now about those processes.
4. Continually remind yourself and others that this type of naturalistic planning is never really "over with," and that, rather, the group needs to learn to conduct its own values clarification, dialogue/reflection, and process updates.
5. Be very, very patient.
6. Focus on learning and less on method.
7. Ask the group to reflect on how the organization will portray its strategic plans to stakeholders, etc., who often expect the "mechanistic, linear" plan formats.

TYPES OF STRATEGIES:

Following are the types of business strategies:

1. **Stability Strategy:** It is a strategy, which aims at retaining what the organization has already achieved. Such a strategy concentrates on utiization of

its existing resources and to maintain organization competitive strengths in the environment.

2. **Growth Strategy:** It is a strategy, which aims at growth, development and diversification of the business organization. Product development, market development, activity diversification are the aspects of it.
3. **Retreat Strategy:** This strategy is adopted when an organization is not fairing well in the market or when it becomes impossible to run the business except without loss. It covers winding up, liquidation, divestment, cut-back and turn around etc.
4. **Combination Strategy:** A strategy which aims at forming business combination. The combination strategy may be with backward integration, forward integration, horizontal integration or diagonal integration. The result of this strategy is emergence of Joint Ventures or Conglomerate organizations.
5. **Grand Strategy:** A strategy, which is for the entire organization survival and growth, is known as the Grand or the Master Strategy. It aims for achieving organization level profitability goals.

Strategy Formulation:

The main of the strategy formulation are as follows:

1. ***Determining Purpose*:** Strategy formulations starts with the determination of the purpose of the organization. The purpose should be clear and expressive. It should be in detail and in terms of profitability, market share, technology, HRD and social obligations. The organization must review its purpose periodically so as to make a strong position in the market and supersede its competitors.
2. ***Identification of current activities*:** After a clear purpose in hand, a manager should identify the current activities of the organization. It includes range of product and services, geographical coverage, competitive edge etc.
3. ***Environmental Analysis*:** The purpose of environmental analysis is to identify the way in which changes in an organization/s economic, social, cultural, technological, political, legal environment can influence the organization. It also aims at identifying the base at which his stakeholders influence the organization.
4. ***Organizational Analysis*:** It involves the identification of its strengths and weaknesses of the organization. It includes the review of financial position, production capacity, marketing effectiveness, R&D facility, skills and productivity of work etc.
5. ***Developing Strategic Alternatives*:** In this step the manager indentifies and develops alternatives strategies through "SWOT" analysis. Through such a mapping, manager shall come to know the strategic gap between the existing and desired state of affairs and can arrange remedies to fill this gap.
6. ***Evaluation of Strategic Alternatives*:** After developing alternatives manager should evaluate each of them on the following criteria-
   a. Consistent goals, objectives and policies.
   b. Existing resources and efforts.
   c. Capable of solutions as per the skills.
   d. Capability of producing intended (promised) results.

NOTES

7. ***Choosing appropriate strategy***: Manager should choose one appropriate strategy out of the alternatives that is best suited to the organization need. In choosing a strategy a manager should consider factors like time, resources, risk involved, management philosophy.
8. ***Strategy Implementation***: After formulation and selection now is the time to implement the strategy, so we have to prepare daily operations, tactical plans, programs and policies, budget etc.
9. ***Follow up and Feedback***: During the course of implementation the manager should continuously follow up the result and check the process of implementation.

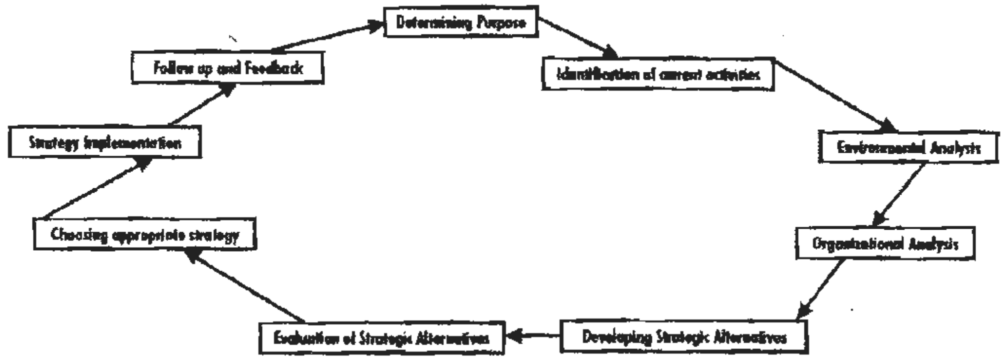

Figure 9.2

ELEMENTS OF STRATEGY

There are four components of strategy :-

First, strategy should include a **clear set of long term goals**. Second components are that it should **define the scope of the firm** i.e. the types of products the firm will serve etc. Thirdly, a strategy should have a clear statement of **what competitive advantage it will achieve and sustain**. Finally, the strategy must represent the firms' **internal contest that will allow it to achieve a competitive advantage in the environment in which it has chosen to compete**. *Thus, we may say, 'Goals' are 'What' of the strategy 'Competitive Advantage; is how of the strategy and the; logic is the 'Way' of the strategy.*

Strategic management is a science of choosing the alternatives from the designed and available courses. The managers have to decide on a process that will be most suitable to their conditions and that would enable them to achieve a desired position for their organization.

Strategic management is the process of systematically analyzing various opportunities and threats vis-à-vis organizational strengths and weaknesses, formulating, and arriving at strategic choices through critical evaluation of alternatives and implementing them to meet the set objectives of the organization.

Thus strategy covers the following aspects :-

i. *Exploring and determining the vision of the company in the form of a vision statement.*
ii. *Developing a mission statement of the company that should include statement of methodology for achieving the objectives, purposes, and the philosophy of the organization adequately reflected in the vision statement.*
iii. *Defining the company profile that includes the internal culture, strengths and capabilities of an organization.*

iv. *Critical study of external environmental factors, threats, opportunities etc.*

v. *Finding out ways by which a company profile cans be- matched with its environment to be able to accomplish mission statement.*

vi. *Deciding on the most desirable courses of actions for accomplishing the mission of an organization.*

vii. *Selecting a set of long-term objectives and also the corresponding strategies to be adopted in line with vision statement.*

viii. *Evolving short-term and annual objectives and defining the corresponding strategies that would be compatible with the mission and vision statements.*

ix. *Implementing the chosen strategies in a planned way based on budgets and allocation of resource, outlining the action programs and tasks.*

x. *Installation of a continuous compatible review system to create a controlling mechanism and also generate data for selecting future course of action)*

A summary model of the elements of strategic management

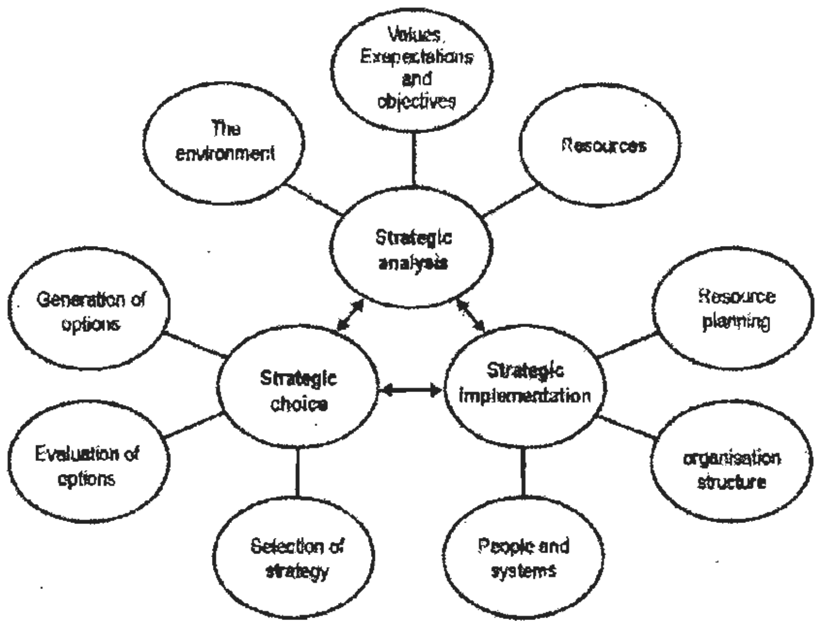

Figure 9.3

ELEMENTS IN STRATEGIC MANAGEMENT PROCESS

Each phase of strategic management process can be viewed to be consisting of a number of elements, which can be clearly defined with input and output relationships. The steps have logical connectivity and hence these are sequential. These steps can be illustrated with the help of a flow diagram. The following discrete twelve steps can be considered as comprehensive.

- Defining the vision of the company
- Defining the mission of the company
- Determining the purposes or goals
- Defining the objectives
- Environment scanning
- Carrying out corporate appraisal
- .Developing strategic alternatives

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- Selecting a strategy
- Formulating detailed strategy
- Preparing a plan
- Implementing a strategy
- Evaluating a strategy

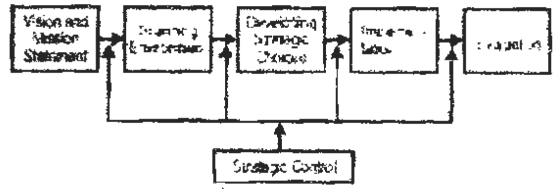

Figure 9.4

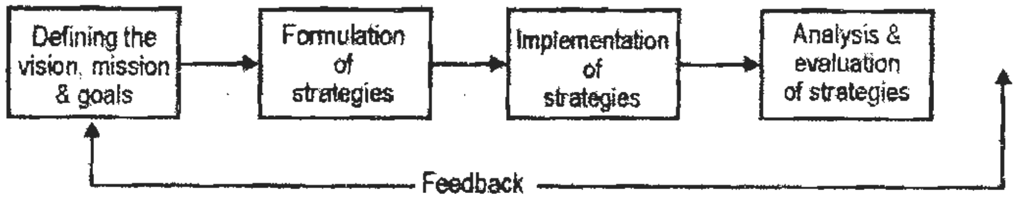

Figure 9.5

Four Core Elements of Strategy

All organisations *have* strategy. They are all trying to get to their goal. It may or may not be effective. And, in most cases it is not consciously laid out (but built on unacknowledged assumptions about how change happens).So how can we identify an effective strategy? Here's a definition that looks at four core elements that result from a good conscious strategy. Using it can shed light on the dynamics of your underlying strategy. Most organisations have these elements in varying degrees and with varying levels of consciousness ("do we have a clear direction?"). When looking at one's organisation, you can use these four elements to decide – "Are we effective at this aspect? If not, how can we maximise it in the organisation?" As one makes their strategy more conscious and deliberate, you'll be able to develop a group that can check how they are going on certain strategy challenges ("are we concentrating our resources?").

The purpose of strategy is to achieve the following four elements:

Setting direction

Defining a clear and simple long-term goal which is capable of motivating effort.

Concentrating resources

Focusing all resources, efforts and enthusiasm in the agreed direction.

Maintaining consistency

Progressing in the same direction, with the same focus over long periods of time, deviating only when necessary.

Retaining flexibility

As a successful strategy become more embedded in the organisation's culture it tends to become set and increasingly resistant to change. It is therefore vital to maintain a continuous assessment of the various environments and key variables on which the strategy depends and continually review the necessity for revising the agreed strategy.

Setting direction

Strategy can be identified in operational terms as setting the direction, as in: Where are we now? Where do we want to get to? This directional idea is far from being the whole story, but it is nevertheless surely crucial. Once the direction is set, it becomes possible to take decisions in a consistent manner with regard to strategy. Only when direction is set is it possible for all members of the organisation to know which way they are headed, and only then can they shape their own efforts accordingly. With no direction, members may well allocate their efforts and enthusiasm in random and conflicting directions with no prospect of building coherence.

Concentrating resources

This element is the most often violated principle of effectiveness. When working for a goal, the need is to make a commitment as an organisation to that direction. That means efforts within the group must be concentrated on that direction, not always going in different directions.

One strategist, in trying to explain strategy, said: "You know you have strategy when you know what you are *not* going to do." Concentration is about keeping to the goals set out by the direction, and marshalling resources to make that happen. For Gandhi, this meant constantly assessing and deciding, "*If* we do this worthy project, will it push forward our eventual goal, the overthrow of the British Empire and the cultural uplift of the Indian people?" If not, then he

might applaud the project, but not spend energy working on that project. The reason for lack of concentration are various. The most difficult aspect of concentration is the decision to *not* do

things (not join a certain protest, pass up a particular opportunity). And yet, concentration remains one of the key determinants of success.

Maintaining consistency

A third main purpose of strategy is to provide consistency. All that has been said of concentration applies to consistency. Consistency is simply concentration over time. Like concentration it applies to big, large decisions and it applies to the myriad mini-decisions which determine how an individual's time, effort, and enthusiasm will be allocated. Without consistency the organisation will continually change direction, flitting like a butterfly from one project to another

Retaining flexibility

As an organisation with a direction learns to concentrate consistently, the established position and effective culture of the organisation gradually becomes more deeply imprinted on the organisation. Individual members become expert and make heavy personal and psychological investments in their expertise. The organisation as a whole accumulates substantial commitment to the existing and successful approach. This will tend gradually to render the organisation less capable of noticing, let alone creating, change in its approach. Strategy needs to set direction, concentrate effort and provide consistency, but at the same time, it needs to ensure organisational flexibility. Direction, concentration, and consistency require determined action for their achievement. And when achieved, they militate against flexibility. Thus the purpose of strategy is rather subtle: a balance between commitment to a successful direction and the ability to change direction when required.

CONCLUSION

In business organization, strategy means the long range overall approach for dealing with organization's competitive environment with a view to winning over competitors in the business. A strategy is an integrated and unified long-range plan or a set of plans regarding the deployment of organisation's resources to achieve the goals of the organization in a competitive environment.

Check Your Progress

4. Name the phases which consists by Korey's Model.
5. Define growth strategy.
6. What are the purpose of environmental Analysis?

NOTES

CHAPTER AT A GLANCE

- The word strategy has been derived from Greek 'strategos', which means generalship and is first used in military.
- Strategic Management is a process of managing the pursuit of organizational mission by managing the relationship of the organization to its environment.
- Strategic Management is the art and science of formulating, implementing and evaluating cross-functional decision that will enable an organization to achieve its objectives.
- Strategy is a plan, pattern, which moves an organization from its current position to a desired future state.
- The purpose outlines why the organization exist whereas the mission the unique reason for an existence of an organization that sets it part from all others.
- Goal is a desired future state and Objective refers to a specific kind of results the organization seeks.
- Scope of Strategic Management incorporates five key things – Management process, Management Decision, Time Scales, Structure of the organization, Activities of the organization.
- Strategic issues have six identifiable dimensions- Top Management decisions, Allocation of Company Resources, Long Term Prosperity, Future Oriented, Multi Functional Consequences and External Environment.
- Top Management, Board of Directors and Planning Staff can generate the Strategic decision.
- CEO is responsible for the final decision of the Top Management but his decision is the summary of ideas, information and analysis of others.
- Variation in Caretaker board, Statutory board, Proactive board and Participative board affix the company performance.
- Strategic Management model includes the following elements-
  - Performing an Environmental analysis
  - Establishing an Organizational Direction
  - Formulating Organizational Strategy
  - Implementing Organizational Strategy
  - Evaluating and Controlling Strategy
- William F. Glueck consider enterprise objective and enterprise strategist as main element of Strategic Management process.
- Dan Schendel and Charles Hofer state that the environmental, resources and value analysis are important sub processes of Strategic Management.
- Thompson and Strickland state that strategic management is an ongoing process and nothing is final and all prior action and decisions are subject to future modification.
- Korey's model consists of three major phases- Preliminary analysis phase, Strategic planning phase and Strategic Management phase.
- Schematic model was developed by Peter Wright, Charles Pringle and Mark Kroll.

- Strategic Management process phases
  - Basic Financial Planning
  - Forecast based Planning
  - External Oriented Planning
  - Strategic Management
- Model 1 – Basis Strategic Planning process include identify your purpose , select the goal, identify the approaches, implement a specific action plan and monitor & update the plan.
- Model 2 – Issue based strategic planning includes SWOT analysis, design strategies, update visions and missions, establish action plans, strategic plan document, develop and authorize budget and monitor/update the strategic plan document
- Model 3 – Alignment model includes outline mission, programs and resources, identify working and adjustments.
- Model 4 – Scenario planning; this model is used in conjunction with other models to ensure planners truly undertake strategic thinking.
- Model 5 – Organic planning; It requires continual reference to common values, dialoguing around these values and continued shared reflection around the system current processes.
- Types of Strategies- Stability strategy, Growth strategy, Retreat strategy, Combination strategy and Grand strategy.
- Steps of strategy formulation:
  - Determining mission of purpose.
  - Identification of current objectives and activities
  - Environmental analysis
  - Organizational analysis
  - Developing strategic alternatives
  - Evaluation of strategic alternatives
  - Choosing appropriate strategy
  - Strategy implementation
  - Follow up and feedback.
- The 4 components of strategy are clear set of long term goals, define the scope of firm, competitive advantage and internal contest.
- Elements in strategic management process – vision & mission statement, scanning environment, developing strategic choices, implementation, evaluation.
- Purpose of strategy to achieve following elements :- Setting direction, Concentrating resources, Maintaining consistency, Retaining Flexibility.

ANSWER TO CHECK YOUR PROGRESS:

1. Strategic management is an ongoing process that assesses the business and the industries in which the company is involved; assesses its competitors and sets goals and strategies to meet all existing and potential competitors.

NOTES

2. Objectives refer to the specific kinds of results the organizations seek achieve through its existence and operations. Objective defines what it is organization hopes to accomplish, both over the long and short term.
3. Strategic issues have six identifiable dimensions- Top Management de sions, Allocation of Company Resources, Long Term Prosperity, Futı Oriented, Multi Functional Consequences and External Environment.
4. Korey's model consists of three discrete major phases:

   (1) Preliminary analysis phase,

   (2) Strategic planning phase,

   (3) Strategic management phase.
5. **Growth Strategy:** It is a strategy, which aims at growth, development aı diversification of the business organization. Product development, mark development, activity diversification are the aspects of it.
6. The purpose of environmental analysis is to identify the way in whic changes in an organization/s economic, social, cultural, technological, polit cal, legal environment can influence the organization. It also aims at ident fying the base at which his stakeholders influence the organization.

EXERCISE

Answer the following questions : -

1. Define following:-
   a) Strategy
   b) Strategic Management
   c) Mission
   d) Objectives
   e) Policy
   f) Strategic Decision Makers
   g) Types of Strategies
   h) Components of strategy
2. Briefly explain scope and dimensions of strategic management?
3. Write a short essay on " Models of Strategic Management" ?
4. Throw light on concept of strategic planning and its models?
5. Explain in detail the process of strategic formulation?
6. Write in detail on elements of strategic management process?
7. Discuss in brief core elements and its purpose of strategy?

10 Strategy Formulation

NOTES

The Chapter Covers :

INTRODUCTION

It is useful to consider strategy formulation as part of a strategic management process that comprises three phases: diagnosis, formulation, and implementation. Strategic management is an ongoing process to develop and revise future-oriented strategies that allow an organization to achieve its objectives, considering its capabilities, constraints, and the environment in which it operates.

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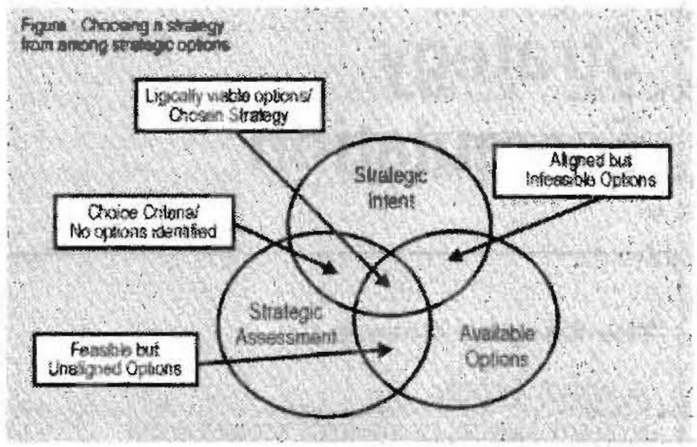

Figure 10.1

Diagnosis includes: (a) performing a situation analysis (analysis of the internal environment of the organization), including identification and evaluation of current mission, strategic objectives, strategies, and results, plus major strengths and weaknesses; (b) analyzing the organization's external environment, including major opportunities and threats; and (c) identifying the major *critical issues*, which are a small set, typically two to five, of major problems, threats, weaknesses, and/or opportunities that require particularly high priority attention by management.

Formulation*, the second phase in the strategic management process, produces a clear set of recommendations, with supporting justification, that revise as necessary the mission and objectives of the organization, and supply the strategies for accomplishing them. In formulation, we are trying to modify the current objectives and strategies in ways to make the organization more successful. This includes trying to create "sustainable" competitive advantages — although most competitive advantages are eroded steadily by the efforts of competitors.*

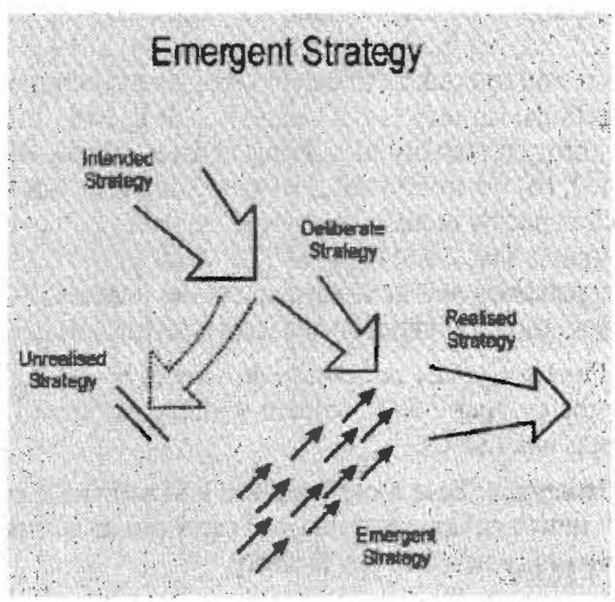

Figure 10.2

A good recommendation should be: effective in solving the stated problem(s), practical (can be implemented in this situation, with the resources available), feasible within a reasonable time frame, cost-effective, not overly disruptive, and acceptable to key "stakeholders" in the organization. It is important to consider "fits" between resources plus competencies with opportunities, and also fits between risks and expectations.

There are four primary steps in this phase:

* Reviewing the current key objectives and strategies of the organization, which usually would have been identified and evaluated as part of the diagnosis
* Identifying a rich range of strategic alternatives to address the three levels of strategy formulation outlined below, including but not limited to dealing with the critical issues
* Doing a balanced evaluation of advantages and disadvantages of the alternatives relative to their feasibility plus expected effects on the issues and contributions to the success of the organization
* Deciding on the alternatives that should be implemented or recommended.

In organizations, and in the practice of strategic management, strategies must be ***implemented*** to achieve the intended results. The most wonderful strategy in the history of the world is useless if not implemented successfully. This third and final stage in the strategic management process involves developing an implementation plan and then doing whatever it takes to make the new strategy operational and effective in achieving the organization's objectives.

THREE ASPECTS OF STRATEGY FORMULATION

The following three aspects or levels of strategy formulation, each with a different focus, need to be dealt with in the formulation phase of strategic management. The three sets of recommendations must be internally consistent and fit together in a mutually supportive manner that forms an integrated hierarchy of strategy, in the order given.

Corporate Level Strategy: In this aspect of strategy, we are concerned with broad decisions about the total organization's scope and direction. Basically, we consider what changes should be made in our growth objective and strategy for achieving it, the lines of business we are in, and how these lines of business fit together. It is useful to think of three components of corporate level strategy: (a) growth or directional strategy (what should be our growth objective, ranging from retrenchment through stability to varying degrees of growth - and how do we accomplish this), (b) portfolio strategy (what should be our portfolio of lines of business, which implicitly requires reconsidering how much concentration or diversification we should have), and (c) parenting strategy (how we allocate resources and manage capabilities and activities across the portfolio — where do we put special emphasis, and how much do we integrate our various lines of business).

Competitive Strategy (often called Business Level Strategy): This involves deciding how the company will compete within each line of business (LOB) or strategic business unit (SBU).

Functional Strategy: These more localized and shorter-horizon strategies deal with how each functional area and unit will carry out its functional activities to be effective and maximize resource productivity.

It is useful to organize the corporate level strategy considerations and initiatives into a framework with the following three main strategy components: growth, portfolio, and parenting. These are discussed in the next three sections.

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WHAT SHOULD BE OUR GROWTH OBJECTIVE AND STRATEGIES?

Growth objectives can range from drastic retrenchment through aggressive growth. Organizational leaders need to revisit and make decisions about the growth objectives and the fundamental strategies the organization will use to achieve them. There are forces that tend to push top decision-makers toward a growth stance even when a company is in trouble and should not be trying to grow, for example bonuses, stock options, fame, ego. Leaders need to resist such temptations and select a growth strategy stance that is appropriate for the organization and its situation. Stability and retrenchment strategies are underutilized.

Some of the major strategic alternatives for each of the primary growth stances (retrenchment, stability, and growth) are summarized in the following three subsections.

Growth Strategies

All growth strategies can be classified into one of two fundamental categories: *concentration* within existing industries or *diversification* into other lines of business or industries. When a company's current industries are attractive, have good growth potential, and do not face serious threats, concentrating resources in the existing industries makes good sense. Diversification tends to have greater risks, but is an appropriate option when a company's current industries have little growth potential or are unattractive in other ways. When an industry consolidates and becomes mature, unless there are other markets to seek (for example other international markets), a company may have no choice for growth but diversification.

There are two basic concentration strategies, *vertical integration* and *horizontal growth*. Diversification strategies can be divided into *related* (or concentric) and *unrelated* (conglomerate) diversification. Each of the resulting four core categories of strategy alternatives can be achieved internally through investment and development, or externally through mergers, acquisitions, and/or strategic alliances — thus producing eight major growth strategy categories.

Comments about each of the four core categories are outlined below, followed by some key points about mergers, acquisitions, and strategic alliances.

1. **Vertical Integration:** This type of strategy can be a good one if the company has a strong competitive position in a growing, attractive industry. A company can grow by taking over functions earlier in the value chain that were previously provided by suppliers or other organizations ("backward integration"). This strategy can have advantages, e.g., in cost, stability and quality of components, and making operations more difficult for competitors. However, it also reduces flexibility, raises exit barriers for the company to leave that industry, and prevents the company from seeking the best and latest components from suppliers competing for their business.

   A company also can grow by taking over functions forward in the value chain previously provided by final manufacturers, distributors, or retailers ("forward integration"). This strategy provides more control over such things as final products/services and distribution, but may involve new critical success factors that the parent company may not be able to master and deliver. For example, being a world-class manufacturer does not make a company an effective retailer.

   Some writers claim that backward integration is usually more profitable than forward integration, although this does not have general support. In any case, many companies have moved toward less vertical integration (especially back-

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ward, but also forward) during the last decade or so, replacing significant amounts of previous vertical integration with outsourcing and various forms of strategic alliances.

2. **Horizontal Growth:** This strategy alternative category involves expanding the company's existing products into other locations and/or market segments, or increasing the range of products/services offered to current markets, or a combination of both. It amounts to expanding sideways at the point(s) in the value chain that the company is currently engaged in. One of the primary advantages of this alternative is being able to choose from a fairly continuous range of choices, from modest extensions of present products/markets to major expansions — each with corresponding amounts of cost and risk.
3. **Related Diversification (aka Concentric Diversification):** In this alternative, a company expands into a related industry, one having synergy with the company's existing lines of business, creating a situation in which the existing and new lines of business share and gain special advantages from commonalities such as technology, customers, distribution, location, product or manufacturing similarities, and government access. This is often an appropriate corporate strategy when a company has a strong competitive position and distinctive competencies, but its existing industry is not very attractive.
4. **Unrelated Diversification (aka Conglomerate Diversification):** This fourth major category of corporate strategy alternatives for growth involves diversifying into a line of business unrelated to the current ones. The reasons to consider this alternative are primarily seeking more attractive opportunities for growth in which to invest available funds (in contrast to rather unattractive opportunities in existing industries), risk reduction, and/or preparing to exit an existing line of business (for example, one in the decline stage of the product life cycle). Further, this may be an appropriate strategy when, not only the present industry is unattractive, but the company lacks outstanding competencies that it could transfer to related products or industries. However, because it is difficult to manage and excel in unrelated business units, it can be difficult to realize the hoped-for value added.

Mergers, Acquisitions, and Strategic Alliances

Each of the four growth strategy categories just discussed can be carried out internally or externally, through mergers, acquisitions, and/or strategic alliances. Of course, there also can be a mixture of internal and external actions.

Various forms of strategic alliances, mergers, and acquisitions have emerged and are used extensively in many industries today. They are used particularly to bridge resource and technology gaps, and to obtain expertise and market positions more quickly than could be done through internal development. They are particularly necessary and potentially useful when a company wishes to enter a new industry, new markets, and/or new parts of the world.

Despite their extensive use, a large share of alliances, mergers, and acquisitions fall far short of expected benefits or are outright failures. For example, one study published in *Business Week* in 1999 found that 61 percent of alliances were either outright failures or "limping along." Research on mergers and acquisitions includes a Mercer Management Consulting study of all mergers from 1990 to 1996 which found that nearly half "destroyed" shareholder value; an A. T. Kearney study of 115 multibillion-dollar, global mergers between 1993 and 1996 where 58 percent failed to create "substantial returns for shareholders" in the form of dividends and stock price appreciation; and a Price-Waterhouse-Coopers study of 97 acquisitions over $500 million

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from 1994 to 1997 in which two-thirds of the buyer's stocks dropped on announcement of the transaction and a third of these were still lagging a year later.

Many reasons for the problematic record have been cited, including paying too much, unrealistic expectations, inadequate due diligence, and conflicting corporate cultures; however, the most powerful contributor to success or failure is inadequate attention to the merger integration process. Although the lawyers and investment bankers may consider a deal done when the papers are signed and they receive their fees, this should be merely an incident in a multi-year process of integration that began before the signing and continues far beyond.

Stability Strategies

There are a number of circumstances in which the most appropriate growth stance for a company is stability, rather than growth. Often, this may be used for a relatively short period, after which further growth is planned. Such circumstances usually involve a reasonable successful company, combined with circumstances that either permit a period of comfortable coasting or suggest a pause or caution. Three alternatives are outlined below, in which the actual strategy actions are similar, but differing primarily in the circumstances motivating the choice of a stability strategy and in the intentions for future strategic actions.

1. **Pause and Then Proceed:** This stability strategy alternative (essentially a timeout) may be appropriate in either of two situations: (a) the need for an opportunity to rest, digest, and consolidate after growth or some turbulent events - before continuing a growth strategy, or (b) an uncertain or hostile environment in which it is prudent to stay in a "holding pattern" until there is change in or more clarity about the future in the environment.
2. **No Change:** This alternative could be a cop-out, representing indecision or timidity in making a choice for change. Alternatively, it may be a comfortable, even long-term strategy in a mature, rather stable environment, e.g., a small business in a small town with few competitors.
3. **Grab Profits While You Can:** This is a non-recommended strategy to try to mask a deteriorating situation by artificially supporting profits or their appearance, or otherwise trying to act as though the problems will go away. It is an unstable, temporary strategy in a worsening situation, usually chosen either to try to delay letting stakeholders know how bad things are or to extract personal gain before things collapse. Recent terrible examples in the USA are Enron and WorldCom.

Retrenchment Strategies

Turnaround: This strategy, dealing with a company in serious trouble, attempts to resuscitate or revive the company through a combination of contraction (general, major cutbacks in size and costs) and consolidation (creating and stabilizing a smaller, leaner company). Although difficult, when done very effectively it can succeed in both retaining enough key employees and revitalizing the company.

Captive Company Strategy: This strategy involves giving up independence in exchange for some security by becoming another company's sole supplier, distributor, or a dependent subsidiary.

Sell Out: If a company in a weak position is unable or unlikely to succeed with a turnaround or captive company strategy, it has few choices other than to try to find a buyer and sell itself (or divest, if part of a diversified corporation).

Liquidation: When a company has been unsuccessful in or has none of the previous three strategic alternatives available, the only remaining alternative is liquidation, often involving a bankruptcy. There is a modest advantage of a voluntary liquidation over bankruptcy in that the board and top management make the decisions rather than turning them over to a court, which often ignores stockholders' interests.

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WHAT SHOULD BE OUR PORTFOLIO STRATEGY?

This second component of corporate level strategy is concerned with making decisions about the portfolio of lines of business (LOB's) or strategic business units (SBU's), not the company's portfolio of individual products.

Portfolio matrix models can be useful in reexamining a company's present portfolio. The purpose of all portfolio matrix models is to help a company understand and consider changes in its portfolio of businesses, and also to think about allocation of resources among the different business elements. The two primary models are the BCG Growth-Share Matrix and the GE Business Screen (Porter, 1980, has a good summary of these). These models consider and display on a two-dimensional graph each major SBU in terms of some measure of its industry attractiveness and its relative competitive strength

The ***BCG Growth-Share Matrix model*** considers two relatively simple variables: growth rate of the industry as an indication of industry attractiveness, and relative market share as an indication of its relative competitive strength. The *GE Business Screen*, also associated with McKinsey, considers two composite variables, which can be customized by the user, for (a) industry attractiveness (e.g, one could include industry size and growth rate, profitability, pricing practices, favored treatment in government dealings, etc.) and (b) competitive strength (e.g., market share, technological position, profitability, size, etc.)

The best test of the business portfolio's overall attractiveness is whether the combined growth and profitability of the businesses in the portfolio will allow the company to attain its performance objectives. Related to this overall criterion are such questions as:

* Does the portfolio contain enough businesses in attractive industries?
* Does it contain too many marginal businesses or question marks?
* Is the proportion of mature/declining businesses so great that growth will be sluggish?
* Are there some businesses that are not really needed or should be divested?
* Does the company have its share of industry leaders, or is it burdened with too many businesses in modest competitive positions?
* Is the portfolio of SBU's and its relative risk/growth potential consistent with the strategic goals?
* Do the core businesses generate dependable profits and/or cash flow?
* Are there enough cash-producing businesses to finance those needing cash
* Is the portfolio overly vulnerable to seasonal or recessionary influences?
* Does the portfolio put the corporation in good position for the future?

It is important to consider diversification vs. concentration while working on portfolio strategy, i.e., how broad or narrow should be the scope of the company. It is not always desirable to have a broad scope. Single-business strategies can be very successful (e.g., early strategies of McDonald's, Coca-Cola, and BIC Pen). Some of the advantages of a narrow scope of business are: (a) less ambiguity about who we are and what we do; (b) concentrates the efforts of the total organization, rather than stretching them across many lines of business; (c) through extensive

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hands-on experience, the company is more likely to develop distinctive competence; and (d) focuses on long-term profits. However, having a single business puts "all the eggs in one basket," which is dangerous when the industry and/or technology may change. Diversification becomes more important when market growth rate slows. Building stable shareholder value is the ultimate justification for diversifying — or any strategy.

What Should Be Our Parenting Strategy?

This third component of corporate level strategy, relevant for a multi-business company (it is moot for a single-business company), is concerned with how to allocate resources and manage capabilities and activities across the portfolio of businesses. It includes evaluating and making decisions on the following:

* Priorities in allocating resources (which business units will be stressed)
* What are critical successes factors in each business unit, and how can the company do well on them
* Coordination of activities (e.g., horizontal strategies) and transfer of capabilities among business units
* How much integration of business units is desirable.

COMPETITIVE (BUSINESS LEVEL) STRATEGY

In this second aspect of a company's strategy, the focus is on how to compete successfully in each of the lines of business the company has chosen to engage in. The central thrust is how to build and improve the company's competitive position for each of its lines of business. A company has competitive advantage whenever it can attract customers and defend against competitive forces better than its rivals. Companies want to develop competitive advantages that have some sustainability (although the typical term "sustainable competitive advantage" is usually only true dynamically, as a firm works to continue it). Successful competitive strategies usually involve building uniquely strong or distinctive competencies in one or several areas crucial to success and using them to maintain a competitive edge over rivals. Some examples of distinctive competencies are superior technology and/or product features, better manufacturing technology and skills, superior sales and distribution capabilities, and better customer service and convenience.

> **Competitive strategy is about being different. It means deliberately choosing to perform activities differently or to perform different activities than rivals to deliver a unique mix of value.** (Michael E. Porter)
>
> **The essence of strategy lies in creating tomorrow's competitive advantages faster than competitors mimic the ones you possess today.** (Gary Hamel & C. K. Prahalad)

We will consider competitive strategy by using Porter's four generic strategies (Porter 1980, 1985) as the fundamental choices, and then adding various competitive tactics.

Porter's Four Generic Competitive Strategies

He argues that a business needs to make two fundamental decisions in establishing its competitive advantage: (a) whether to compete primarily on price (he says "cost," which is necessary to sustain competitive prices, but price is what the customer responds to) or to compete through providing some distinctive points of differentiation that justify higher prices, and (b) how broad a market target it will aim at (its competitive scope). These two choices define the following four generic competitive strategies. which he argues cover the fundamental range of choices. A fifth strategy alternative (best-cost provider) is added by some sources, although not by Porter, and is included below:

1. **Overall Price (Cost) Leadership:** appealing to a broad cross-section of the market by providing products or services at the lowest price. This requires being the overall low-cost provider of the products or services (e.g., Costco, among retail stores, and Hyundai, among automobile manufacturers). Implementing this strategy successfully requires continual, exceptional efforts to reduce costs — without excluding product features and services that buyers consider essential. It also requires achieving cost advantages in ways that are hard for competitors to copy or match. Some conditions that tend to make this strategy an attractive choice are:
   * The industry's product is much the same from seller to seller
   * The marketplace is dominated by price competition, with highly price-sensitive buyers
   * There are few ways to achieve product differentiation that have much value to buyers
   * Most buyers use product in same ways — common user requirements
   * Switching costs for buyers are low
   * Buyers are large and have significant bargaining power
2. **Differentiation:** appealing to a broad cross-section of the market through offering differentiating features that make customers willing to pay premium prices, e.g., superior technology, quality, prestige, special features, service, convenience (examples are Nordstrom and Lexus). Success with this type of strategy requires differentiation features that are hard or expensive for competitors to duplicate. Sustainable differentiation usually comes from advantages in core competencies, unique company resources or capabilities, and superior management of value chain activities. Some conditions that tend to favor differentiation strategies are:
   * There are multiple ways to differentiate the product/service that buyers think have substantial value
   * Buyers have different needs or uses of the product/service
   * Product innovations and technological change are rapid and competition emphasizes the latest product features
   * Not many rivals are following a similar differentiation strategy
3. **Price (Cost) Focus:** a market niche strategy, concentrating on a narrow customer segment and competing with lowest prices, which, again, requires having lower cost structure than competitors (e.g., a single, small shop on a side-street in a town, in which they will order electronic equipment at low prices, or the cheapest automobile made in the former Bulgaria). Some conditions that tend to favor focus (either price or differentiation focus) are:
   * The business is new and/or has modest resources
   * The company lacks the capability to go after a wider part of the total market
   * Buyers' needs or uses of the item are diverse; there are many different niches and segments in the industry
   * Buyer segments differ widely in size, growth rate, profitability, and intensity in the five competitive forces, making some segments more attractive than others
   * Industry leaders don't see the niche as crucial to their own success
   * Few or no other rivals are attempting to specialize in the same target segment

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4. **Differentiation Focus:** a second market niche strategy, concentrating on a narrow customer segment and competing through differentiating features (e.g., a high-fashion women's clothing boutique in Paris, or Ferrari).

Best-Cost Provider Strategy: (although not one of Porter's basic four strategies, this strategy is mentioned by a number of other writers.) This is a strategy of trying to give customers the best cost/value combination, by incorporating key good-or-better product characteristics at a lower cost than competitors. This strategy is a mixture or hybrid of low-price and differentiation, and targets a segment of value-conscious buyers that is usually larger than a market niche, but smaller than a broad market. Successful implementation of this strategy requires the company to have the resources, skills, capabilities (and possibly luck) to incorporate up-scale features at lower cost than competitors.

This strategy could be attractive in markets that have both variety in buyer needs that make differentiation common and where large numbers of buyers are sensitive to both price and value.

Porter might argue that this strategy is often temporary, and that a business should choose and achieve one of the four generic competitive strategies above. Otherwise, the business is stuck in the middle of the competitive marketplace and will be out-performed by competitors who choose and excel in one of the fundamental strategies. His argument is analogous to the threats to a tennis player who is standing at the service line, rather than near the baseline or getting to the net. However, others present examples of companies (e.g., Honda and Toyota) who seem to be able to pursue successfully a best-cost provider strategy, with stability.

COMPETITIVE TACTICS

Although a choice of one of the generic competitive strategies discussed in the previous section provides the foundation for a business strategy, there are many variations and elaborations. Among these are various tactics that may be useful (in general, tactics are shorter in time horizon and narrower in scope than strategies). This section deals with competitive tactics, while the following section discusses cooperative tactics.

Two categories of competitive tactics are those dealing with timing (when to enter a market) and market location (where and how to enter and/or defend).

Timing Tactics: When to make a strategic move is often as important as what move to make. We often speak of *first-movers* (i.e., the first to provide a product or service), *second-movers* or rapid followers, and *late movers* (wait-and-see). Each tactic can have advantages and disadvantages. Being a first-mover can have major strategic advantages when: (a) doing so builds an important image and reputation with buyers; (b) early adoption of new technologies, different components, exclusive distribution channels, etc. can produce cost and/or other advantages over rivals; (c) first-time customers remain strongly loyal in making repeat purchases; and (d) moving first makes entry and imitation by competitors hard or unlikely.

However, being a second- or late-mover isn't necessarily a disadvantage. There are cases in which the first-mover's skills, technology, and strategies are easily copied or even surpassed by later-movers, allowing them to catch or pass the first-mover in a relatively short period, while having the advantage of minimizing risks by waiting until a new market is established. Sometimes, there are advantages to being a skillful follower rather than a first-mover, e.g., when: (a) being a first-mover is more costly than imitating and only modest experience curve benefits accrue to the leader (followers can end up with lower costs than the first-mover under some conditions); (b) the products of an innovator are somewhat primitive and do not live up to buyer expectations, thus allowing a clever follower to win buyers away from the leader with better performing products; (c) technology is advancing rapidly, giving fast followers the opening to leapfrog a first-mover's products with more attractive and full-featured second- and third-generation products; and (d) the first-mover ignores market segments that can be picked up easily.

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Market Location Tactics: These fall conveniently into offensive and defensive tactics. Offensive tactics are designed to take market share from a competitor, while defensive tactics attempt to keep a competitor from taking away some of our present market share, under the onslaught of offensive tactics by the competitor. Some offensive tactics are:

* *Frontal Assault:* going head-to-head with the competitor, matching each other in every way. To be successful, the attacker must have superior resources and be willing to continue longer than the company attacked.
* *Flanking Maneuver:* attacking a part of the market where the competitor is weak. To be successful, the attacker must be patient and willing to carefully expand out of the relatively undefended market niche or else face retaliation by an established competitor.
* *Encirclement:* usually evolving from the previous two, encirclement involves encircling and pushing over the competitor's position in terms of greater product variety and/or serving more markets. This requires a wide variety of abilities and resources necessary to attack multiple market segments.
* *Bypass Attack:* attempting to cut the market out from under the established defender by offering a new, superior type of produce that makes the competitor's product unnecessary or undesirable.
* *Guerrilla Warfare:* using a "hit and run" attack on a competitor, with small, intermittent assaults on different market segments. This offers the possibility for even a small firm to make some gains without seriously threatening a large, established competitor and evoking some form of retaliation.

Some Defensive Tactics are:

* *Raise Structural Barriers:* block avenues challengers can take in mounting an offensive
* *Increase Expected Retaliation:* signal challengers that there is threat of strong retaliation if they attack
* *Reduce Inducement for Attacks:* e.g., lower profits to make things less attractive (including use of accounting techniques to obscure true profitability). Keeping prices very low gives a new entrant little profit incentive to enter.

The general experience is that any competitive advantage currently held will eventually be eroded by the actions of competent, resourceful competitors. Therefore, to sustain its initial advantage, a firm must use both defensive and offensive strategies, in elaborating on its basic competitive strategy.

COOPERATIVE STRATEGIES

Another group of "competitive" tactics involve cooperation among companies. These could be grouped under the heading of various types of strategic alliances, which have been discussed to some extent under Corporate Level growth strategies. These involve an agreement or alliance between two or more businesses formed to achieve strategically significant objectives that are mutually beneficial. Some are very short-term; others are longer-term and may be the first stage of an eventual merger between the companies.

Check Your Progress

1. Strategic Management Process comprises of three phases name it.
2. Write the name of three Aspects of strategy formulation.
3. What do you known about liquidation.

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Some of the reasons for strategic alliances are to: obtain/share technology, share manufacturing capabilities and facilities, share access to specific markets, reduce financial/political/market risks, and achieve other competitive advantages not otherwise available. There could be considered a continuum of types of strategic alliances, ranging from: (a) mutual service consortiums (e.g., similar companies in similar industries pool their resources to develop something that is too expensive alone), (b) licensing arrangements, (c) joint ventures (an independent business entity formed by two or more companies to accomplish certain things, with allocated ownership, operational responsibilities, and financial risks and rewards), (d) value-chain partnerships (e.g., just-in-time supplier relationships, and out-sourcing of major value-chain functions).

FUNCTIONAL STRATEGIES

Functional strategies are relatively short-term activities that each functional area within a company will carry out to implement the broader, longer-term corporate level and business level strategies. Each functional area has a number of strategy choices, that interact with and must be consistent with the overall company strategies. Three basic characteristics distinguish functional strategies from corporate level and business level strategies: shorter time horizon, greater specificity, and primary involvement of operating managers.

A few examples follow of functional strategy topics for the major functional areas of marketing, finance, production/operations, research and development, and human resources management. Each area needs to deal with sourcing strategy, i.e., what should be done in-house and what should be outsourced? Marketing strategy deals with product/service choices and features, pricing strategy, markets to be targeted, distribution, and promotion considerations. Financial strategies include decisions about capital acquisition, capital allocation, dividend policy, and investment and working capital management. The production or operations functional strategies address choices about how and where the products or services will be manufactured or delivered, technology to be used, management of resources, plus purchasing and relationships with suppliers. For firms in high-tech industries, R&D strategy may be so central that many of the decisions will be made at the business or even corporate level, for example the role of technology in the company's competitive strategy, including choices between being a technology leader or follower. However, there will remain more specific decisions that are part of R&D functional strategy, such as the relative emphasis between product and process R&D, how new technology will be obtained (internal development vs. external through purchasing, acquisition, licensing, alliances, etc.), and degree of centralization for R&D activities. Human resources functional strategy includes many topics, typically recommended by the human resources department, but many requiring top management approval. Examples are job categories and descriptions; pay and benefits; recruiting, selection, and orientation; career development and training; evaluation and incentive systems; policies and discipline; and management/executive selection processes.

CHOOSING THE BEST STRATEGY ALTERNATIVES

Decision-making is a complex subject, worthy of a chapter or book of its own. This section can only offer a few suggestions. Among the many sources for additional information, We recommend Harrison (1999), McCall & Kaplan (1990), and Williams (2002). Here are some factors to consider when choosing among alternative strategies:

* It is important to get as clear as possible about objectives and decision criteria (what makes a decision a "good" one?)

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* The primary answer to the previous question, and therefore a vital criterion, is that the chosen strategies must be effective in addressing the "critical issues" the company faces at this time
* They must be consistent with the mission and other strategies of the organization
* They need to be consistent with external environment factors, including realistic assessments of the competitive environment and trends
* They fit the company's product life cycle position and market attractiveness/ competitive strength situation
* They must be capable of being implemented effectively and efficiently, including being realistic with respect to the company's resources
* The risks must be acceptable and in line with the potential rewards
* It is important to match strategy to the other aspects of the situation, including: (a) size, stage, and growth rate of industry; (b) industry characteristics, including fragmentation, importance of technology, commodity product orientation, international features; and (c) company position (dominant leader, leader, aggressive challenger, follower, weak, "stuck in the middle")
* Consider stakeholder analysis and other people-related factors (e.g., internal and external pressures, risk propensity, and needs and desires of important decision-makers)
* Sometimes it is helpful to do scenario construction, e.g., cases with optimistic, most likely, and pessimistic assumptions.

SOME TROUBLESOME STRATEGIES TO AVOID OR USE WITH CAUTION

Follow the Leader: when the market has no more room for copycat products and look-alike

competitors. Sometimes such a strategy can work fine, but not without careful consideration of the company's particular strengths and weaknesses. (e.g., Fujitsu Ltd. was driven since the 1960s to catch up to IBM in mainframes and continued this quest even into the 1990s after mainframes were in steep decline; or the decision by Standard Oil of Ohio to follow Exxon and Mobil Oil into conglomerate diversification)

Count On Hitting Another Home Run: e.g., Polaroid tried to follow its early success with instant photography by developing "Polavision" during the mid-1970s. Unfortunately, this very expensive, instant developing, 8mm, black and white, silent motion picture camera and film was displayed at a stockholders' meeting about the time that the first beta-format video recorder was released by Sony. Polaroid reportedly wrote off at least $500 million on this venture without selling a single camera.

Try to Do Everything: establishing many weak market positions instead of a few strong ones

Arms Race: Attacking the market leaders head-on without having either a good competitive advantage or adequate financial strength; making such aggressive attempts to take market share that rivals are provoked into strong retaliation and a costly "arms race." Such battles seldom produce a substantial change in market shares; usual outcome is higher costs and profitless sales growth

Put More Money On a Losing Hand: one version of this is allocating R&D efforts to weak products instead of strong products (e.g., Polavision again, Pan Am's attempt to continue global routes in 1987)

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Over-optimistic Expansion: Using high debt to finance investments in new facili ties and equipment, then getting trapped with high fixed costs when demand turn down, excess capacity appears, and cash flows are tight

Unrealistic Status-Climbing: Going after the high end of the market withou having the reputation to attract buyers looking for name-brand, prestige goods (e.g. Sears' attempts to introduce designer women's clothing)

EVOLUTION OF STRATEGIC MANAGEMENT

Several researchers in the field of strategic management have developed model describing the evolution of strategic management.

H. Igor Ansoff analyzed the changing environmental challenges facing organization during this century and the managerial responses, competitive strategies, and entre preneurial strategies employed to cope with them.

According to Ansoff, during the twentieth century, two different types of syster have evolved:

* **Positioning systems** (long range planning, strategic planning, strategi position management) which direct the firm's thrust in the environment;
* **Real-time systems** (strong signal issue management, weak signal issu management, surprise management) which respond one at a time to rapi and unpredicted environmental developments.

The systems can be grouped into four distinctive stages of evolution, that wer responsive to the progressively decreasing familiarity of events and decreasing vis ibility of the future:

1. **Management by (after the fact) control** of performance, which was ad equate when change was slow.
2. **Management by extrapolation**, when change accelerated, but the futur could be predicted by extrapolation of the past.
3. **Management by anticipation**, when discontinuities began to appear bu change, while rapid, was still slow enough to permit timely anticipation an response.
4. **Management through flexible/rapid response**, which is currently emerging under conditions in which many significant challenges develop too rapidly t permit timely anticipation.

LONG RANGE PLANNING AND STRATEGIC PLANNINC

One basic difference between long range planning (sometimes called corporat planning) and strategic planning is their respective views of the future.

"In long range planning the future is expected to be predictable througl extrapolation of the historical growth."

Management typically assumes that future performance can and should be bette than in the past. The process typically produces optimistic goals which are not full met in reality. The jagged, called the *"hockey stick effect,"* illustrates the typica goal-setting process that occurs in long range planning.

"In strategic planning the future is not necessarily expected to be an im provement over the past, nor is it assumed to be extrapolable."

There are the following steps of the analysis in strategic planning:

* **An analysis of the firm's prospects** is made which identifies trends, threats opportunities and singular *"breakthrough"* events, which may change the his

torical trends. Determination of prospects closes the **surveillance gap** between extrapolation and the performance the firm is likely to attain if it follows its historical strategies.

* The second step is a **competitive analysis** that identifies the improvement in the firm's performance that can be obtained from improvements in the competitive strategies in the respective business areas of the firm.
* The third step is a process which is called **strategic portfolio analysis**: the firm's prospects in the different business areas are compared, priorities are established, and future strategic resources are allocated among the business areas. The results of competitive analysis and of the portfolio balance are shown as the **present potential line**. This closes the **competitive gap**.

The next step is a **diversification analysis** that diagnoses the deficiencies in the present portfolio and identifies new business areas, into which the firm will seek to move. When the performance expected from the new business areas is added to the present potential line, the results are the **overall goals and objectives** of the firm shown in figure. These are determined by two factors: the ambitions and drive of the top management and by the strategic resources that will be available for diversification.

There are differences in the process between long range planning (LRP) and strategic planning.

In strategic long planning the goals are elaborated into action programs, budgets and profit plans for each of the key units of the firm. These units next implement the programs and budgets. Strategic planning replaces extrapolation by an elaborate strategy analysis, which balances the prospects against objectives to produce a strategy.

The next step is to establish two sets of goals: for the near term-performance goals and strategic goals. Operating programs/budgets guide the operating units of the firm in their continuing profit-making activity, and strategic programs/budgets generate the firm's future profit potential.

Strategic implementation requires a separate and different control system (strategic control).

This means that LPR will effectively respond to environmental challenges on turbulence levels 2.5 to 3.5. Strategic planning becomes necessary on level 4 when future challenges become discontinuous.

STRATEGIC POSTURE MANAGEMENT

The first significant difference between strategic planning and strategic posture management is the **addition of capability planning to strategy planning**. General management capability is determined by five supporting components: qualifications and mentality of the key managers, social climate (culture) within the firm, power structure, systems and organization structure, capacity of general management to do managerial work.

The second difference between strategic planning and strategic posture management is the addition of systematic management of the resistance to change during implementation of the strategy and capability plans.

Real-time Systems

As environmental turbulence has begun to approach level 4, firms have begun to use *real-time systems*, called *strategic issue management*. The ingredients of issue management are the following:

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Check Your Progress

4. Define competitive (Business level) strategy.
5. Name some troublesome strategies to avoid or use with coution.
6. What is long Range planning.

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1. A continuous surveillance is instituted over environmental-business-technological-economic- social-political trends.
2. The impact and urgency of the trends are estimated and presented as key strategic issues to top management at frequent meetings and whenever a new major threat or opportunity is perceived.
3. Together with the planning staff, top management then sorts issues into one of four categories:
   - o Highly urgent issues of far-reaching effect which require immediate attention.
   - o Moderately urgent issues of far-reaching effect which can be resolved during the next planning cycle.
   - o Non-urgent issues of far-reaching effect which require continuous monitoring.
   - o Issues that are "*false alarms*" and can be dropped from further consideration.
4. The urgent issues are assigned for study and resolution, either to existing organizational units, or whenever rapid cross-organizational response is essential, to special taskforses.
5. Top management both for strategic and tactical implications monitors the resolution of issues.
6. The list of the issues and their priorities is a kept up-to-date through periodic review by the top management.

Issues identified through environmental surveillance will differ in the amount of the information they contain.

Strong signal issues will be sufficiently visible and concrete to permit the firm to compute their impact and to devise specific plans for response.

Other issues will contain ***weak signals***, imprecise early indications about impending impactful events. Some issues will slip by the environmental surveyors and become strategic surprises. Particularly, if the firm expects its environmental turbulence to be around level five, it needs to invest a **strategic surprise system**.

Choosing the Management System For A Firm

The choice of the system combination for a particular firm depends on the turbulence characteristics of the environments in which it participates and expects to enter. To identify the combination of systems that will be needed by the firm:

(1) Diagnose the future turbulence.

(2) Select the system(s) which will be needed by the firm.

Strategic Management Tools And Techniques

In recent years, the strategic management process has become more complex and costly. Growing competitiveness in many markets and along many combinations of dimension is increasing of analysis facing managers. Therefore, in order to assist strategic managers, a wide variety of tools and techniques have been developed. These techniques can be divided into three categories: *tools for developing organizational strategies, strategic planning techniques, control techniques.*

CHAPTER AT A GLANCE

- Strategic management process comprises of three phases: diagnosis, formulation and implementation.

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- Diagnosis includes performing a situation analysis, analyzing the organization's external environment and identifying the major critical issues.
- Formulation produces a clear set of recommendations, with supporting justification that revise as necessary the missing and objectives of the organization and supply the strategy for accomplishing them.
- Strategies must be implement to achieve the intended results.
- Levels of strategy formulations- Corporate Level Strategy, Competitive Strategy and Functional Strategy.
- Growth Strategies are classified as concentration with in industries or diversification into other lines of business or industries.
- There are two basic concentration strategy- Vertical Integration and Horizontal Growth
- Diversification strategies can be divided into related and unrelated diversifications.
- Vertical Integration is good for the company having strong competitive position whereas Horizontal growth strategy is useful when company needs to expand it's product and market.
- Related diversification strategy is useful when we are adding existing line of business to gain special advantages such as technology, customers etc.
- Unrelated diversification involves diversifying into the line of business unrelated to the current one.
- The choices of a stability strategy are pause and then proceed, No change and Grab profits while you can.
- Retrenchment Strategies – Turnaround, Captive Company Strategy, Sell Out and Liquidation.
- Portfolio matrix models can be useful in reexamining a company's present portfolio.
- BCG Growth share Matrix Model considers 2 relatively simple variables – growth rate of the industry as an indication of industry attractiveness, and relative market share as an indication of its competitive strength.
- Competitive (business level) strategy is the essence of strategy lies in creating tomorrow's competitive advantages faster than competitors mimic the ones you posses today.
- Porter's four generic competitive strategies – Overall Price (Cost) Leadership, Differentiation, Price (Cost) Focus and Differentiation Focus.
- Best Cost Strategy is a mixture or hybrid of low price and differentiation, and targets a segment of value – a conscious buyer that is usually larger than a market niche but smaller than a broad market.
- Competitive tactics are dealt with timing and market location.
- Timing tactics gives us the answer of what moves to make? I.e. either be the first mover or the late movers.
- Market location tactics are Frontal Assault, Flanking Maneuver, Encirclement, Bypass Attack, Guerrilla Warfare, Raise Structural Barriers, Increase Expected Retaliation, and Reduce Inducement for Attacks.
- Co-operative strategies involves co-operation of companies ranging from mutual service consortiums, licensing arrangements, joint ventures, value chain partnerships etc.

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- Functional Strategies are relatively short term activities that each functional area with in the company will carry out to implement the broader, longer term corporate and business level strategies.
- Some troublesome strategies to avoid or use with caution- Follow the leader, count on hitting another home run, try to do everything, unrealistic status climbing.
- According to H. Ansoff there are two type of system- positioning system and real time system.
- A long range planning the future is expected to be predictable through extrapolation of the historical growth and in strategic planning the future is not necessarily expected to be an improvement over the past, nor is it assumed to be extrapolable.
- Steps of the analysis of strategic planning- Analysis of the firm's prospectus, competitive analysis, strategic portfolio analysis, diversification analysis.
- Strategic posture management is the addition of the capability planning to strategy planning.

ANSWER TO CHECK YOUR PROGRESS:

1. Strategic management process that comprises three phases: diagnosis, formulation, and implementation.
2. The three aspects or level of strategy formulation are:
   a. Corporate level strategy.
   b. Conpetitive strategy (often called business level strategy)
3. When a company has been unsuccessful in or has none of the previous three strategic alternatives available, the only remaining alternative is liquidation, often involving a bankruptcy.
4. Competitive (business level) strategy is the essence of strategy lies in creating tomorrow's competitive advantages faster than competitors mimic the ones you posses today.
5. Some troublesome strategies to avoid or use with caution- Follow the leader, count on hitting another home run, try to do everything, unrealistic status climbing.
6. In long range planning the future is expected to be predictable through extrapolation of the historical growth.

EXERCISE

Answer the following:

1. Define Strategic Management process and its phases?
2. Write short note on
   a. Corporate level strategy
   b. Horizontal Growth
   c. Vertical Integration
   d. Stability Strategies
   e. Strategic Posture Management
3. Through light on what should be the portfolio strategy (portfolio matrix and BCG Growth share matrix)?
4. Write essay on Competitive Strategy in respect of business level?
5. What do you understand by Competitive tactics and Strategies?
6. Distinguish between long range planning and Strategic planning?

11 Alliances and Acquisitions

The Chapter Covers :

"COMPETITION" AND STRATEGIC ALLIANCES

A strategic alliance is a unique relationship between two or more companies working together on a project designed to generate a profit neither partner could achieve on their own. Alliance partners keep ownership of their own businesses, while contributing capital, expertise and other "tradable" to the mutual venture.

During the past decade, strategic partnering has become a more attractive option because of the wide range of benefits, without the risk and burden of paying for them. These benefits include:

- Expanded access to markets
- Advanced technology
- Quicker product development
- Broader geographic range

The goal is finding a partner in areas where one or the other company has limited expertise. In a successful alliance, partners gain access to specific strengths — such as sales, technology, finance, distribution, etc. — that they don't possess themselves. Another driving force behind alliance-building is the desire to control the

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quality and performance of the entire production process — from raw materials to system design, from manufacturing to global distribution.

Sharing Benefits and Risks

The synergy generated by two cooperating organizations results in a sum greater than their parts. A successful alliance preserves each business' distinct competitive advantage and allows those advantages and core competencies to grow.

Benefits of partnering also include economies of scale, resulting in:

- Increased versatility
- Reduced costs through increased production
- Enhanced purchasing and financial arrangements
- Stronger negotiating position with suppliers, customers and/or regulatory agencies
- Greater access to critical resources
- Opportunities for large-scale marketing efforts

For the unprepared or uninitiated, a strategic alliance can be a minefield. Two of the most pervasive myths about partnering are:

1. **"Alliances are easy to pull off."**

   The process of alliance screening, assessment, negotiation, implementation and maintenance is anything but easy. To succeed, an alliance requires deep, organization-wide commitment from all involved.

2. **"Alliances are for everyone."**

   In fact, the opposite is true. A partnership between organizations with radically different goals or cultures will most likely fail.

CEOs and other alliance-builders should ask these questions of themselves and their potential partners:

- What do we expect the alliance to achieve over a long period of time?
- What effect will the alliance have on each partner's long-term competitiveness?
- How will the staff of each company react? What about other stakeholders, such as investors, suppliers, customers, etc.?
- Are we giving up too much proprietary information and too many processes?
- What level of trust is necessary for the alliance to succeed and how much can we reasonably expect from our partner?

The Path to Competitive Advantage

Like any other business venture, a strategic alliance is driven by enlightened self-interest. The best partnerships are pragmatic enterprises that provide the resources, expertise and positioning each partner can't achieve on its own.

When it comes to identifying a potential partner, a company's vision plays an integral role. Our experts agree that your company's vision should be inextricably linked to the selection process. What major competencies do you need in order to fulfill your goal of being the best in your industry? As you brainstorm your answers, you will identify specific areas and elements. This will help narrow the choices to two or three key partner candidates.

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Of course, in the rush to forge a partnership, remember that potential partners need a reason to welcome you into the alliance. Before approaching another business, make sure you have all of your own ducks in a row:

- Articulate the competitive values you bring to the table (i.e., technical expertise, knowledge of and access to a niche market, etc.)
- Offer a solution to a highly visible business problem
- Bring a core competency to the partnership lacking in the other organization

Finding the Perfect Match

As part of the alliance-building process, answer these fundamental questions to better understand your current and projected strategic position:

- What industry factors (capital, technology, human resources, natural resources) have the greatest impact on your business today?
- What competitive conditions are influencing your suppliers? Your customers?
- Are industry newcomers and/or potential substitutes vying for your products and services?

Seek out a partner whose current and potential development resources fit well with your company's own resources. Look for:

- Production capacity
- Financial resources
- Technological expertise
- Distribution network
- Warehouse facilities
- Raw material supplies

Other good partner possibilities include suppliers of products, services or specialized technology — particularly suppliers you're currently working with or those you've worked with in the past. Other helpful venues for the partner search include trade shows and conferences; chambers of commerce; trade associations; and industry research institutes that regularly explore the marketplace for new products, technologies and potential partners.

Closing the Deal

After the partner screening and selection process is complete, the real work of negotiation begins. But while the alliance must be endorsed and supported at both organizations' highest levels, neither company's CEO should be included in actual negotiations. This preserves the option by which the CEO can serve as a "court of appeals" in case of a serious snag in discussions. Also, it eliminates the possibility of loss of face by either side.

The TEC experts agree: lawyers should not be present during the first round of negotiations. The spirit and intent of the alliance guides the process. The legal nature of the relationship needs to be more of a safety net.

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Getting each partner's expectations in written form is an important part of alliance negotiations. These expectations can grow out of in-depth discussion on the following:

- Mutual levels of commitment
- Organizational structures that fit alliance strategy
- Clearly defined alliance benchmarks
- Investment and compensation rewards tied to performance measures
- A formula for tracking assets and capabilities

A non-binding letter of intent is the minimum to expect from early rounds of negotiations. This helps isolate elements that potential partners find unacceptable. On the positive side, it helps seal a commitment on both sides to complete a mutually satisfactory agreement by a specified date.

FROM COMPETITION TO COLLABORATION

Broad-based best practices for alliance implementation and integration include:

- Designing a structure that meets the needs of the alliance, not the needs of the individual partners
- Appointing high-performing managers to implement the alliance and linking results to pay and investment incentives
- Connecting strategic objectives to budgets and resources, with a built-in review process
- Defining exit obligations, divorce procedures and penalties.

The alliance structure should be agreed upon beforehand, rather than when the time comes to implement. The principals must agree on a shared working vision. Identify key areas of cooperation, then assign respective team members to draft areas of agreement. As partners advance through alliance implementation, these practices can be used as guidelines:

- Appoint an "alliance manager" whose role and responsibilities are defined by specific alliance goals.
- Organize timetables, design measurement tools and conduct periodic reviews.
- Track how competitors respond to the alliance.
- Use open communication to resolve issues rather than turning only to the original alliance agreement for guidance.

Governance isn't easy, nor can it be standardized. When it comes to overseeing the alliance, companies must be flexible and innovative. Effective governance incorporates a custom-designed system and set of measurements that are consistent with the alliance's founding vision.

Partnering for Success

Well-positioned "alliance champions" are crucial to success. An alliance champion believes deeply in the enterprise and focuses on its acceptance and implementation. Champions — who can be senior executives, members of the negotiating team, etc. — are the ones who steer the alliance through the bureaucracies of the parent corporations. They have the credibility to defend its merits and actions.

By extension, teamwork is the backbone of an effective alliance. Whether through steering committees, operating teams or a group of task forces, partner teamwork depends on cross- functional "fertilization" generated by star performers from both organizations.

CREATING AN ALLIANCE CULTURE

Prospering alliances encourage a high degree of cultural adaptability in their ranks. For the right "fit" to evolve, corporate cultures on both sides have to find common ground and nurture a spirit of collaborative activity.

Getting to know your partner involves learning about their internal workings and seeing how they respond to external events. Of course, the reverse also is true: during the "getting to know you" phase, your own internal and external operations will come under similar friendly scrutiny.

Most important, according to our TEC experts, is trust. Partners in an alliance remain separate entities guided by their own interests; but they must agree to co-ordinate their actions and willingly participate in joint decision making. They have to learn to not engage in traditionally opportunistic behavior, seeking short-term advantage for themselves alone. Instead, they should do everything possible to maintain an alliance relationship that yields long-term results.

To build trust between partners:

- Start with small, simple operations that enable each partner to experience the other's reliability.
- Be clear about what information can be disclosed and what cannot.
- Look at your own behavior from the other's point of view. Get your partner's feedback on your own strengths and weaknesses, and on how to improve the relationship.

Beware of "large company vs. small company" minefields. Frequently, the cultures of dissimilarly sized companies can generate conflicts and misunderstanding. To avoid this pitfall, our TEC experts advise the following:

- Share all relevant information and minimize conflicting objectives.
- Agree on a shared vision, common goals and partnering strategy.
- Agree on key performance indicators and jointly measure performance.
- Assign a partnering/alliance manager and clarify the role.
- Involve and inform those who have to make the alliance work at the operational level.
- Gain and maintain executive level support.

What Gets Measured, Gets Done

For the alliance to succeed, partner companies must design concrete measures of governance effectiveness. But because each alliance is a unique entity, this performance should be measured against specific, customized standards. Useful performance measures include:

- Revenue share
- Return on investment
- Contribution to fixed costs

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- Return on sales
- Level of market penetration
- Speedy response to customer needs
- Cost savings
- Improved access to markets

Other "soft" indicators — customer satisfaction and loyalty, continuous improvement and referred business — are equally important. They are sometimes the most accurate gauge of alliance effectiveness.

BUSINESS STRATEGY FOR WORLD-CLASS ORGANISATIONS

Partnering is a logical response to the globalization of markets, increasingly intense competition, the need for faster innovation and the growing complexity of technology. It makes good business sense to connect people, departments, companies, customers and suppliers.

When negotiated, implemented and monitored correctly, a thriving strategic alliance meets each member's objectives by offering the scale, skills and positioning needed to succeed in a global marketplace.

Of the 4,000 new strategic alliances being formed each month, a significant percentage aspire to extraordinary or "breakthrough" returns—ie. Over 30% in earnings, in addition to strong gains in innovative capacity, organizational efficiency, and competitive advantage. From these cases a body of best practices has developed, which give insight on how to structure these alliances intelligently. The keys to success are **clarity of purpose**, **trust**, **synergy**, (combining resources so that the sum is greater than the parts) and **integrity**—in other words the capacity of the alliance to maintain its **dynamic balance**, **coherence**, and **adaptive vitality**, in the face of constant change.

The most successful alliances are coherent, not only in strategy, operations, and human chemistry, but also in their legal structure and rules. Given the high stakes, a prudent CEO simply will not tolerate a legal framework that chills, encumbers, or even strangles the best energies of the participants. Yet, many ambitious alliances neglect the legal dimension, viewing it with a sigh as a necessary evil. If an alliance is like a galleon setting out on a new voyage, then the most creative lawyers will make her seaworthy, steady and sturdy, but able to fly with the winds of chance. Here are a few guidelines:

1. Recognize the Necessity for a Significant Philosophical Shift

Today's business climate is rapidly changing, ambiguous, and unpredictable, which turns the traditional lawyer's biases on their head. In the new legal model uncertainty creates value, risk is your friend, and reducing risk is increasingly costly. These tenets demand new thinking of managers and their lawyers:

- from risk mitigation to value creation
- from overzealous protection to facilitation and collaboration
- from narrow, rigid, and suspicious ways to ones that are expansive, flexible, and adaptive
- from an emphasis on legal correctness to a more creative balance of legal logic, common sense, and intuition

2. Keep the Terms Simple, Efficient, and Adaptive to Fast Time

As fast time is now the most powerful source of competitive advantage, an ability to flex the production process, suddenly and radically, to incorporate new, unprespecified requirements is critical. The challenge for lawyers is to design a structure and rules, which will enable, not frustrate, such real time adjustments.

Moreover, since most successful strategic alliances evolve out of arms length tactical relationships, the ideal structure will anticipate a future desire of the parties to "jump up" their relationship to a higher level of trust, interdependence, and integration.

3. Establish Principles of Effective Collaboration

The best alliance agreements, like charters, embody the basic principles and tenets, which the parties pledge to follow—standards of trust, loyalty, and accountability, protocols of communication (most alliances begin to deteriorate first through poor communication), principles for creating value, sharing gains and losses, commitments to excellence, and guidelines for change and disengagement. When parties can truly live by these principles, detailed rules become unnecessary.

4. Avoid Corporate Joint Ventures/ Favor Corporate Partnerships and LLCs

In general a corporate partnership or limited liability company is simpler and more flexible and offers far greater tax advantages than a cumbersome corporate joint venture. Yet many alliances are structured as joint ventures as if this were the only option.

5. Allocate Control To Capture Synergy

In the old legal model the struggle mainly centers around who will have legal control (board seats, voting rights, etc.) of the venture. In the new legal model the parties will understand there are many other sophisticated ways of "controlling" a venture—for example, through its strategy, financing, operations, or technology. Particularly, as trust and integrity develop, the skillful alliance lawyer will ask: How can these various forms of control be optimally allocated to help the **alliance** capture synergy? What configuration will best serve both the separate and distinct interests of the parties **and their alliance**?

6. Design Profit Sharing and Risk Allocation Based on the Joint Value Proposition

Since most breakthrough strategic alliances are planned with a 5-year horizon, there is ample time to allow flexibility in the rules for gain sharing and risk allocation. The scope of licenses or the terms relating to improvements and cross-backs can be written to encourage synergy. Royalties can be adjusted as a percentage of newly captured market share. Provisions for compensation should allow trade-offs of short term concessions for the longer term joint gains from collaboration.

The beacon in the highest performing alliances, which guides all these adjustments, is the **breakthrough joint value proposition.(BVP).** This is a succinct, clear, powerful, measurable, and extraordinary statement of the value the alliance seeks to bring to the marketplace and its participants. When the BVP is brilliantly etched in the minds of the parties, ideas for the creative allocation of gains and losses flow easily.

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7. Turn Differences and Disputes Into Opportunities by Alliance Mediation

Most strategic alliance agreements include "boiler plate" provisions for arbitration or judicial settlement inserted with little reflection by the lawyers. This old fashioned approach fails to recognize that in strategic alliances differences and even disputes are the fuel of innovation, once a "container " is in place.

This container is **alliance mediation.** Alliance mediation differs from ordinary mediation in several important respects: 1. since the relationship in alliances is valuable (in most other mediations the parties part company), the principal objective is to build synergy and integrity not simply to settle disputes; 2. the process applies to the entire life cycle of an alliance from pre-formation discussions, formation, restructuring, regeneration, and termination; 3. often mediation takes place early on before the parties become polarized; iv. a two tier structure is employed. The first line of defense is a trained team of internal mediators, who will be supported by professionals when the mediation falters.

The ability of an alliance to deal effectively with its differences is a resource of inestimable value, because it gives the parties time and space to focus all their energies in conceiving, nourishing, and bringing forth their creative work together.

In a world of high uncertainty and greater interdependence, companies often cooperate to compete. Rivals may go head-to-head in certain areas, and declare a truce in others. With the rising importance of collaboration, designing and managing these relationships has become more important.

"One reason cooperation has become more significant is that we are focusing on ecosystems of firms," says Harbir Singh, academic co-director of Wharton's *Strategic Thinking and Management for Competitive Advantage* and academic director of Wharton's *Strategic Alliances: Creating Growth Opportunities.* "For example, Microsoft has an ecosystem of software writers and infomediaries creating content. Wal-Mart has an ecosystem of suppliers. Cooperation is more and more relevant today, particularly in technology-based industries."

"We are moving from the old definition of wholly owned resources to a new view of shared resources. If you look at Microsoft's ecosystem, a shared resource is the platform on which the software is written. In oil exploration, companies may come together to share the costs and benefits of exploration, which is very expensive, and then compete after the discovery is made."

–**Harbir Singh,** The Mack Professor; Professor of Management; Co-Director, Mack Center for Technological Innovation

This focus on competing through cooperation, or "coopetition," requires a shift in thinking. "It changes the way people think about strategy," Singh says. "We are moving from the old definition of wholly owned resources to a new view of shared resources. If you look at Microsoft's ecosystem, a shared resource is the platform on which the software is written. In oil exploration, companies may come together to share the costs and benefits of exploration, which is very expensive, and then compete after the discovery is made."

The trick in managing these relationships is for managers to determine which resources to keep within the firm and which ones to share with partners. "In our

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alliance program, we discuss what this new mindset is and how to protect proprietary assets while working with partners," Singh says.

Strategic Thinking and Management for Competitive Advantage, **which Singh leads with Professor Ian MacMillan, is designed to address such questions. It helps managers broaden their strategic thinking, analyze competition, make their organizations more competitive, and understand a variety of options for growth, including alliances, acquisitions, and internal corporate ventures.**

Rising Importance of Alliances

Several forces are driving the increasing importance of alliances and other forms of cooperation. First, a blurring of industry boundaries, with the convergence of once separate industries, means that companies need new capabilities and face new rivals. For example, when Apple created the iPod and iPhone, it needed access to music, wireless networks, and other capabilities beyond its typical expertise in computing equipment and software. Alliances can provide access to these capabilities.

Second, as the global economy has developed, companies are entering new markets, particularly emerging markets. Sometimes governments require local partners. Other times a local firm can offer the knowledge and logistics to successfully enter the market. At the same time, companies from China, India, and other parts of the world are competing in global markets, and alliances can provide them with the scale or capabilities they need to face global competitors. Finally, growing pressure for innovation and growth has forced companies to look outside their own borders for new ideas.

ACQUISITION OR ALLIANCE?

When a company needs access to new capabilities, one of the critical questions is whether to buy or ally. Singh and colleague Prashant Kale, associate professor of strategy at Rice University who also teaches in the Wharton program, have created a framework for making decisions about acquiring or buying.

"Alliances and acquisitions are alternatives for achieving the same goal of gaining access to capabilities," Kale says. "What we have discovered in our research is that while companies think about alliances and acquisitions as alternatives, they lack a systematic framework for identifying which one is better in one set of circumstance rather than another."

In their research, Singh and Kale found three factors were most important to consider in deciding whether to acquire or ally. Managers need to analyze market-related factors, resource-related factors, and capability factors. For example, one consideration is whether the capabilities of the alliance partner could be used by rivals. If this is the case, managers might decide on an acquisition to prevent competitors from gaining access to the same capabilities.

Tighter financing and resources in today's financial markets may make alliances more attractive than acquisitions in the future. "There was a huge boom in M&A activity over the past few years, but alliances have continued steadily through this time as well," Kale says.

Check Your Progress

1. What do you understand by strategic Alliance?
2. What are the most pervasive myths about partnering?
3. What do you mean by licensing specifies?

Successful Alliances

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As an indication of how hard it is to design and manage alliances well, about half of all alliances fail. Companies that are most successful in making their alliances work have developed a dedicated alliance function within the organization.

In their research with hundreds of companies, Singh and Kale have identified four primary factors that lead to alliance success:

- **Accessing complementary capabilities:** The capabilities of the two partners should complement one another. "Sometimes the best partner is not the strongest partner but the most complementary," Singh says.
- **Customizing capabilities:** The partners need to customize their capabilities to the relationship and build capabilities for developing and managing alliances.
- **Knowledge sharing:** The partners need to develop systematic ways of sharing knowledge between them and across their organizations.
- **Effective governance:** The alliance partners need to create a clear and effective system for developing trust, including good legal contracts.

While most managers would recognize that building trust is vital to alliance success, it is very hard to do. During the Wharton program, participants engage in a case where they negotiate an alliance between partners. They experience firsthand how quickly trust can be built or eroded in just a few hours. "It is a surprise to them," says Kale. "They know it is an exercise, but we have even had people who refuse to talk to each other for the rest of the program. It is very hard to build trust."

Kale says that in their research and consulting, they have found that companies have improved in the design and formation of alliances. The biggest problem area now for most companies is management of the alliance. "Companies are working on building trust, sharing knowledge, and adapting over time."

ALLIANCE OR ACQUISITION?

Many companies believe that collaboration decisions are internal matters. They don't take into account external factors before picking strategies—and invariably fall victim to market forces. Companies should consider exogenous factors, like market uncertainty and competition, even if they can't control them.

Degrees of uncertainty. Executives know that collaborations between companies are inherently risky, but don't realize that they've become downright uncertain in a fast-changing world. Risk exists when companies can assess the probability distribution of future payoffs; the wider the distribution, the higher the risk. Uncertainty exists when it isn't possible to assess future payoffs. Companies are forced to decide how to team up with other firms, especially small ones, without knowing whether there will be payoffs, what they might be, and when the benefits might come their way.

Before entering into an acquisition or alliance, companies should break down the uncertainty that surrounds the collaboration's outcome into two components. First, managers must evaluate the uncertainty associated with the technology or product it is discussing with the potential partner. Can we tell if the widget will work? Is it technically superior to existing and potential rivals? Second, the company should

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assess if consumers will use the technology, product, or service and how much time it will take to gain widespread acceptance. Based on the answers—or lack thereof—the company can estimate if the degree of uncertainty that clouds the collaboration's end result is low, high, or somewhere in between.

When a company estimates that a collaboration's outcome is highly or moderately uncertain, it should enter into a nonequity or equity alliance rather than acquire the would-be partner. An alliance will limit the firm's exposure since it has to invest less money and time than it would in an acquisition. Besides, the company can sink more into the partnership if it starts showing results, and, if necessary, buy the firm eventually. If the collaboration doesn't yield results, the company can withdraw from the alliance. It may lose money and prestige, but that will be nowhere near the costs of a failed acquisition.

That isn't exactly rocket science, but our research shows that few companies are disciplined enough to adhere to those rules. For instance, Hoffmann-La Roche spent $2.1 billion in June 1999 to acquire Genentech, which had developed a clot-busting drug, TPA, but hadn't completed effectiveness studies or sought FDA approval. Roche thought it could help the start-up get clearances for the drug quickly and then push it through its global distribution network. Six months later, a study found that TPA, which Roche had priced at $2,200 per dose, was only as effective at clearing clots as Hoechst's streptokinase, which sold at $200 a dose. That dashed Roche's hopes. TPA grew into a respectable $200-million-per-annum drug, but it never became the blockbuster Roche paid for. Given the high technical uncertainty in the drug development process, Roche should not have bought Genentech.

Not every company makes such mistakes. Bristol-Myers Squibb invested $1 billion to pick up a 20 percent equity stake in ImClone in September 2001 rather than buying the firm. In return, it bagged the marketing rights to ImClone's cancer-fighting drug, Erbitux, as well as 40 percent of annual profits. According to the deal, Bristol-Myers Squibb would invest $800 million more after ImClone got past key milestones in the drug approval process. In December 2001, when the FDA declined to review Erbitux due to "severely deficient" data, ImClone's share price plunged from over $60 to $25 within two weeks (and shook up offices on Wall Street and suburban homes in the U.S. in the process). The companies immediately renegotiated the alliance, and the giant will invest less in ImClone in the future. Had it chosen to acquire ImClone for the asking price of $5 billion, rather than allying with it, Bristol-Myers Squibb would have been gazing out of a $3.5 billion hole in its books instead of a $650 million one.

Forces of competition. There's a well-developed market for M&A in the world, so companies would be wise to check if they have rivals for potential partners before pursuing a deal. If there are several suitors, a company may have no choice but to buy a firm in order to preempt the competition. Still, companies should avoid taking over other firms when the degree of business uncertainty is very high. Instead, the company should negotiate an alliance that will let it pick up a majority stake at a future date after some of the uncertainty has receded.

Take, for instance, the manner in which Pfizer used an alliance with Warner-Lambert as a gateway to an acquisition. In June 1996, Pfizer offered to collaborate in the marketing of Lipitor, a new cholesterol-reducing drug that Warner-Lambert had developed. Lipitor was technically superior to competing products in some ways,

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but it was a late entrant in the market. Doctors and consumers were used to four other products in that category, and it wasn't clear if they would accept Lipitor immediately. Given the high technological and market uncertainty, Pfizer rightly believed that a contractual alliance made the most sense. Partly due to Pfizer's marketing acumen and distribution system, Lipitor's sales crossed $1 billion in its very first year, and by 1999, it had become a blockbuster drug with an annual turnover of $3 billion.

Even as Pfizer was exploring the possibility of working more closely with Warner-Lambert, archrival American Home Products and Warner-Lambert announced a surprise $72 billion merger in November 1999. The next day, Pfizer made an $80 billion counteroffer for its partner. Procter & Gamble jumped into the fray with a plan to acquire both AHP and Warner-Lambert but withdrew after investors reacted angrily. The battle between AHP and Pfizer for Warner-Lambert raged on for weeks, but it was a foregone conclusion. Pfizer's alliance with Warner-Lambert to market Lipitor, the cost-cutting opportunities it had spotted, and the possibility that Pfizer could combine one of its drugs, Norvasc, with Lipitor together gave Pfizer a distinct edge over American Home Products. By February 2000, Pfizer had won the battle for Warner-Lambert with a $100 billion bid.

Collaboration capabilities

A company's experience in managing acquisitions or alliances is bound to influence its choices. Some businesses have developed abilities to manage acquisitions or alliances over the years and regard them as core competencies. They've created special teams to act as repositories of knowledge and institutionalized processes to identify targets, bid or negotiate with them, handle due diligence, and tackle issues that arise after a deal is made. They've learned the dos and don'ts from experience and created templates that help executives manage specific acquisition- or alliance-related tasks. In addition, they've developed formal and informal training programs that sharpen managers' deal-related skills. GE Capital, Symantec, and Bank One, among others, have created acquisition competencies, while Hewlett-Packard, Siebel, and Eli Lilly, for example, have systematically built alliance capabilities.

It's tempting to say that companies should use the strategy that they are good at because it does improve their chances of making collaborations work. However, specialization poses a problem because companies with hammers tend to see everything as nails. Since most firms have developed either alliance or acquisition skills, they often become committed to what they're good at. They stick to pet strategies even if they aren't appropriate and make poor choices.

Smart companies prevent such mistakes by developing skills to handle both acquisitions and alliances. That isn't as easy as it sounds. Take Corning. For decades, it had cultivated the ability to manage alliances. In the 1990s, however, the company used acquisitions to expand in the telecommunications business. Corning faced several challenges and much criticism because it had little experience in handling takeovers. While Corning made many mistakes, the company may have been on the right track when it tried not to let habit determine its choices. In fact, our research shows that companies that use both acquisitions and alliances grow faster than rivals do—as companies like Cisco have amply demonstrated.

CO-BRANDING: A POPULAR FORM OF STRATEGIC ALLIANCE:

Creating strategic alliances by engaging in co-branding has become increasingly popular across many industries. Disney's alliances with Mattel, McDonald's and Burger King are prime examples of such co-branding ventures.

Recent ads for the *Lexus* GS 300 "*Coach* Edition" feature the luxury *Lexus* sports-utility vehicle outfitted with *Coach* brand leather upholstery and featuring the *Coach* logo on the floor mats and headrests. Some models even include a *Coach* leather weekend bag. The *Intel Inside* logo, featuring the *Pentium* chip, placed on *IBM* computers is another well known co-branded product. Then there is the *Lays* brand potato chips with *KC Masterpiece* barbecue sauce flavouring and the famous slogan *No One Can Eat Just One!*

The co-branding strategy

These are examples of highly successful combinations of products or brand names known as co-branding. Co-branding is an increasingly popular technique used by businesses to attempt to transfer the positive associations of another company's product or brand to a newly formed co-brand or composite brand, or to create synergy with existing brands. The co-branding strategy can be a win-win for both co-branding partners even if the respective brands do not have equal standing or brand equity in the marketplace. A well-executed co-branding strategy can be effective in exploiting good product performance, or in breaking into lucrative new markets previously unavailable or untapped by either or both of the co-branding partners.

Co-branding is a pairing of two or more branded products to form either a separate and unique product or brand; the use of distinct brands in combination with market-related products for complementary use, such as between a fast food chain and a toy company; or even physical product integration, such as a brand-name toothpaste combined with a brand-name mouthwash. A co-branding strategy can be a means to gain more marketplace exposure, fend off the threat of private label brands and share expensive promotion costs with a partner. In a co-branding relationship, both brands should have an obvious and natural relationship that has potential to be commercially beneficial to both parties.

The rights, restrictions and obligations of a co-branding strategy are implemented through a co-branding agreement that is binding on both parties. A co-branding agreement contains many important provisions and must be carefully drafted to protect the parties, as well as clearly provide the parameters of the relationship. In general, a typical co-branding agreement includes provisions covering branding specifications, market plan strategy, licensing specifics, payments and royalties, representations and warranties, term and termination, confidentiality, indemnification and disclaimers.

Among these areas, the most important provisions tend to relate to exclusivity, term and termination, licensing specifics, liability, the co-branding partners and branding and marketing specifications.

EXCLUSIVITY

Exclusivity provisions may restrict the ability of the co-branding partners to enter into other third-party agreements. Typically, exclusivity provisions prohibit any co-branding, co-marketing or other strategic alliance of any sort with certain direct competitors, which may be specified within the co-branding agreement. Some co-branding agreements also include restrictions regarding affiliations with categories of services, products or industries.

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Term and termination

The length of the term of the agreement and the termination provisions are important because such items affect the parties' ability to escape from co-branding arrangements that turn out to be harmful to the business or that simply are not as effective or profitable as expected. Typically, the term of a co-branding agreement consists of an initial term with an option for renewals. The initial term should be relatively short (eg, two to three years), so that the brands are not tied up for an excessive period, but long enough to establish the co-branding strategy and realise its success or potential.

The circumstances under which a co-branding agreement may be terminated primarily fall into four categories:

(1) the acquisition or merger of one of the parties to the agreement;

(2) a significant shift in the business direction or goals of either party;

(3) mutual agreement; and

(4) for cause or breach of terms and provisions.

Other bases for termination may include failure to meet specified threshold performance levels and violation of trademark or other intellectual property restrictions, such as counterfeiting, misuse, dilution or the tarnishing of a party's marks. As part of an agreement's termination provisions, the parties should specify a transition period, usually two to six months, for changeover to the parties' respective brands and discontinuance of the use of the combined brand or product upon conclusion of the co-branding programme.

LICENSING SPECIFICS

Co-branding agreements generally involve the licensing of one or more trademarks between the parties. Licensing provisions cover guidelines for use of the respective brands, trademarks and other intellectual property assets by the co-branding partners, including those on proprietary rights, quality control, continuing rights upon termination, policing and enforcement of rights. The licensing terms of a co-branding agreement should typically be reciprocal and usually specify that the parties may use each other's trademarks, trade names, logos and copyrights solely to perform the obligations of the co-branding agreement and that use of the respective marks must be in accordance with the policies and procedures agreed upon by the parties or as are put in place by the intellectual property owner.

Liability and potential damage to the brand

Co-branding is a form of trademark licensing. Accordingly, the potential product defect liability inherent in any trademark licensing deal is also a factor in co-branding arrangements. Each company involved in a co-branding deal should be aware that affixing their brands to a product could make them co-parties in a product liability lawsuit.

A company looking to co-brand should be aware not only of the shared risk created by co-branding arrangements, but also of the underlying principles that create this risk. A fundamental principle of trademark law is that trademarks are a quality and source indicator. When a consumer sees a highly esteemed mark on a product, the consumer believes it is a quality product from a trusted source. This principle creates an obligation on a trademark owner to exercise control over the quality of the products sold under its mark. In fact, a trademark owner who fails to insure that the goods bearing his mark are of good quality risks losing rights in that mark. However, exercising too much control can create additional liability.

Recent United States case law illustrates this point. In 2004, the Indiana Supreme Court heard a case involving a man who had been injured by an umbrella imprinted with the *Guess* trademark. He sued *Guess* under tort state law, claiming that the presence of the logo made *Guess* an apparent manufacturer of the umbrella who owed him a duty of care in ensuring that the product was not defective. *Guess*, on the other hand, argued that it did not produce the goods; it had simply licensed its mark to the manufacturer. The court held that *Guess* could be found liable under state law, with its liability depending on how involved it had been in the product manufacturing process.

Licensor liability has yet to be extensively tested in co-branding situations. Certain types of co-branding arrangements may be less susceptible to shared liability than others. For example, if a *Lexus* car with a *Coach* leather interior were found to have a defective braking system, it is probably unlikely that the owners of the *Coach* mark would face product defect liability. On the other hand, if the product is *Lays* brand potato chips with *KC Masterpiece* barbecue sauce flavouring, both parties may more likely be pulled into the legal fray.

Most recently, California-based *Pimco* bond funds took back use of its *Pimco* brand from its German parent insurance company Allianz, which had used the *Pimco* mark in co-branding certain of its New York-based stock portfolios. Though such use of *Pimco's* brand name gave the *Pimco* name broader exposure, the California-based *Pimco* bond funds became embroiled in lawsuits, SEC investigations and negative publicity although it had no connection with the *Pimco* co-branded label stock funds that were at the heart of a securities case. Although the lawsuit was dropped, the negative publicity continued. Thus, the management of *Pimco* bond funds decided to return to its old branding strategy – to have the *Pimco* name associated only with the products the company leads. In this instance, co-branding led to brand confusion with investors and brand damage.

Co-branding partners

The above situations hold some important lessons for co-branders. First, get to know your co-branding partner. As in any licensing opportunity, track record and market penetration are key. In addition, understand that from a liability perspective, more involvement may not be better. For example, entering a new industry may entangle your company in unfamiliar government regulations. Sometimes, a co-branding deal should be just that, rather than an opportunity for companies to combine operations or involve each other extensively in production or manufacturing processes.

Check Your Progress

4. Define trademark.
5. What does Marketing Branding and Marketing Specification do?

Second, understand the operations of your co-brander, especially if your co-brander is the party responsible for manufacturing or bringing the goods to market. Co- branding is sometimes an opportunity for untested brands and newer companies to make a splash in the market by aligning themselves with more

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prestigious brands. If your company is aligning your brand with such a company, make sure that you are comfortable with their product safety track records and OEM relationships. Finally, protect your company contractually, making sure that your contracts contain indemnification, warranty and termination clauses that provide protection in worst-case product defect and liability scenarios.

BRANDING AND MARKETING SPECIFICATIONS

Branding and marketing specifications cover provisions concerning the appearance and positioning of the respective brands (ie, location, colour, size, proximity) and any modification of the brands. Also covered are the types of marketing employed, such as direct marketing, using the parties' respective customer data; and media campaign plans, such as television, print advertising and promotions. A co-branding agreement's provisions can be the key to the success or failure of the co-branding effort and must be explicit and well drafted.

The devil is often in the details in co-branding arrangements. To avoid conflict later, the appearance and positioning of the respective brands should be discussed at length during the contracting stage. Additionally, sophisticated companies usually have trademark use policies and it is important to ensure that the policies that your company has developed to protect the legal integrity of company marks are also followed in connection with a co-branded product or service.

As with liability issues, considering your industry and the nature of the products and services being co-branded is crucial. While brand appearance and positioning may be a simple proposition in the product industry, for example, the consistent placement of the *Intel* logo on an *IBM* computer, the issue may be more complex in the service industry.

Illustrations of the level of complexity regarding the co-branding of services can be found in pairings, such as *Yum! Brands* co-brand partnership with *Allied Domecq Quick Service* restaurants, or *Starbucks* co-branding with *Charter One* bank, where the physical layout of restaurants and banks requires modification. Such modification may require the cooperation of reluctant franchisees, who do not want to change the look of their stores or who delay in doing so. Accordingly, drafting clear contract provisions that include the appearance and placement of your company's brand, state the timing of the co-brand rollout in service locations and incorporate your company's trademark use policy will help to ensure fewer bumps in the road as your co-branding venture moves ahead.

CHAPTER AT A GLANCE

- A Strategic alliance is a unique relation between two or more companies working together on a project design to generate profit neither partner could achieve on their own. Its benefits are- Expanded access to market, advanced technology, quick product development etc.
- Two most pervasive myth about partnering are – "alliances are easy to pull off", "alliance are for everyone".
- Companies resources – Production capacity, Financial resources, Technological expertise, Distribution network, Warehouse facilities and Raw material supplies.

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- A non-binding letter of intent is the minimum to expect from early round of negotiations.
- An alliances champion believes deeply in the enterprise and focuses on its acceptance and implementation.
- To build trust between partners – start with small and simple operations, clear about information to be disclosed and see the behavior from other's point of view.
- Useful performance measures include revenue share, return on investment, contribution to fixed costs, return on sales, level of market penetration, speedy response to customer needs, cost savings and improved access to markets.
- Partnering is a logical response to the globalization of markets, increasingly intense competition, the need for faster innovation and growing complexity of technology.
- Guidelines – Recognize the necessity for a significant philosophical shift, Keep the terms simple, efficient and adaptive to fast time, establish principles of effective collaboration, avoid corporate joint ventures/favor corporate partnerships and LLCs, Allocate control to capture synergy, design profit sharing and risk allocation based on the joint value proposition, turn differences and disputes into opportunities by alliance mediation.
- The ability of an alliance to deal effectively with its differences is a resource of inestimable value because it gives the parties' time and space to focus all their energies in conceiving, nourishing, and bringing forth their creative work together.
- In selection of acquisition or alliance managers analyze market related factors, resource related factors and capability factors.
- Four primary factors that lead to success of an alliances – Accessing complementary capabilities, customizing, knowledge sharing, effective governance.
- The company should negotiate an alliance that will let it pick up a majority stake at a future date after some of the uncertainty has receded.
- A company's experience in managing acquisitions or alliances is bound to influence its choices. They've created special teams to act as repositories of knowledge and institutionalized processes to identify targets, bid or negotiate with them, handle due diligence, and tackle issues that arise after a deal is made.
- Co-branding is a pairing of two or more branded products to form either a separate and unique product or brand; the use of distinct brands in combination with market-related products for complementary use, such as between a fast food chain and a toy company; or even physical product integration, such as brand-name toothpaste combined with a brand-name mouthwash.
- Exclusivity provisions may restrict the ability of the co-branding partners to enter into other third-party agreements.
- Licensing provisions cover guidelines for use of the respective brands, trademarks and other intellectual property assets by the co-branding part-

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ners, including those on proprietary rights, quality control, continuing rights upon termination, policing and enforcement of rights.

- A fundamental principle of trademark law is that trademarks are a quality and source indicator. In fact, a trademark owner who fails to insure that the goods bearing his mark are of good quality risks losing rights in that mark.
- A co-branding deal should be just that, rather than an opportunity for companies to combine operations or involve each other extensively in production or manufacturing processes.

ANSWER TO CHECK YOUR PROGRESS:

1. A strategic alliance is a unique relationship between two or more companies working together on a project designed to generate a profit neither partner could achieve on their own.
2. The two of the most pervasive my the about partnering are:
   a. "Alliances are easy to pull off".
   b. "Alliances are for Everyone".
3. Licensing provisions cover guidelines for use of the respective brands, trademarks and other intellectual property assets by the co-branding partners, including those on proprietary rights, quality control, continuing rights upon termination, policing and enforcement of rights.
4. A fundamental principle of trademark law is that trademarks are a quality and source indicator. In fact, a trademark owner who fails to insure that the goods bearing his mark are of good quality risks losing rights in that mark.
5. Branding and marketing specifications cover provisions concerning the appearance and positioning of the respective brands (ie, location, colour, size, proximity) and any modification of the brands.

EXERCISE

1. Write an essay on " coopetition and strategic alliances"?
2. Throw light on path of competition to collaboration?
3. Write a short note on " Business Strategy for World –Class Organizations"?
4. Define the term "Alliance Mediation"?

12 Decision Making

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The Chapter Covers :

INTRODUCTION

Decision making can be regarded as an outcome of mental processes (cognitive process) leading to the selection of a course of action among several alternatives. Every decision making process produces a final choice. The output can be an action or an opinion of choice.

Human performance in decision making terms has been subject of active research from several perspectives. From a psychological perspective, it is necessary to examine individual decisions in the context of a set of needs, preferences an individual has and values he/she seeks. From a cognitive perspective, the decision making process must be regarded as a continuous process integrated in the interaction with the environment. From a normative perspective, the analysis of individual decisions is concerned with the logic of decision making and rationality and the invariant choice it leads to.

Yet, at another level, it might be regarded as a problem solving activity which is terminated when a satisfactory solution is found. Therefore, decision making is a reasoning or emotional process which can be rational or irrational, can be based on explicit assumptions or tacit assumptions.

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Logical decision making is an important part of all science-based professions, where specialists apply their knowledge in a given area to making informed decisions. For example, medical decision making often involves making a diagnosis and selecting an appropriate treatment. Some research using naturalistic methods shows, however, that in situations with higher time pressure, higher stakes, or increased ambiguities, experts use intuitive decision making rather than structured approaches, following a recognition primed decision approach to fit a set of indicators into the expert's experience and immediately arrive at a satisfactory course of action without weighing alternatives. Also, recent robust decision efforts have formally integrated uncertainty into the decision making process.

WHAT IS DECISION MAKING?

Some Definitions

1. **Decision making is the study of identifying and choosing alternatives based on the values and preferences of the decision maker.** Making a decision implies that there are alternative choices to be considered, and in such a case we want not only to identify as many of these alternatives as possible but to choose the one that best fits with our goals, desires, lifestyle, values, and so on.
2. **Decision making is the process of sufficiently reducing uncertainty and doubt about alternatives to allow a reasonable choice to be made from among them.** This definition stresses the information gathering function of decision making. It should be noted here that uncertainty is *reduced* rather than eliminated. Very few decisions are made with absolute certainty because complete knowledge about all the alternatives is seldom possible. Thus, every decision involves a certain amount of risk.

Concepts and Definitions

1. **Information.** This is knowledge about the decision, the effects of its alternatives, the probability of each alternative, and so forth. A major point to make here is that while substantial information is desirable, the statement that "the more information, the better" is not true. Too much information can actually reduce the quality of a decision. See the discussion on The Effects of Quantity on Decision Making above.
2. **Alternatives.** These are the possibilities one has to choose from. Alternatives can be identified (that is, searched for and located) or even developed (created where they did not previously exist). Merely searching for preexisting alternatives will result in less effective decision making.
3. **Criteria.** These are the characteristics or requirements that each alternative must possess to a greater or lesser extent. Usually the alternatives are rated on how well they possess each criterion. For example, alternative Toyota ranks an 8 on the criterion of economy, while alternative Buick ranks a 6 on the same criterion.
4. **Goals.** What is it you want to accomplish? Strangely enough, many decision makers collect a bunch of alternatives (say cars to buy or people to marry) and then ask, "Which should I choose?" without thinking first of what their goals are, what overall objective they want to achieve. Next time you find yourself asking, "What should I do? What should I choose?" ask yourself first, "What are my goals?"

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A component of goal identification should be included in every instance of decision analysis.

5. **Value.** Value refers to how desirable a particular outcome is, the value of the alternative, whether in dollars, satisfaction, or other benefit.
6. **Preferences.** These reflect the philosophy and moral hierarchy of the decision maker. We could say that they are the decision maker's "values," but that might be confusing with the other use of the word, above. If we could use that word here, we would say that personal values dictate preferences. Some people prefer excitement to calmness, certainty to risk, efficiency to esthetics, quality to quantity, and so on. Thus, when one person chooses to ride the wildest roller coaster in the park and another chooses a mild ride, both may be making good decisions, if based on their individual preferences.
7. **Decision Quality.** This is a rating of whether a decision is good or bad. A good decision is a logical one based on the available information and reflecting the preferences of the decision maker.

   The important concept to grasp here is that the quality of a decision is not related to its outcome: a good decision can have either a good or a bad outcome. Similarly, a bad decision (one not based on adequate information or not reflecting the decision maker's preferences) can still have a good outcome.

   For example, if you do extensive analysis and carefully decide on a certain investment based on what you know about its risks and your preferences, then your decision is a good one, even though you may lose money on the investment. Similarly, if you throw a dart at a listing of stocks and buy the one the dart hits, your decision is a bad one, even though the stock may go up in value.

   Good decisions that result in bad outcomes should thus not be cause for guilt or recrimination. If you decide to take the scenic route based on what you know of the road (reasonably safe, not heavily traveled) and your preferences (minimal risk, prefer scenery over early arrival), then your decision is a good one, even though you might happen to get in an accident, or have a flat tire in the middle of nowhere. It is not justified to say, "Well, this was a bad decision."

   In judging the quality of a decision, in addition to the concerns of logic, use of information and alternatives, three other considerations come into play:

   A. ***The decision must meet the stated objectives most thoroughly and completely.*** How well does the alternative chosen meet the goals identified?

   B. ***The decision must meet the stated objectives most efficiently, with concern over cost, energy, side effects.*** Are there negative consequences to the alternative that make that choice less desirable? We sometimes overlook this consideration in our search for thrills.

   C. ***The decision must take into account valuable byproducts or indirect advantages.*** A new employee candidate may also have extra abilities not directly related to the job but valuable to the company nonetheless. These should be taken into account.
8. **Acceptance.** Those who must implement the decision or who will be affected by it must accept it both intellectually and emotionally.

   Acceptance is a critical factor because it occasionally conflicts with one of the quality criteria. In such cases, the best thing to do may be to choose a lesser quality solution that has greater acceptance.

For example, when cake mixes first were put on the market, manufacturers

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put everything into the mix—the highest quality and most efficient solut. Only water had to be added. However, the mixes didn't sell well—they wer accepted. After investigation, the makers discovered that women didn't the mixes because using the mixes made them feel guilty: they weren't g wives because they were taking a shortcut to making a cake. The solution to take the egg and sometimes the milk out of the mix so that the wom would have something to do to "make" the cake other than just adding wa Now they had to add egg and perhaps milk, making them feel more useful. T need to feel useful and a contributor is one of the most basic of human nee Thus, while the new solution was less efficient in theoretical terms, it w much more acceptable. Cake mixes with the new formula became quite pop lar.

Thus, the inferior method may produce greater results if the inferior one has great support. One of the most important considerations in decision making, then, is th people factor. Always consider a decision in light of the people implementation.

A decision that may be technologically brilliant but that is sociologically stupid wi not work. Only decisions that are implemented, and implemented with thoroughnes (and preferably enthusiasm) will work the way they are intended to.

CHARACTERISTICS OF MANAGERIAL DECISION MAKING

- A decision is a choice made from available alternatives.
- Decision-making is the process of identifying problems and opportunitie and selecting a course of action to deal with a specific problem or tak advantage of an opportunity.
- Managers often are referred to as decision makers
- Managerial decision-making differs from personal decision making in th systematic, specialized attention that managers give to decision-making.
- Decision-making is not easy. It must be done amid ever-changing factors unclear information, and conflicting points of view.
- Good decision-making is a vital part of good management, because decisions determine how the organization solves its problems, allocates resources, and accomplishes its goals.
- Although many of their important decisions are strategic, managers als make decisions about every other aspect of an organization, including structure, control systems, responses to the environment, and human resources
- Plans and strategies are arrived at through decision making; the better the decision making, the better the strategic planning.
- Managers scout for problems and opportunities, make decisions for solving or taking advantage of them, and monitor the consequences to see whethe additional decisions are required.
- Decision-making deals with problems. A problem arises when an actual state of affairs differs from a desired state of affairs. Examples of problem situations are:
  - A deviation from past experience.
  - A deviation from a set plan.
  - Other people's problems or decisions.
  - The performance of competitors.
  - In many cases, a problem maybe an opportunity in disguise.

It is not always clear whether a situation faced by a manager presents a problem

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r an opportunity.David B. Gleicher, a management consultant, defines a problem ; something that endangers the organization's ability to reach its objectives, and opportunity as something that offers the chance to exceed objectives.

ccording to Peter Drucker, opportunities rather than problems are the key to rganizational and managerial success. Drucker observes that solving a problem ierely restores normality, whereas the exploitation of opportunities leads to ogress.

'YPES OF MANAGERIAL DECISIONS

he first classification of **personal and organizational decisions** was suggested by hester Barnard in his classic book: "The functions of the Executive". In his pinion, the basic difference between the two decisions is that "personal decisions nnot ordinarily be delegated to others, whereas organizational decisions can often, not always, be delegated'. Thus, a manager makes organizational decisions that tempt to achieve organizational goals and personal decisions that attempt to :hieve personal goals.

'ersonal decisions can affect the organization, as in the case of a senior manager eciding to resign. Another common way of classifying types of decisions is accord-g to whether they are **basic or routine** Basic decisions are those which are iique, one-time decisions involving long-range commitments of relative perma-ence or duration, or those involving large investments. Examples of basic decisions a business firm include plant location, organization structure, wage negotiations, oduct line, etc. Most top management policy decisions can be considered as basic ecisions. Routine decisions are the everyday, highly repetitive management deci-ons which by themselves have little impact on the overall organization. However, ken together, routine decisions play a tremendously important role in the success f an organization. Examples of routine decisions include an accounting entry deci-on and a salesperson's decision on what territory to cover.

inally, most management decisions typically fall into one of two categories:

rogrammed and Nonprogrammed: Programmed decisions involve situations iat have occurred often enough to enable decision rules to be developed and plied in the future. Programmed decisions are used for dealing with recurring ganizational problems, whether complex or uncomplicated. If a problem occurs petitively and routinely, and a specific approach can be worked out for handling , then it may be a candidate for programmed decision making. Predicted, and ialyzed, a manager does not need to go to the trouble and expense of working an involved decision process. Programmed decision making is relatively simple id tends to rely heavily on previous solutions. Programmed decisions limit free-om because managers have less latitude in deciding what to do. However, pro-ammed decisions save time and cost less (since discretion consumes time and oney), allowing managers to devote attention to other, and more important activi-es. Lower-level managers essentially confront familiar and repetitive problems; ierefore they most typically rely on programmed decisions such as policies, stan-ard operating procedures, and rules. Examples of programmed decisions are in-entory of a given product to be maintained, salary range of a newly hired em-oyee, and handling of customer complaints. Poorly defined and largely unstruc-ired, and have important consequences for the organization.

onprogrammed decisions deal with unusual or exceptional problems. If a problem is not come up often enough to be covered by a policy or is so important that it eserves special treatment, it must be handled as a nonprogrammed decision. Also, hen a manager confronts an ill-structured problem, a custom-made, nonprogrammed response is required. Most of the problems that top managers o an organization confront are nonrecurring and ill structured. Hence, as a manage moves up the organizational hierarchy, the ability to make nonprogrammed decision becomes important.

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Deciding whether to acquire another organization or to sell off an unprofitable division, deciding which markets offer the most potential, or deciding how to allocate an organization's resources are examples of nonprogrammed decisions.

Another classification of decisions relates to:

Complexity of the problem in terms of the number of factors associated with it.

The extent of certainty that can be placed with the outcome of a decision. Based on these two dimensions, four kinds of decision modes can be identified: Mechanistic, Analytical, Judgmental, and Adaptive.

TYPES OF MANAGERIAL DECISIONS

		PROBLEM COMPLEXITY	
		LOW	HIGH
Outcome Uncertainty	High	**JUDGMENTAL DECISIONS** Eg. Marketing, investment and personal problems	**ADAPTIVE DECISIONS** R & D and Long-Term corporate planning
	Low	**MECHANISATIC DECISIONS** Eg. Daily routine and scheduled activities	**ANALYTICAL DECISIONS** Complex production and engineering problems

A mechanistic decision is one that is routine and repetitive in nature. It usually occurs in a situation involving a limited number of decision variables where the outcomes of each alternative are known.

Most mechanistic decision problems are solved by habitual responses, standard operating procedures, or clerical routines. In order to further simplify these mechanistic decisions, managers often develop charts, lists, matrices, decision trees etc.

An analytical decision involves a problem with a larger number of decision variables , where the outcomes of each decision variable can be computed. Management science and operations research provide a variety of computational techniques like linear programming and statistical analysis that can be used to find optimal solutions. Many production and engineering problems are complex, but solutions can be found.

A judgmental decision involves a problem with a limited number of decision variables, but the outcomes of decision alternatives are unknown. Many marketing, investment, and resource allocation problems come under this category. Good judgment is needed to increase the possibility of desired outcomes and minimize the possibility of undesired outcomes.

An adaptive decision involves a problem with a large number of decision variables, where outcomes are not predictable. Because of the complexity and uncertainty of such problems, decision makers are not able to agree on the nature or on decision strategies. Such ill-structured problems usually require the contributions of many people with diverse technical backgrounds. In such a case, decision and implementation strategies have to be frequently modified to accommodate new developments in technology and the environment.

Decision making under different states of nature:

Every decision situation can be organized on a scale according to the availability of information and the possibility of failure. The four positions on the scale are certainty, risk, uncertainty, and ambiguity.

Decision making under certainty occurs when a manager knows the precise outcome associated with each possible alternative or course of action. In such situations, there is perfect knowledge about alternatives and their consequences. The probability of specific outcomes is assumed to be equal to one. A manager is simply faced with identifying the consequences of available alternatives and selecting the outcome with the highest benefit or payoff.

Decision making under risk is when a single action may result in more than one potential outcome, but the relative probability of each outcome is unknown. Decisions under conditions of risk are perhaps the most common. In such situations, alternatives are recognized, but their resulting consequences are probabilistic and doubtful. In practice, managers assess the likelihood of various outcomes occurring based on past experience,research, and other information.

Decision making under uncertainty happens when a single action may result in more than one potential outcome, but the relative probability of each outcome is unknown. In such situations a manager has no knowledge whatsoever on which to estimate the likely occurrence of various alternatives. Decisions under uncertainty generally occur in cases where no historical data are available from which to infer probabilities or in instances which are so novel and complex that it is impossible to make comparative judgments. Managers may have to make assumptions from which to forge the decision. Managers may have to come up with creative approaches to alternatives and use personal judgment to determine which alternative is best. Selection of a new advertising program is an example of such a decision. Decision making under ambiguity means that the goals to be achieved or the problem to be solved is unclear, alternatives are difficult to define, and information about outcomes is unclear. Such problems, referred to as "wicked" decision problems are associated with managerial conflicts over goals and decision alternatives, rapidly changing circumstances, fuzzy information, and unclear linkages among decision elements. In such cases managers must conjure up goals and develop reasonable scenarios for decision alternatives in the absence of information.

THE COMPONENTS OF DECISION MAKING

The Decision Environment

Every decision is made within a decision environment, which is defined as the collection of information, alternatives, values, and preferences *available at the time of the decision*. An ideal decision environment would include all possible information, all of it accurate, and every possible alternative. However, both information and alternatives are constrained because time and effort to gain information or identify alternatives are limited. The time constraint simply means that a decision must be made by a certain time. The effort constraint reflects the limits of manpower, money, and priorities. (You wouldn't want to spend three hours and half a tank of gas trying to find the very best parking place at the mall.) Since decisions must be made within this constrained environment, we can say that *the major challenge of decision making is uncertainty*, and a major goal of decision analysis is to reduce uncertainty. We can almost never have all information needed to make a decision with certainty, so most decisions involve an undeniable amount of risk.

The fact that decisions must be made within a limiting decision environment suggests two things. First, it explains why hindsight is so much more accurate and better at making decisions that foresight. As time passes, the decision environment continues to grow and expand. New information and new alternatives appear—even after the decision must be made. Armed with new information after the fact, the hindsighters can many times look hack and make a much better decision than the original maker, *because the decision environment has continued to expand.*

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The second thing suggested by the decision-within-an-environment idea follows from the above point. Since the decision environment continues to expand as time passes, it is often advisable to put off making a decision until close to the deadline. Information and alternatives continue to grow as time passes, so to have access to the most information and to the best alternatives, do not make the decision too soon. Now, since we are dealing with real life, it is obvious that some alternatives might no longer be available if too much time passes; that is a tension we have to work with, a tension that helps to shape the cutoff date for the decision.

Delaying a decision as long as reasonably possible, then, provides three benefits:

1. The decision environment will be larger, providing more information. There is also time for more thoughtful and extended analysis.
2. New alternatives might be recognized or created.
3. The decision maker's preferences might change. With further thought, wisdom, maturity, you may decide not to buy car X and instead to buy car Y.

THE EFFECTS OF QUANTITY ON DECISION MAKING

Many decision makers have a tendency to seek more information than required to make a good decision. When too much information is sought and obtained, one or more of several problems can arise. (1) A delay in the decision occurs because of the time required to obtain and process the extra information. This delay could impair the effectiveness of the decision or solution. (2) Information overload will occur. In this state, so much information is available that decision-making ability actually declines because the information in its entirety can no longer be managed or assessed appropriately. A major problem caused by information overload is forgetfulness. When too much information is taken into memory, especially in a short period of time, some of the information (often that received early on) will be pushed out.

The example is sometimes given of the man who spent the day at an information-heavy seminar. At the end of the day, he was not only unable to remember the first half of the seminar but he had also forgotten where he parked his car that morning.

(3) Selective use of the information will occur. That is, the decision maker will choose from among all the information available only those facts which support a preconceived solution or position. (4) Mental fatigue occurs, which results in slower work or poor quality work. (5) Decision fatigue occurs, where the decision maker tires of making decisions. Often the result is fast, careless decisions or even decision paralysis—no decisions are made at all.

The quantity of information that can be processed by the human mind is limited. Unless information is consciously selected, processing will be biased toward the first part of the information received. After that, the mind tires and begins to ignore subsequent information or forget earlier information.

DECISION STREAMS

A common misconception about decision making is that decisions are made in isolation from each other: you gather information, explore alternatives, and make a choice, without regard to anything that has gone before. The fact is, decisions are made in a context of other decisions. The typical metaphor used to explain this is that of a stream. There is a stream of decisions surrounding a given decision, many decisions made earlier have led up to this decision and made it both possible and limited. Many other decisions will follow from it.

Another way to describe this situation is to say that most decisions involve a choice from a group of preselected alternatives, made available to us from the universe of alternatives by the previous decisions we have made. Previous decisions have "activated" or "made operable" certain alternatives and "deactivated" or "made inoperable" others.

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For example, when you decide to go to the park, your decision has been enabled by many previous decisions. You had to decide to live near the park; you had to decide to buy a car or learn about bus routes, and so on. And your previous decisions have constrained your subsequent ones: you can't decide to go to a park this afternoon if it is three states away. By deciding to live where you do, you have both enabled and disabled a whole series of other decisions.

As another example, when you enter a store to buy a VCR or TV, you are faced with the preselected alternatives stocked by the store. There may be 200 models available in the universe of models, but you will be choosing from, say, only a dozen. In this case, your decision has been constrained by the decisions made by others about which models to carry.

We might say, then, that every decision (1) follows from previous decisions, (2) enables many future decisions, and (3) prevents other future decisions. People who have trouble making decisions are sometimes trapped by the constraining nature of decision making. Every decision you make precludes other decisions, and therefore might be said to cause a loss of freedom. If you decide to marry Terry, you no longer can decide to marry Shawn. However, just as making a decision causes a loss of freedom, it also creates new freedom, new choices and new possibilities. So making a decision is liberating as well as constraining. And a decision left unmade will often result in a decision by default or a decision being made for you.

It is important to realize that every decision you make affects the decision stream and the collections of alternatives available to you both immediately and in the future. In other words, decisions have far reaching consequences.

APPROACHES TO DECISION MAKING

There are two major approaches to decision making in an organization, the authoritarian method in which an executive figure makes a decision for the group and the group method in which the group decides what to do.

1. **Authoritarian.** The manager makes the decision based on the knowledge he can gather. He then must explain the decision to the group and gain their acceptance of it. In some studies, the time breakdown for a typical operating decision is something like this:

   make decision, 5 min.; explain decision, 30 min.; gain acceptance, 30 min.

2. **Group.** The group shares ideas and analyses, and agrees upon a decision to implement. Studies show that the group often has values, feelings, and reactions quite different from those the manager supposes they have. No one knows the group and its tastes and preferences as well as the group itself. And, interestingly, the time breakdown is something like this: group makes decision, 30 min.; explain decision, 0 min.; gain acceptance, 0 min. Clearly, just from an efficiency standpoint, group decision making is better. More than this, it has been shown many times that *people prefer to implement the ideas they themselves think of.* They will work harder and more energetically to implement their own idea than they would to implement an idea imposed on them by others. We all have a love for our own ideas and solutions, and we will always work harder on a

solution supported by our own vision and our own ego than we will on a solution we have little creative involvement with.

NOTES

There are two types of group decision making sessions. First is **free discussion** in which the problem is simply put on the table for the group to talk about. For example, Joe has been offered a job change from shift supervisor to maintenance foreman. Should he take the job?

The other kind of group decision making is **developmental discussion** or structured discussion. Here the problem is broken down into steps, smaller parts with specific goals. For example, instead of asking generally whether Joe should take the job, the group works on sub questions: What are Joe's skills? What skills does the new job require? How does Joe rate on each of the skills required? Notice that these questions seek specific information rather than more general impressionistic opinions.

SOME DECISION MAKING STRATEGIES

As you know, there are often many solutions to a given problem, and the decision maker's task is to choose one of them. The task of choosing can be as simple or as complex as the importance of the decision warrants, and the number and quality of alternatives can also be adjusted according to importance, time, resources and so on. There are several strategies used for choosing. Among them are the following:

1. **Optimizing.** This is the strategy of choosing the best possible solution to the problem, discovering as many alternatives as possible and choosing the very best. How thoroughly optimizing can be done is dependent on

   A. importance of the problem
   B. time available for solving it
   C. cost involved with alternative solutions
   D. availability of resources, knowledge
   E. personal psychology, values

   Note that the collection of complete information and the consideration of all alternatives is seldom possible for most major decisions, so that limitations must be placed on alternatives.

2. **Satisfying.** In this strategy, the first satisfactory alternative is chosen rather than the best alternative. If you are very hungry, you might choose to stop at the first decent looking restaurant in the next town rather than attempting to choose the best restaurant from among all (the optimizing strategy). The word *satisficing* was coined by combining *satisfactory* and *sufficient*. For many small decisions, such as where to park, what to drink, which pen to use, which tie to wear, and so on, the satisficing strategy is perfect.

3. **Maximax.** This stands for "maximize the maximums." This strategy focuses on evaluating and then choosing the alternatives based on their maximum possible payoff. This is sometimes described as the strategy of the optimist, because favorable outcomes and high potentials are the areas of concern. It is a good strategy for use when risk taking is most acceptable, when the go-for-broke philosophy is reigning freely.

4. **Maximin.** This stands for "maximize the minimums." In this strategy, that of the pessimist, the worst possible outcome of each decision is considered and the decision with the highest minimum is chosen. The Maximin orientation is good when the consequences of a failed decision are particularly harmful or undesir-

able. Maximin concentrates on the salvage value of a decision, or of the guaranteed return of the decision. It's the philosophy behind the saying, "A bird in the hand is worth two in the bush."

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Quiz shows exploit the uncertainty many people feel when they are not quite sure whether to go with a maximax strategy or a maximin one: "Okay, Mrs. Freen, you can now choose to take what you've already won and go home, or risk losing it all and find out what's behind door number three."

Example: I could put my $10,000 in a genetic engineering company, and if it creates and patents a new bacterium that helps plants resist frost, I could make $50,000. But I could also lose the whole $10,000. But if I invest in a soap company, I might make only $20,000, but if the company goes completely broke and gets liquidated, I'll still get back $7,000 of my investment, based on its book value.

Example: It's fourth down and ten yards to go on your twenty yard line. Do you go for a long pass or punt? Maximax would be to pass; Maximin would be to punt.

DECISION MAKING IS A RECURSIVE PROCESS

A critical factor that decision theorists sometimes neglect to emphasize is that in spite of the way the process is presented on paper, **decision making is a nonlinear, recursive process.** That is, most decisions are made by moving back and forth between the choice of criteria (the characteristics we want our choice to meet) and the identification of alternatives (the possibilities we can choose from among). The alternatives available influence the criteria we apply to them, and similarly the criteria we establish influence the alternatives we will consider. Let's look at an example to clarify this.

Suppose someone wants to decide, Should I get married? Notice that this is a decision whether. A linear approach to decision making would be to decide this question by weighing the reasons pro and con (what are the benefits and drawbacks of getting married) and then to move to the next part of the process, the identification of criteria (supportive, easy going, competent, affectionate, etc.). Next, we would identify alternatives likely to have these criteria (Kathy, Jennifer, Michelle, Julie, etc.). Finally we would evaluate each alternative according to the criteria and choose the one that best meets the criteria. We would thus have a scheme like this:

Decision whether ... select criteria ... identify alternatives ... make choice

*However, the fact is that our decision whether to get married may really be a contingent decision. "I'll get married **if** I can find the right person." It will thus be influenced by the identification of alternatives, which we usually think of as a later step in the process. Similarly, suppose we have arrived at the "identify alternatives" stage of the process when we discover that Jennifer (one of the girls identified as an alternative) has a wonderful personality characteristic that we had not even thought of before, but that we now really want to have in a wife. We immediately add that characteristic to our criteria. Thus, the decision making process continues to move back and forth, around and around as it progresses in what will eventually be a linear direction but which in its actual workings is highly recursive.*

DECISION MAKING PROCEDURE

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As you read this procedure, remember our discussion earlier about the recursive nature of decision making. In a typical decision making situation, as you move from step to step here, you will probably find yourself moving back and forth also.

1. **Identify the decision to be made together with the goals it should achieve.** Determine the scope and limitations of the decision. Is the new job to be permanent or temporary or is that not yet known (thus requiring another decision later)? Is the new package for the product to be put into all markets or just into a test market? How might the scope of the decision be changed—that is, what are its possible parameters?

   When thinking about the decision, be sure to include a clarification of goals: We must decide whom to hire for our new secretary, *one who will be able to create an efficient and organized office*. Or, We must decide where to go on vacation, *where we can relax and get some rest from the fast pace of society*.

2. **Get the facts.** But remember that you cannot get all the facts. Get as many facts as possible about a *decision within the limits of time imposed on you and your ability to process them*, but remember that virtually every decision must be made in partial ignorance. Lack of complete information must not be allowed to paralyze your decision. A decision based on partial knowledge is usually better than not making the decision when a decision is really needed. The proverb that "any decision is better than no decision," while perhaps extreme, shows the importance of choosing. When you are racing toward a bridge support, you must decide to turn away to the right or to the left. Which way you turn is less important than the fact that you do indeed turn.

   As part of your collection of facts, list your feelings, hunches, and intuitive urges. Many decisions must ultimately rely on or be influenced by intuition because of the remaining degree of uncertainty involved in the situation.

   Also as part of your collection of facts, consult those who will be affected by and who will have to implement your decision. Input from these people not only helps supply you with information and help in making the decision but it begins to produce the acceptance necessary in the implementers because they feel that they are part of the decision making process. As Russell Ackoff noted in *The Art of Problem Solving*, not consulting people involved in a decision is often perceived as an act of aggression.

3. **Develop alternatives.** Make a list of all the possible choices you have, including the choice of doing nothing. Not choosing one of the candidates or one of the building sites is in itself a decision. Often a non decision is harmful as we mentioned above—not choosing to turn either right or left is to choose to drive into the bridge. But sometimes the decision to do nothing is useful or at least better than the alternatives, so it should always be consciously included in the decision making process.

   Also be sure to think about not just identifying available alternatives but creating alternatives that don't yet exist. *For example, if you want to choose which major to pursue in college, think not only of the available ones in the catalog, but of designing your own course of study.*

4. **Rate each alternative.** This is the evaluation of the value of each alternative. Consider the negative of each alternative (cost, consequences, problems cre-

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ated, time needed, etc.) and the positive of each (money saved, time saved, added creativity or happiness to company or employees, etc.). Remember here that the alternative that you might like best or that would in the best of all possible worlds be an obvious choice will, however, not be functional in the real world because of too much cost, time, or lack of acceptance by others.

Also don't forget to include indirect factors in the rating. If you are deciding between machines X, Y, and Z and you already have an employee who knows how to operate machine Z, that fact should be considered. If you are choosing an investigative team to send to Japan to look at plant sites and you have very qualified candidates A, B, and C, the fact that B is a very fast typist, a superior photographer or has some other side benefit in addition to being a qualified team member, should be considered. In fact, what you put on your hobbies and interests line on your resume can be quite important when you apply for a job just because employers are interested in getting people with a good collection of additional abilities.

5. **Rate the risk of each alternative.** In problem solving, you hunt around for a solution that best solves a particular problem, and by such a hunt you are pretty sure that the solution will work. In decision making, however, there is always some degree of uncertainty in any choice. Will Bill really work out as the new supervisor? If we decide to expand into Canada, will our sales and profits really increase? If we let Jane date Fred at age fifteen, will the experience be good? If you decide to marry person X or buy car Y or go to school Z, will that be the best or at least a successful choice?

   Risks can be rated as percentages, ratios, rankings, grades or in any other form that allows them to be compared. See the section on risk evaluation for more details on risking.

6. **Make the decision.** If you are making an individual decision, apply your preferences (which may take into account the preferences of others). Choose the path to follow, whether it includes one of the alternatives, more than one of them (a multiple decision) or the decision to choose none.

And of course, don't forget to implement the decision and then evaluate the implementation, just as you would in a problem solving experience.

One important item often overlooked in implementation is that when explaining the decision to those involved in carrying it out or those who will be affected by it, don't just list the projected benefits: frankly explain the risks and the drawbacks involved and tell why you believe the proposed benefits outweigh the negatives. Implementers are much more willing to support decisions when they (1) understand the risks and (2) believe that they are being treated with honesty and like adults.

Remember also that very few decisions are irrevocable. Don't cancel a decision prematurely because many new plans require time to work—it may take years for your new branch office in Paris to get profitable—but don't hesitate to change directions if a particular decision clearly is not working out or is being somehow harmful. You can always make another decision to do something else.

Check Your Progress

1. Define Decision making.
2. What is the meaning of Decision Quality.
3. What is types of Managerial Decisions?

KINDS OF DECISIONS

There are several basic kinds of decisions.

1. **Decisions whether.** This is the yes/no, either/or decision that must be made before we proceed with the selection of an alternative. Should I buy a new TV?

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Should I travel this summer? Decisions whether are made by weighing reasons pro and con. The PMI technique discussed in the next chapter is ideal for this kind of decision.

It is important to be aware of having made a decision whether, since too often we assume that decision making begins with the identification of alternatives, *assuming that the decision to choose one has already been made.*

2. **Decisions which.** These decisions involve a choice of one or more alternatives from among a set of possibilities, the choice being based on how well each alternative measures up to a set of predefined criteria.
3. **Contingent decisions.** These are decisions that have been made but put on hold until some condition is met.

*For example, I have decided to buy that car **if** I can get it for the right price; I have decided to write that article **if** I can work the necessary time for it into my schedule.*

Most people carry around a set of already made, contingent decisions, just waiting for the right conditions or opportunity to arise. Time, energy, price, availability, opportunity, and encouragement - all these factors can figure into the necessary conditions that need to be met before we can act on our decision.

DECISIONS MAKING MODELS

There are three suggested models of how decisions are made:

- **The econological or economic man model.**
- **The bounded rationality or administrative man model.**
- **The implicit favorite or gamesman model.**

The Econological or Economic Man model represents the earliest attempt to model decision process.

This model rests on two assumptions:

1. It assumes that people are economically rational and that they will select the decision or course of action that has the greatest advantage or payoff from among the many alternatives.
2. It also assumes that people attempt to maximize outcomes in an orderly and sequential process by going about the search for the best alternative in a planned, orderly, and logical fashion.

A basic econologic decision model suggests the following orderly steps in the decision process:

1. Discover the symptoms of the problem or difficulty;
2. Determine the goal to be achieved or define the problem to be solved;
3. Develop a criterion against which alternative solutions can be evaluated;
4. Identify all alternative courses of action;
5. Consider the consequences of each alternative as well as the likelihood of the occurrence of each;
6. Choose the best alternative by comparing the consequences of each alternative (step 5) with the decision criterion (step 3); and,
7. Act or implement the decision.

The economic man model represents a useful prescription of how decisions should be made, but it does not adequately portray how decisions are actually made.

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This model is unrealistic since it makes the following assumptions about human beings:

1. People can have complete information;
2. They can accurately recall any information any time they like;
3. People can manipulate all this information in a series of complex calculations to provide expected values; and,
4. People can rank the consequences in a consistent fashion for the purposes of identifying the preferred alternative.

The Bounded Rationality or Administrative Man Model:

It has been presented by Simon. As the name implies, this model, does not assume individual rationality in the decision making process. Instead, it assumes that people while they may seek the best solutions usually settle for much less because the decisions they confront typically demand greater information processing capabilities than they possess. They seek a kind of bounded (or limited) rationality in decisions.

The concept of bounded rationality attempt to describe decision processes in terms of three mechanisms:

1. **Sequential attention to alternative solutions**: Instead of identifying all possible solutions and selecting the best, the various alternatives are identified and evaluated one at a time.
2. **Use of heuristics**: Decision makers use heuristics to reduce large problems to manageable proportions so that decisions can be made rapidly. They look for obvious solutions or previous solutions that worked in similar situations. A heuristic is a rule which guides the search for alternatives into areas that have a high probability for yielding satisfactory solutions.
3. **Satisfying**: Whereas the econological model focuses on the decision maker as an optimizer, this model sees her or him as a satisficer.

An alternative is optimal if:

(1) There exists a set of criteria that permits an alternative to be compared; and,
(2) The alternative in question is preferred, by these criteria, to all other alternatives.

An alternative is satisfactory if:

(1) There exists a set of criteria that describes minimally satisfactory alternatives; and,
(2) The alternative in question meets or exceeds all these criteria.

The bounded rationality model decision making process is outlined below:

1. Set the goal to be pursued or define the problem to be solved.
2. Establish an appropriate level of aspiration or criterion level (that is, when do you know that a solution is sufficiently positive to be acceptable even if it is not perfect?).
3. Employ heuristics to narrow problem space to a single promising alternative.
4. If no feasible alternative is identified (a) lower the aspiration level, and (b) begin the search for a new alternative solution (repeat steps 2 and 3).

5. After identifying a feasible alternative (a), evaluate it to determine its acceptability (b).
6. If the identified alternative is unacceptable, initiate search for a new alternative solution (repeat steps 3-5).
7. If the identified alternative is acceptable (a) implement the solution (b).
8. Following implementation, evaluate the ease with which the goal was (or was not) attained (a), and raise or lower level of aspiration accordingly on future decisions of this type.

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In contrast to the prescriptive econologic model, it is claimed that the bounded rationality model is descriptive; that is, it describes how decision makers actually arrive at the identification of solutions to organizational problems.

Implicit Favorite or Gamesman Model was developed by Soelberg (1967).

In this process, an implicit favorite is identified very early in the choice process during the generation of alternatives. The search for additional choices is continued and quickly the best alternative candidate is selected, known as the confirmation candidate. Next, decision rules are generated to demonstrate unequivocally that the implicit favorite is superior to the alternative confirmation candidate. This is done through perceptual distortion of information about the two alternatives and through weighing systems designed to highlight the positive features of the implicit favorite.

The decision rules are designed to contain only those one or two dimensions in which the implicit favorite can be shown to be superior to the confirmation candidate.

The following are the steps in the process of this model:

1. Set goal;
2. Identify implicit favorite;
3. Compare and rank implicitly rejected alternatives;
4. Identify confirmation candidate;
5. Establish decision rule or criterion;
6. If decision rule does not justify implicit favorite repeat steps 4 and/or 5;
7. Otherwise, announce decision; and,
8. Act.

Generally practiced model

Individuals, groups or teams make decisions every day. Some decisions are very important and affect a lot of people whereas other decisions are small and affect only one or two people. A decision-making process based on data leads to good decisions. The steps in this model are listed in a linear fashion but the steps are interrelated and can be repeated as needed throughout the process.

Framing

- Clarify purpose and boundaries of the decision
- Gather information
- Identify who is affected by the decision
- Identify who will make the decision (individual or group)
- Identify what knowledge or expertise is needed to make the decision

- Identify what information or resources currently exist to help with the decision making process
- Define by when the decision needs to be made
- Communicate to affected parties who is making the decision and the rationale for it

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Deciding

- Define how the decision will be made (e.g. consensus, voting, etc.)
- Use appropriate tools that support data gathering (e.g. affinity diagram, brainstorming, fishbone, flowchart, force field, how-how, interrelationship digraph)
- Make the decision through the integration of ideas and data, and negotiation and prioritization of ideas
- Identify who (individual or group) will implement the decision

Communicating

- Summarize the rationale for the decision
- Communicate the decision, why it was made and the rationale for it

Implementing

- Define the steps in implementing the decision including the timeframe for completion
- Define the method for reporting when something is completed and who receives the report

Evaluating

- Identify the process for assessing impact of decision

DECISION-MAKING TECHNIQUES

The most common form of group decision making takes place in interacting groups. In these groups, members meet face-to-face and rely on both verbal and nonverbal interaction to communicate with each other. But as our discussion groupthink demonstrated, interacting groups often censor themselves and pressure individual members toward conformity of opinion.

Brainstorming, the nominal group technique, and electronic meetings have been proposed as ways to reduce many of the problems inherent in the traditional interacting group. Brainstorming is meant to overcome pressures for conformity in the interacting group that retard the development of creative alternatives. It does this by utilizing an idea-generation process that specifically encourages any and all alternatives, while withholding any criticism of those alternatives.

In a typical brainstorming session, a half dozen to a dozen people sit around a table. The group leader states the problem in a clear manner so that it is understood by all participants. Members then "freewheel" as many alternatives as they can in a given length of time. No criticism is allowed, and all the alternatives are recorded for later discussion and analysis. That one idea stimulates others and that judgments of even the most bizarre suggestions are with held until later encourage group members to "think the unusual. Brainstorming, however, is merely a process for generating ideas.

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The following two techniques go further by offering methods of actually arriving at a preferred solution.

The **nominal group technique** restricts discussion or interpersonal Immunization during the decision-making process, hence, the term *nominal.* Group technique members are all physically present, as in a traditional committee meeting, but A members operate independently. Specifically, a problem is presented and then m the following steps take place....

1. Members meet as a group but, before any discussion takes place, each member independently writes down his or her ideas on the problem.
2. After this silent period, each member presents one idea to the group. Each member takes his or her turn, presenting a single idea until all ideas have been presented and recorded. No discussion takes place until all ideas have been recorded.
3. The group now discusses the ideas for clarity and evaluates them.
4. Each group member silently and independently rank-orders the ideas. The ideas with the highest aggregate ranking determine the final decision.

The chief advantage of the nominal group technique is that it permits the group to meet formally but does not restrict independent thinking, as does the interacting group.

The most recent approach to group decision making blends the nominal group technique with sophisticated computer technology.

The future of group meetings undoubtedly will include extensive use of this technology. Each of these four group decision techniques has its own set of strengths and weaknesses. The choice of one technique over another will depend on what criteria you want to emphasize and the cost-benefit trade-off. For instance, the interacting group is good for building group cohesiveness, brainstorming keeps social pressures to a minimum, the nominal group technique is an inexpensive means for generating a large number of ideas, and electronic meetings process ideas fast. The major advantages of electronic meetings are anonymity, honesty, and speed. Participants can anonymously type any message they want and it flashes on the screen for all to see at the push of a participant's keyboard. It also allows people to be brutally honest without penalty. And it's fast because chitchat is eliminated, discussions don't digress, and many participants can talk" at once without stepping on one another's toes. The future of group meetings undoubtedly will include extensive use of this technology.

Each of these four group decision techniques has its own set of strengths and weaknesses. The choice of one technique over another will depend oh what criteria you want to emphasize and the cost-benefit trade-off. For instance, the interacting group is good for building group cohesiveness, brainstorming keeps social pressures to a minimum, the nominal group technique is an inexpensive means for generating a large number of ideas, and electronic meetings process ideas fast. Norms control group member behavior by establishing standards of right and wrong. If managers know the norms of a given group, it can help to explain the behaviors of its members. When norms support high output, managers can expect individual performance to be markedly higher than when group norms aim to restrict output. Similarly; acceptable standards of absenteeism will be dictated by the group norms. Status inequities create frustration and can adversely influence productivity and the willingness to remain with an organization. Among those individuals who are equity sensitive, incongruence is likely to lead to reduced motivation and an increased search for ways to bring about fairness (i.e., taking another job).

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The impact of size on a group's performance depends upon the type of task in which the group is engaged. Larger groups are more effective at fact-finding activities. Smaller groups are more effective at action-taking tasks. Our knowledge of social loafing suggests that if management uses larger groups, efforts should be made to provide measures of individual performance within the group. We found the group's demographic composition to be a key determinant of individual turnover. Specifically, the evidence indicates that group members who share a common age or date of entry into the work group are less prone to resign. The more complex and interdependent the tasks, the more that inefficient processes will lead to reduced group performance.

CONCLUSION: Decision making is a process of selecting a course of action from among the available alternatives in order to achieve a desired goal in a given situation. The process involves the functions of searching and evaluating alternative courses of action in order to select a best possible course of action. It is the work a manager performs to arrive at a conclusion or a judgment.

CHAPTER AT A GLANCE

- Decision making can be regarded as an outcome of mental processes leading to the selection of a course of action among several alternatives.
- Decision making is the study of identifying and choosing alternatives based on the values and preferences of the decision maker.
- Decision making is the process of sufficiently reducing uncertainty and doubt about alternatives to allow a reasonable choice to be made from among them.
- Types of Managerial Decisions- Personal and organization decision, basic or routing decision, programmed and non-programmed decisions, judgmental decision, adaptive decision, analytical decision, decision under uncertainty, decision under risk, decision under certainty.
- Components of decision making- Decision environment, effects of quantity on decision making, decision steams.
- Approaches to Decision making – Authoritarian, group.
- Decision making strategies- Optimizing, Satisfying, Maximax, Maximin.
- Decision making procedure
  - o Identify the decision to be made together with the goals it should achieve.
  - o Get the facts
  - o Develop alternatives
  - o Rate each alternative
  - o Rate the risk of each alternatives
  - o Make the decision

Check Your Progress

4. What is contingent Decisions?
5. Name some Decisions Making Models.
6. What do you understand by Brainstorming technique?

NOTES

- Kinds of decisions- Decisions whether, decision which and contingent decisions.
- Decision making models- Economic man model, administrative man mode and games man model.
- Decision making techniques- Brainstorming, nominal group, electronic meetings etc.

ANSWER TO CHECK YOUR PROGRESS:

1. Decision making is the process of thought and deliberation which leads to a decisioin.
2. This is a rating of whether a decision is good or bad. A good decision is a logical one based on the available information and reflecting the preferences of the decision maker.
3. Types of Managerial Decisions- Personal and organization decision, basic or routing decision, programmed and non-programmed decisions, judgmental decision, adaptive decision, analytical decision, decision under uncertainty, decision under risk, decision under certainty.
4. **Contingent decisions.** These are decisions that have been made but put on hold until some condition is met.
5. There are three suggested models of how decisions are made:
   - The econological or economic man model.
   - The bounded rationality or administrative man model.
   - The implicit favorite or gamesman model.
6. Brainstorming is meant to overcome pressures for conformity in the interacting group that retard the development of creative alternatives. It does this by utilizing an idea-generation process that specifically encourages any and all alternatives, while withholding any criticism of those alternatives.

EXERCISE

1. Define decision making and clearly states it's various concepts?
2. What are the various models of decision making?
3. State various components of decision making and approaches used in it.
4. Write short notes on
   a. Decision making strategies
   b. Types of decision
   c. Decision making techniques
5. Write a essay on Decision making procedure with example.

13 Information Management and Reporting

The Chapter Covers :

BACKGROUND - INFORMATION AS AN ASSET

"The most valuable assets of a 20th century company were its *production equipment*. The most valuable asset of a 21st century institution, whether business or non-business, will be its *knowledge workers and their productivity*".

Today's workforce, largely professionals known as *knowledge workers,* spends a great deal of its time creating, using and communicating knowledge. Currently knowledge workers spend an average of 9.25 hours per week just gathering and analyzing data.

For more than two decades, information seeking end-user research has consistently shown that professional knowledge workers (e.g., attorneys, engineers and scientists) spend, on average, 25% of their workweek seeking and analyzing information. Of that time, 50% is spent analyzing the information. Also, individuals intuitively cease information seeking after spending 20-25% of their time doing so because a) other work-related tasks have become more important and b) they perceive further effort will yield insufficient results to warrant more time expenditure.

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It is the generation, transfer, and reuse of both external and internal information in the form of knowledge that distinguishes information as an asset. If information is the raw material of knowledge work, then the relationship between an organization's productivity and its information services is critical to an information intensive industry such as business.

An important application of knowledge management involves the concept of intellectual capital, "knowledge that exists in an organization that can be used to create differential advantage". Knowledge management (KM) defined as the deliberate modification of an organization to improve its information and knowledge creation and sharing, seeks to aggregate and manage an organization's information environment to ultimately contribute to improved organizational performance and productivity.

CHARACTERSTICS OF INFORMATION

Information has several characteristics that make information very different than other commodities:

Accuracy Information is true or false; accurate or inaccurate

Form This is described in terms of qualitative and quantitative, numerical and graphic, summary and detailed.

Frequency This is a measure of how often information is needed, collected or produced.

Breadth This defines the scope of information

Origin Information may origin from sources inside the organization or outside.

Reproducible It is reproducible. Its theft does not deny it to the original owner.

Cost of reproduction The cost of reproduction is low.

Transportability It can be transported easily.

Lifetime Its lifetime can be brief.

Value Its value is not additive.

Time horizon Information may be oriented toward the past, toward current event or toward future activities and events.

Relevance Information is relevant if it is needed for a practical situation.

Completeness Complete information provides the user with all that needs to be known about a particular situation.

Timeliness Timely information is something that is available when it is needed. Further it has not become outdated through delay

MEASURES OF THE VALUE OF INFORMATION

Timeliness Is it there soon enough to be meaningful.

Sufficiency Completeness is there adequate information for the purpose intended Issues, sample size, time horizon.

Level of Detail or Aggregation Are the data broken down into meaningful units .

Redundancy this can be a problem if there is too much redundancy or too little redundancy

Understandability Practicality, simplicity, minimization of perceptual errors, difficulty with encoding

Freedom from Bias

Reliability Are you sure the information is correct .

Verifiability Decision-Relevance, predictive power, significance.

Cost-efficiency Need to consider the change in the decision behavior after obtaining the information minus the cost of obtaining it.

Cost-effectiveness

Comparability Consistency of format, consistency of aggregation, consistency of fields.

Quantifiability

Appropriateness of format Medium of display, ordering of the information, graphical vs. tabular display.

Quantity: more is not better!

INTRODUCTION TO MANAGING INFORMATION

Managing information is a complex concept because it has enormous scope. Everyone deals with information and its related task of management in some manner. Whether you are a mother in Delhi preparing a meal for your family, a football coach in West Bengal planning a tactic for the team, or the chief information officer at a Fortune 500 company managing hardware for the organization, you need information to complete your duties. In each scenario, information is important. However, the information needs of each individual differ. This implies that not all information has the same importance or value.

Managing information allows for discernment between what is valued and what is not valued. Managing information includes many facets:

- **Identifying,**
- **Categorizing,**
- **Filtering & Interpreting,**
- **Integrating & Pruning,**
- **Restructuring, and**
- **Synthesizing.**

Let's examine the following three questions in more depth:

- What is information?
- Why do we need to manage information?
- What does it mean to manage information?

What is information?

Information is the data processed for a purpose. An organization deals with a wide variety of data. Some of this concerns financial transaction.

Example: An item of transaction is the record of sale of a product to a customer by the business. This fact might be recorded on a piece of paper such as in a sales daybook, or as a series of laser- burned impressions on a compact disk. However, it is not the information until it under goes some sort of processing and the results of the processing are communicated for a particular purpose.

For instance: The record of the amount of the sale may be aggregated with the other sales amounts and the result transferred to a debtors control account. This in turn will form part of a trial balance sheet and a final balance sheet to be presented to share holders. The purpose of this processing is to provide a summarized snapshot picture of the state of the assets and liabilities of the business.

2. The sales data may also be classified by customer, aggregated with the limit assigned to the customer. The purpose is to alert the credit control manager that

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action may be necessary if the credit limit is exceeded. Data as given in the example, is the record of an event or a fact.

Information means different things to various people.

Information can be defined on a continuum

DATA ——————— INFORMATION ——————— NOWLEDGE

On the left side is data;

- Data are "raw facts" which are easily quantified.

  In the middle is information;
- Information is data plus human context or involvement. Human context involves a person analyzing, interpreting, and formatting or packaging the data so that it has meaning for someone else.

  On the right side of the continuum is knowledge.
- Knowledge is information with an added dimension-time.
- The amount of time it takes to reflect on and synthesize information to Make it valuable brings about a transformation, which results in knowledge or Value.

Assume that data is relatively simple in nature. As we shift from left to right on the continuum, the complexity grows.

"The amount of human involvement increases as we move along this continuum of data-information-knowledge"

Why do we need to manage information?

The volume of information available globally is staggering. Information sources such as television, radio, film and video, the Internet and print media compete daily for our attention. Both the enormity of information that exists currently and the technological ability that we possess to broadcast it all over the world seems to suggest that we are privy to a gain compared with the generations who came before us.

The mass of available information should somehow correlate to better, faster, and smarter people and performance.

Theoretically, this assumption may indicate that we are 'ahead of the game,' but William Harvey defines the reality of the situation with these words, "All we know is still infinitely less than all that still remains unknown". The world changes constantly and information changes with it, so technology developed to manage information must take into account its dynamic nature. Today's technology must account for some growth capacity as information continues to multiply.

Information Flow:

* A formal flow of information is one in which a procedure is adopted, e.g. the downloading of sales figures from several branches first thing on a Monday morning. External data can be collected using specialised data collection agencies such as *Dun and Bradstreet* who produce economic data for academic and commercial organisations. Formal flows can also come from people working on the same document at several locations, or by use of e-mail, or by use of company intranets.
* Informal information flows come from chance meetings, reading magazines or newspapers, or watching the news on TV.

FUNCTIONAL REPORTING

Standard Reports should be clear, timely, accurate, and germane.

Those in charge of coordinating or conducting evaluations should not only use sound assessment practices but should take care in producing the resulting reports. All personnel evaluations should result in clearly written reports based on data collected during the process that reflect the criteria of the job performance. Evaluators should help users understand the reported results of the evaluation in order to pursue appropriate actions. Little is to be gained if the evaluatee is handed a vaguely written report or provided with informal verbal feedback that fails to address major job performance issues. In addition to clarity and accuracy, reports must also be issued within a reasonable amount of time. Lapses in time may seriously diminish the impact of an evaluation as well as violate procedural requirements.

GUIDELINES

* Ensure that all reports can be justified and supported by documented evidence of performance.
* Review the language of the report in terms of clarity and relevance to criteria.
* Ensure that all scores or ratings included in the report accurately reflect the performance level of the evaluatee.
* Provide all written reports to users within specified time frames of the process.
* Conduct a conference with the evaluatee to ensure clear understanding of the evaluation outcomes and allow necessary questions.
* Allow the evaluatee to submit any written comments or disagreements with the results of the evaluation within a specified time.
* Ensure that each evaluatee signs and dates the evaluation report following a review conference with the understanding that while a signature may not indicate agreement with the results, it does confirm that the report was formally reviewed.
* Include in the report a description of the disposition of the evaluation including follow-up activities based on experience and performance level.
* Include follow–up activities as part of the written record and maintain records of instances in which the evaluatee did or did not act upon recommendations from evaluations.
* Follow up as warranted, especially with evaluatees who have been unsatisfactory or are in danger of job termination.
* Provide any necessary written notices of possible non-reemployment by the appropriate date as specified in the written evaluation policies and procedures.
* Maintain all records in a secure location to ensure access only by defined users.
* Provide oversight of all records and documentation maintained by evaluators.

COMMON ERRORS

- Failing to keep superiors and officials informed of serious performance problems when they are identified.
- Inflating scores on evaluation reports.
- Not including in the report deficiencies discussed with the evaluatee and the response by the evlauatee.
- Failing to use the evaluation information appropriately in personnel decisions.
- Assuming that all appropriate users, including the evaluatee, will understand and will use the information.

- Failing to record the accurate date on a written report.
- Failing to conference with the evaluatee to ensure clear understanding of the results of a written report.
- Failing to obtain a signature and date from an evaluatee following a conference concerning a written report.
- Failing to provide written reports on a timely basis.
- Writing reports that do not address key elements of job performance.

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INFORMATION FLOW:

Following types of flows of information can be classified on the basis of their direction of their flow:

Downward Flow:

Information originating from the top level executives and ends with lower level functionaries is known as downward flow. Which transferring the information, scalar chain is followed.

Upward flow:

It is reverse of the downward flow of information, information originating from the lowest level is passed on the upper level. This type of information flow is of two types. It may be the feedback, in response to the original message or the information can be given by the subordinated voluntarily. This may relate to complaints, new ideas, different opinions, suggestions of subordinates etc.

Horizontal Flow:

It refers to the passing of information among the executives who are the equal level in the organisation. It is also otherwise called as lateral flow of information. The very purpose of such communication is to establish coordination.

Diagonal Flow:

This is between two or more persons who are neither in the same section nor in the same level in the organisation. Generally it comes into play when the existing channels fail to convey the information effectively

What does it mean to manage information?

Picture a jigsaw puzzle and imagine each puzzle piece represents a piece of information. A single puzzle piece doesn't hold much value. Arguably, neither do two or three puzzle pieces in the context of a 500-piece puzzle. However, the right combination of fifty to one hundred puzzle pieces begins to form a picture.

On the other hand, information in isolation, information at the wrong time, or information in a poor format for its intended audience contributes to a devaluing of information.

The management of this information often results in a transformation from information to knowledge. The information or knowledge manifests itself in a variety of forms:

- documents,
- scribbles on a post-it-note,
- information in someone's head (not yet manifested),
- posters,
- conversations on the phone,
- presentations,
- reports,
- e-mails,
- on a whiteboard, etc.

If each individual in G&PA aggregated his or her multiple forms of information or knowledge, the resulting output would reveal exponential growth. Yet, such exponential growth would likely be unmanageable, especially

considering the breadth of content areas that the department spans. One individual might read a lengthy report and then paraphrase the key learnings from that report. Another person may send me a sentence or two in an e-mail about a rumor he or she heard during a telephone conversation. Someone else may leave a phone mail message (SMS) relaying some information read in a trade publication. The pieces of information that I receive from the group vary greatly in content and in form.

Some of the information is readily quantifiable and can be captured as data, while other pieces are "fuzzy" and can be categorized as knowledge. The collection of information (competitive intelligence in this example) does not end with me. Competitive intelligence focal points exist within each of our business units, regional units and functions.

Each focal point is collecting information from his or her respective group and capturing it in a central competitive intelligence database. The competitive intelligence database is the technological tool that helps the company manage the information; the value of the database itself is dependent upon the information that is captured in it. The individuals in the competitive intelligence group gather pieces of information from the database by doing keyword searches on specific topics. They review, analyze, and synthesize the pieces retrieved from the search and deliver that managed information to senior management.

This managed information enables informed decision-making by senior management. Remember that information is data plus human context or involvement. Transforming content into information that holds inherent value for the information receiver and enables him or her to take action (i.e. identify a problem, recommend a solution, make a decision) captures the essence of managing information. To manage information is to give it value.

SIGNIFICANCE OF INFORMATION IN ORGANISATIONS

We all know that the effective decision making is a name for a systematic process of coping with matters of concern to you. Following the process offers the greatest chance of resolving many problems. The process is straight-forward, and it can be applied to many of the problems you encounter.

Your understanding of each of the following steps in decision making will assist you in utilizing the process in your problem solving — now — and in the future.

The steps are ...

- **Problem definition**
- **Information gathering**
- **Information assessment**
- **Choice of decision making**
- **Behavioral action**
- **Review**

1. **Problem definition** - You must know what the problem is before you attempt to resolve it. You must begin the process by clearly defining the nature of the problem. Frequently, persons get bogged down in the problem solving process by solving peripheral "problems" that are not the "real problem." Considerable effort may be necessary to achieve clarity in problem definition.

NOTES

A Common Error

An error that occurs with great frequency is to identify symptoms as being the actual problem. Often symptoms are only a sign of a problem!

Example:

Inability to study may be a problem — or — it may be a symptom of a more core problem such as distraction resulting from not having a clear educational goal or from an inability to relate to other people. To solve a problem, you must attack the problem — not an alternative problem or a symptom.

2. **Information gathering** - The first stage of information gathering is to decide what kinds of information are relevant to your problem solving. A clear definition of theproblem (step #1) is of great help. After determining the nature of the relevant information, you must determine the facts available about you — in relationship to the relevant information.

Example:

Relevant information about a career decision might include:

A. Study

B. Academic ability

C. Achievement

D. Experience

E. Interests

F. Job facts

Example of information gathering:

Relevant Related facts information about you

a. Study ?

b. Academic Ability ?

c. Achievement ?

d. Experience ?

e. Interests ?

f. Job facts ?

3. **Assessment of information** - In this stage you weigh the information you have gathered:
   - To see if some information "out weighs" other information
   - To identify personal priorities
   - To identify the choices or alternatives available to you
4. **Choices or Decision Making** - Here is the point where you combine your evaluations of relevant information. Keep in mind that some of your information is more valuable than other information. Which plans best fit the gathered information? Do your plans and alternative plans fit your problem definition?
5. **Behavioral Action** - Behavioral action means DOING IT — taking action that could be observable by others that's consistent with your choice or decision. What can you do now to further your plans? What can you do subsequently to further them?

Note: Many problems are not solved because no action is taken by the person -

* To identify the strong and weak points of your decision making process

* To identify more appropriate methods for problem solving in the future

Significance Of Information In Organisation And Decision Making

Decision-making in a range of personnel activities will require statistical information, or data about individuals, for various reasons.

Human resource planning.

Information in human resource department is required for Forecasting the future demand for labour will require ratio – trend analysis, environmental information about the market and

competitor action and so on. Forecasting the future supply of labour will require information about the labour market, as well as, for each category of labour within the organization, turnover, age distribution, promotions etc.

Planning recruitment and selection

Job and person specifications will be the basis of both activities. Study of past recruitment campaigns, the cost/success rate of advertising media and offered incentives will help in the design of new recruitment campaigns.

Data on the success of interview and testing techniques in selection (did the high-scorers also do well in performance assessment on the job?) may likewise lead to improvements.

Planning training programmes.

Analyses of future manpower and job requirements and training specifications will determine needs for the subjects to be covered, types of course, numbers to be trained and so on.

Planning and reviewing remuneration systems.

Statistics of earnings fluctuations, average (as opposed to target _ salaries, cost per unit of output, rates of pay in competitor organizations and the market in general, etc., will help in reviewing pay systems, structure and Levels

Improving employee satisfaction and relations

Work methods, supervision or disciplinary procedures may be improved by analyzing disciplinary cases, causes of disputes, statistics on labour turnover, absenteeism or grievances.

Improving health, safety and fire precautions,

By analyzing statistics on sickness, accidents and incidents in the organization, and reports and returns on industrial disease, health hazards, inspection and audit methods and so on.

Internal sources of information

We all know that companies collect information in the everyday course of conducting business.

- Orders are received and filed
- Costs are recorded
- Warranty cards are returned
- Sales people 's reports are submitted,
- Engineering reports are made
- Sales reports by region
- Sales by customer
- Sales by product
- Competitor intelligence
- Market prospects and reports
- Customer complaints

- Marketing research reports
- Brand strategy and values
- Distribution chains

NOTES

All these are but a few o f the many sources of information, collected by companies for other purposes, that they are useful for the managers. These are the internal secondary sources of information.

A basic source of information , one that is all too often overlooked , is the sales invoice. By simple analysis of the information , one can determine the level and trend of the sales quite easily by such characteristics as

1. Model and size of product by territory, type of account and industry.
2. Average size of sale by the territory, type of account, industry and sales volume
3. Proportion of sales volume by model, size of product, territory, type of account, size of account , and industry.

Example I

A retailer selling waterbeds could get some idea of the type of people purchasing waterbeds by using its sales invoices to determine where in the community its customers live. Once this information is known , certain general demographic and socioeconomic characteristics can be estimated by examining government census data (external information) broken down into census tracts , blocks and so on.

- Not all-internal secondary information of this accounting type.
- The Organisations files are often loaded with :
- Special reports
- Previous marketing research studies
- Special Audits
- Other reports purchased from outside suppliers for past problems

Any one may be relevant to current problems. The key, of course, is knowing where they are and how to access them. In order that this can be done efficiently, the firm must have effective, MIS &marketing information system.

Other than the marketing department the internal secondary information in other departments could be:

Accounts department

- Procedures manual
- Management accounts – balance sheets
- Financial data
- Accounting policies
- Tax details
- Working capital

Production and operations

- Operations data Efficiency and capacity details
- Process flow charts
- Detailed product costings
- Input prices
- Supply chain

Human resources

- Number of employees

- Recruitment procedures
- Training programmes
- Staff turnover details.
- Details of pay

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Example II

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Check Your Progress

1. Write characteristics of Information.
2. What is Information?
3. Define horizontal how of information.

NOTES

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Human resources

•Number of employees

•Recruitment procedures

•Training programmes

•Staff turnover details.

•Details of pay

VALUE OF INFORMATION

We know that information plays a vital role in decision-making. Some value should always be attached to the information generated for decision-making. Thus we can say that,

- Information should have some value; otherwise it would not be worth the cost of collecting it and filing it.
- The benefits obtainable from the information must also exceed the cost of acquiring it, and whenever management is trying to decide whether or not to produce information for a particular purpose (for example, whether to computerize an operation or to build a financial planning model) a cost benefit study ought to be made.

  For information to have value, it must be followed by a decision or choose a certain action to which results in
- Reducing costs,
- Eliminating losses,
- Increasing sales,
- Better utilization of resources,
- Prevention of fraud (audit requirements) or providing management with information about the consequences of alternative courses of action.

  Information, which is provided but not used, has no actual value.
- A decision taken on the basis of ' information received also has no actual value.

It is only the action taken as a result of the decision that realizes actual value for the organisation. The cost of collecting the data bears no relation to its value An item of information that leads to an actual increase of profit of Rs. 20000, is not worth having if it cost Rs. 22000 to collect.

LEVELS OF INFORMATION

Information within an organisation (as distinct from information provided by an organisation to external users, such as shareholders, the general public, pressure groups, competitors, suppliers, customers etc) can be analysed into three levels.

Strategic information

- It is used by senior management for decision-making described as strategic planning,
- Strategic planning means planning the objectives of their organisation and assessing whether the objectives are being met in practice.

  Strategic information includes profitability, the profitability of different segments of the business, future market prospects, the availability and cost of raising new funds, total cash needs, total manning levels and capital equipment needs

  Much of the strategic information must come from environmental sources, although internally generated information is also used.

Tactical information

Middle management uses tactical information. Tactical information includes productivity measurements, budgetary control or variance analysis reports, cash flow forecast, short term purchasing requirements, manning levels and profit results within a department. A large proportion of tactical information will is generated from internal sources and is likely to have accounting emphasis.

Tactical information is usually prepared regularly, perhaps weekly or monthly (wbereas strategic information is communicated irregularly) and is used for the decision-making known as 'management control'.

Operational information

- Operational information is used by front-line managers such as supervisors and foremen, to ensure that specific tasks are planned and carried, out properly within the office or factory

For example,

<u>In the payroll office:</u>

Operational information relating to day-rate labour will include The hours worked each week by employees, the rate of pay per hour, details of deductions, and for the purpose of wage analysis, details of the time each person spent on individual jobs during the week. The amount of detail provided in information is likely to vary with the purpose for which it is needed.

Operational information is likely to go into much more detail than tactical information, which in turn will be more detailed than strategic information. What is information to one level of management may be the raw data, which needs to be further analysed, for another.

QUALITIES OF INFORMATION

Just as raw materials can be turned into a good product or a sub-standard one, so raw data can be processed or analysed into good or bad information. Good information is information that has value to the user. Good information is useful to the recipient, can be relied upon and helps in the decision making process.

NOTES

The basic qualities of **good information** are that it should be:

1) **Complete (Sufficient)** : The complete information is more reliable to incomplete information. Thus, the reliability of information increases with its completeness. However, the appropriate level of completeness varies enormously, according to the type of information.
2) **Relevant :** Information must be relevant for the decision for choosing a certain line of action. Some times certain irrelevant details are present in the report irritates the user searching the information required to take a certain course of action. In the same way, financial analysis can sometimes confuse the reader by presenting a mixture of relevant and irrelevant information, or information with unnecessary detail. The concept of relevance is closely linked to those of understandability and significance.
3) **Timely :** Some information needs to be communicated at once whereas other items of information are not needed for some time and so must be filed away. Information can only be of use if it is received in time to influence the decision making process Occasionally this means a compromise in terms of completeness. Routine information should be produced at time intervals that are relevant to the process involved.
4) **Accurate :** Information should be sufficiently accurate for its required purpose and the information should be reliable in the eyes of decision maker. However, there is often some trade-off in terms of cost and it is possible to supply information in a much more accurate form than is required. The key, question is whether increased accuracy will improve the quality of the user's decision making.
5) **Understandable :** Information that is easy to understand is more likely to produce action. One of the most desirable quality of information is that it should be understandable.

WRITING THE REPORT

Being asked to write a report can fill people with horror! However, writing reports correctly is an essential skill that you will need not only today as a student, but also even tomorrow as a budding manager. When we say that report writing is common to both academic and managerial situations. In academics, you would be required to prepare reports to facilitate comprehensive and application oriented learning. Such reports of yours would be called term papers, project reports, and theses and dissertations depending upon the nature of the report, the time and effort expected out of you as a student and your curriculum design. Further, if you were a researcher, you would put out your initial findings in a research report, paper or monograph, which would later be condensed into an article or expanded into a series of articles or a book when you join the corporate world tomorrow, you would realize that report writing there forms the basis for decision-making. Such reports would be expected to be brief but comprehensive and clearly reflect your thinking as the manager, the management committee, or the consulting group that has been given the terms of reference for fact finding or decision making.

CATEGORIES OF REPORTS

Broadly, any report would fall into one of the following three major categories:

1. Information Oriented

2. **Decision Oriented**
3. **Research Oriented**

As these names suggest, it is the substance and focus of the content that determines the category. However, a report that you make may contain characteristics of more than just one category

Information Reports

They are the first step to understanding the existing situation (for instance-business, economic, technological, labour market or research scenario) or what has been discussed or decided (minutes of a meeting). They, you should remember, form the foundation of subsequent decision reports and research reports. In describing any person, object, situation or concept, the following seven questions will help you to convey a comprehensive picture therefore, you can check the comprehensiveness of an information or descriptive report by iteratively asking:

Who Does What to Whom?

When, Where, How

and WHY?

Decision Reports

As you would well be able to make out from the name itself, decision reports adopt the problem solving approach. Such reports that you make have to follow the below mentioned steps:

Identifying the problem: Problem is the beginning and the end of decision-making. If you start with a wrong problem, a wrong hypothesis or a wrong assumption, you will only end up solving a non-existing problem or might even create a new problem. Therefore you should carefully define the problem, keeping in mind each of the following elements

- What is the situation, and what should it be?
- What are the symptoms and what are the causes?
- What is the central issue and what are the subordinate issues?
- What are the decision areas – short medium and long term?

Constructing the Criteria: In order to achieve your end objective of bringing the existing situation to what it should be, you would require yardsticks to evaluate options. Criteria link the 'problem definition' with 'option generation and evaluation'. In constructing the criteria, your knowledge of SWOT analysis could be very useful.

Generating and Evaluating the Options: In generating options it is your creativity that stands to test.

- Sometimes the options may be obvious, but you should look beyond the obvious.
- Once a set of options has been generated, you should short-list them and

rank them by priority or their probability of meeting your end objectives.

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- As the decision maker, you should then evaluate the same against the criteria and the possible implications in implementation. However, all this while, you should not lose track of the main objective of what the situation should be.

Your next job is to present the evaluation. Make sure that it is structured by criteria or options depending upon which structure is easy to understand.

Making a Decision: Your recommendations would, but naturally, flow out of the evaluation of the options, provided that your thinking process so far has been logical. Make sure that the decision is an adequate response to the problem

Drawing up an Action Plan: Action steps and their consequences should be visualized to avoid your being caught unaware. Be clear of WHO does WHAT, WHEN, WHERE and HOW for even the best analysis can go waste if attention is not paid to the action plan

Working out a contingency plan: Managers thrive on optimism in getting things done. Yet, if something can go wrong, it is likely to go wrong. You should therefore be ready with parachutes to bail you out. Your contingency plan must emerge from the action plan you have already prepared. There is need to think of how to achieve the second best objective if the first one is not feasible.

Conclusion: A good decision report should not only be structured sequentially but also reflect comprehensively your iterative thinking process as the decision maker.

Research Reports

As you would all know, research reports contribute to the growth of subject literature. They pave the way for new information, significant hypotheses and innovative and rigorous methods of research and measurement. Students, while preparing them, you should broadly follow the following pattern:

- Undertake a Literature Survey to find gaps in knowledge
- Next, you should clearly identify the nature and scope of study, hypothesis to be tested, and significance and utility of the study
- Methodology for collecting data, conducting the experiment, and analyzing the data is what should follow.
- Then, lay out the description and analysis of the experiment and data
- Try to identify your findings after that
- Come to a conclusion
- Draw up your recommendations
- Plug in suggestions for further research
- End your survey with back-up evidence and data

STEPS OF REPORT WRITING

Preparing the Draft

Preparation of reports is time consuming and expensive. Therefore, you, while writing your report should ensure that they are very sharply focused in purpose, content and readership. To control the final outcome of your product – whether it is a research report, committee/consulting/administrative report or a student report – I advise that you precede it with a proposal/draft and its acceptance or modification and periodic interim reports and their acceptance or modification by your sponsor.

Your proposal should provide information on the following items:

- Descriptive title of your study
- Your name as the author and your background
- Nature of your Study
- Problem to be examined
- Need for the study
- Background information available
- Scope of study
- To whom will it be useful
- Hypothesis, if any, to be tested
- Data
- Sources
- Collection procedure
- Methodology for analysis
- Equipment and facilities required
- Schedule-target dates for completing
- Library research
- Primary research
- Data analysis
- Outline of the report
- First draft
- Final draft
- Likely product or tentative outline
- Bibliography

Reviewing the Draft

To err is human. Therefore after you have prepared your draft report, it should be thoroughly reviewed and edited before the final report is submitted. Let us now try to make a checklist that will help you in reviewing the draft

- Your purpose as the author?
- Reader's profile?
- Content?

Check Your Progress

4. What are the significance of information in organisation?
5. What is an operational management?
6. What are the categories of Reports?

- Language and tone?
- Length?
- Appearance?

NOTES

Author's Purpose

The lack of clarity and explicitness in the communication process leads to two major problems

- Confusion in determining the mix of content, language and tone
- Misinterpretation of the message Therefore try to use a simple, easy to read style and presentation that will help your reader to understand the content easily.

Reader's Profile

Readership may consist of one or more person(s) / group(s). You would therefore need to check whether all of them have the same wavelength. If not, common interest areas will need to be segregated from the special interest areas. Then you will need to decide on the types and parts of the report that can satisfy the various reader groups. The major discriminating features of the readers profile are culture, religion, ideologies, age, education and economic background

Content

Please pay attention to the content's focus, its organization, and accuracy of facts and logic of arguments.

- You should clarify the focus right in the first few paragraphs to attract the reader's attention and hold it.
- If any material is added or deleted in the text, recheck the focus to see whether you need to make any changes in the foundation Keep in mind that you may loose credibility if you fail to check for the accuracy of the facts, for a reader can easily test internal consistency of the reportby comparing information across pages and sections Not all the data that is required to make the report may be available. Sometimes you may need to make assumptions to fill the gaps

Language and Tone

Since the purpose of communication is to make the reader understand the message, use vocabulary and sentence structure which the reader understands. Abstract phrases are difficult to comprehend while concrete phrases are easy to understand. Finally, the tone of the language also matters. It can make the reader receive, ignore or reject the message.

Length

This is a matter that needs to be judged by you as the author keeping in mind the purpose, subject and the reader's interest. Usually, shorter the content, the more attractive it is to the reader. However it should not be so brief as to miss the essential points and linkages in the flow of arguments and force the reader to ask for more information.

Let us now try to work on a few tips to save words.

Can you Think of any?

- Cut out repetitions, unless they are needed to sharpen the message
- Take out redundancies
- Use active voice
- Use shorter and direct verbs of a situation to understand its dynamics

Proof Reading

If you or another person proofreading your report is good, he should have the accuracy to pin point all the mistakes, clarity in giving instructions to the printer and speed for meeting the printer's deadline.

- Make sure that you indicate correction marks at two places
- Within the line where the correction is to be carried out
- In the margin against the corresponding line giving the instruction
- Please, never give instructions at the place of correction
- You should mark the proof preferably with a red ball point
- To catch as many errors as possible read it over and over again
- One last point. Always remember that proofs are meant to be corrected not edited

CHAPTER AT A GLANCE

- Managing Information allows for discernments between what is valued and what is not valued.
- Characteristics of information – Accuracy, Form, Frequency, Breadth, Origin, Reproducible, Cost of reproduction, Transportability, Lifetime, Value, Time Horizon, Relevance, Completeness, Timeliness
- Measures of the value of information – Timeliness, Sufficiency, Level of Details, Redundancy, Understandability, Freedom from bias, Reliability, Verifiability, cost efficiency, cost effectiveness, quantifiability, appropriateness of format
- Information is the data processed for a purpose.
- Managing information includes identifying, categorizing, interpreting, pruning, restructuring and synthesizing.
- Information can be defined on a continuum data to information and information to knowledge.
- Standard reports should be clear, timely, accurate, and germane.
- Information Flow – downward, upward, horizontal and diagonal
- Significance of information in organization – Problem definition, Information gathering, Information assessment, Choice of decision-making, Behavioral action and Review.
- Levels of Information – Strategic, Tactical and Operational.
- Reports should be brief but comprehensive and clearly reflects your thinking.

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- Categories of Reports – Information Oriented, Decision Oriented and Research Oriented.
- Steps of Report Writing – Preparing the Draft, Reviewing the Draft, Author's Purpose, Reader's Profile , Content, Language and Tone, Length and Proof Reading.

ANSWER TO CHECK YOUR PROGRESS:

1. Characteristics of information – Accuracy, Form, Frequency, Breadth, Origin, Reproducible, Cost of reproduction, Transportability, Lifetime, Value, Time Horizon, Relevance, Completeness, Timeliness
2. Information is the data processed for a purpose. An organization deals with a wide variety of data. Some of this concerns financial transaction.
3. It refers to the passing of information among the executives who are the equal level in the organisation. It is also otherwise called as lateral flow of information. The very purpose of such communication is to establish coordination.
4. Significance of information in organization – Problem definition, Information gathering, Information assessment, Choice of decision-making, Behavioral action and Review.
5. Operational information is used by front-line managers such as supervisors and foremen, to ensure that specific tasks are planned and carried, out properly within the office or factory
6. any report would fall into one of the following three major categories:
   1. Information Oriented
   2. Decision Oriented
   3. Research Oriented

EXERCISE

1. What do you understand by writing a report? What are steps of writing a report?
2. Define following :-
   a) Information & its Qualities.
   b) Information Management
   c) Importance of Information
   d) Sources of Information
   e) Levels of Information

14 Management Information system

NOTES

The Chapter Covers :

INTRODUCTION

As a consumer, you have instant access to millions of pieces of data. With a few clicks of the mouse button, you can find anything from current stock prices and video clips of current movies. You can get product descriptions, pictures, and prices from thousands of companies across India and around the world. Trying to sell services and products? You can purchase demographic, economic, consumer buying pattern, and market-analysis data. Your firm will have internal financial, marketing, production, and employee data for past years. This tremendous amount of data provides opportunities to managers and consumers who know how to obtain it and analyze it to make better decisions.

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The speed with which Information Technology (IT) and Information Systems (IS) are changing our lives is amazing. Only 50 years ago communication was almost limited to the telephone, the first word processors came out in the mid-sixties and the fax entered our offices in the 1970's. Today information systems are everywhere; from supermarkets to airline reservations, libraries and banking operations they have become part of our daily lives.

The first step in learning how to apply information technology to solve problems is to get a broader picture of what is meant by the term ***information system***. You probably have some experience with using computers and various software packages. Yet, computers are only one component of an information system. A ***computer information system (CIS)*** consists of related components like hardware, software, people, procedures, and collections of data. The term **information technology (IT)** represents the various types of hardware and software used in an information system, including computers and networking equipment. The goal of Information System is to enable managers to make better decisions by providing quality information.

The physical equipment used in computing is called **hardware**. The set of instructions that controls the hardware is known as **software**. In the early days of computers, the **people** directly involved in are tended to be programmers, design analysts, and a few external users. Today, almost everyone in the firm is involved with the information system. **Procedures** are instructions that help people use the systems. They include items such as user manuals, documentation, and procedures to ensure that backups are made regularly. **Databases** are collections of related data that can be retrieved easily and processed by the computers. As you will see in the cases throughout our book, all of these components are vital to creating an effective information system To create an effective information system, you need to do more than simply purchase the various components. Quality is an important issue in business today, particularly as it relates to information systems. The quality of an information system is measured by its ability to provide exactly the information needed by managers in a timely manner. The information must be accurate and up-to-date. Users should be able to receive the information in a variety of formats: tables of data, graphs, summary statistics, or even pictures or sound: Users have different perspectives and different requirements, and a good information system must have the flexibility to present information in diverse forms for each user.

DATA, INFORMATION, KNOWLEDGE, AND WISDOM

Let us consider the case of a retail store that is trying to increase sales. Some of the **data** available includes sales levels for the last 36 months, advertising expenses, and customer comments from surveys. By itself, this data may be interesting, but it must be organized and analyzed to be useful in making a decision. For example, a manager might use economic and marketing models to forecast patterns and determine relationships among various advertising expenses and sales.

The resulting **information** (presented in equations, charts, and tables) would clarify relationships among the data and would be used to decide how to proceed It requires knowledge to determine how to analyze data and make decisions. Education and experience create **knowledge** in humans. A manager learns which data to collect, the proper models to apply, and ways to analyze results for making better decisions.

According to Davis and Oldson – "Information is data that has been processed into a form that is meaningful to the recipient and is of real or perceived value in current or propective action or decisions."

It will be thus, be observed that for data to be converted into information, it has to undergo processing as :

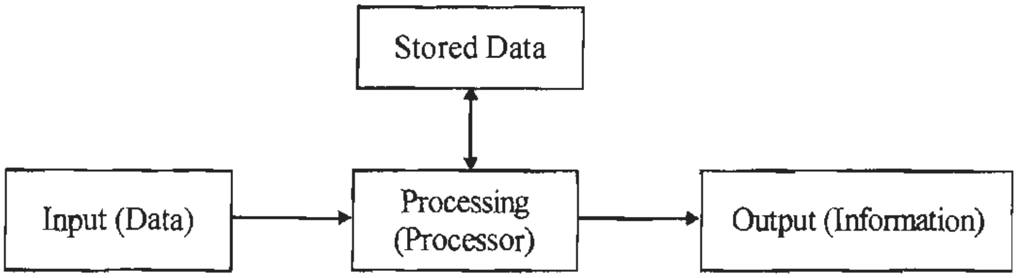

Figure : 14.1

Data has to be processed before information could be available. Hence, various operations have to be carried out in converting data into meaningful information as follows :

Operations	**Explanations**
Capturing	Data from an event has to be recorded.
Verifying	Data has to be checked/validated for correctness.
Classifying	Data has to be placed in specific categories.
Sorting	Data has to be placed in particular sequence or order.
Summarising	Data elements have to be combined.
Calculating	Computations have to be carried out.
Storing	Data has to be placed in Storage (media).
Retrieving	Specific data elements have to be searched and accessed.
Reproduction	Data has to be duplicated from one medium to another.
Communication	Data has to be transmitted from one device to another.

In some cases, this knowledge can be transferred to specialized computer programs (expert systems). **Wisdom** is more difficult to define but represents the ability to learn from experience and adapt to changing conditions. In this example, wisdom would enable a manager to spot trends, identify potential problems, and develop new techniques to analyze the data.

CHARACTERISTICS OF INFORMATION

Now, let us discuss about the characteristics of good information

- **Timeliness:** Information must reach the user in a timely manner, just when it is needed; not too early, because by the time it is used it would be out-of-date; not too late because the user will not be able to incorporate it into his/her decision-making.
- **Appropriateness:** Information must be relevant to the person who is using it. It must be within the sphere of his/her activities so that it can be used to reduce uncertainty in his/her decision-making.
- **Accuracy:** Accuracy costs. We don't always need 100% accurate information so long as we know the degree of accuracy it represents (eg: + or - 5%). (Remember the value of information).
- **Conciseness:** Information should always contain the minimum amount of detail that is appropriate for the user. Too much detail causes *information overload*.

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- **Frequency:** Frequency is related to timeliness. Too often the information presented is linked to the calendar (end of the week, beginning of the month); its frequency should be synchronized with the timing of the decision making of the user.
- **Understandability:** The *format* and *presentation* of information are very important. Some people prefer tabular information, whereas others may need it in a graphical form. Also the use of colors enhances the understandability of what is presented.
- **Relevant:** It pertains to the particular problem. What data is relevant depends on the decision-making model used. E.g. university admissions officials may choose to consider the results of some high-school test irrelevant, if they believe that it does not improve the chances of some applicant later becoming a successful student.
- **Complete:** All the relevant parts are included. E.g. marketing data about household incomes may lead to bad decisions, if not accompanied by consumption habits of the target population.
- **Current:** Decisions are often based on the latest information available
- **Economical:** The costs of gathering information should be justified by the overall benefits

WHAT IS A SYSTEM?

A system is a group of interrelated components working together toward a common goal by accepting inputs and producing outputs in an organized transformation process. A system consists of a set of elements, which can be identified as belonging together because of common purpose, goal or objectives. The elements function in an integrated, co-ordinated and interdependent manner to achieve objective as well as 'synergy'. System will have the following basic interacting components (functions):

1. Input
2. Processing
3. Output
4. Feedback
5. Control

Let me explain the concept of system with an example. The following example will give you better understanding about System.

Example: Sales Force Automation System (SFAS)

Suppose you are a regional manager who supervises 100 salespersons in Mumbai. Your company's headquarters are located in Chennai. Your performance is daily evaluated by the headquarters. You are compared with managers in other regions such as Delhi, Kolkata etc. Your company publishes various books: encyclopedia, children's books, etc. In short, the headquarters are not interested in each salesperson's performance. All they care about is your performance, i.e. the regional sales results. In order to save your job, you have to keep increasing sales. You have to motivate, encourage, help, and discipline salespeople in Mumbai, if they perform, your job is secured. If they don't perform, you will be fired.

Case 1:

Each morning, you are supposed to submit a daily report to the headquarters. In the report, you should include the total sales made in Mumbai yesterday, and subtotal of each category (encyclopedia, children's books, etc.).

- At the end of each day, a salesperson submits his sales record to the Mumbai regional office.
- The record is added to compute the total sales, and also summarized in terms of book category. •The total sales, and sub-total sales in terms of book category, are presented in the daily report.
- Here, the daily record submission indicates "INPUT" in a system.
- Adding and summarizing indicates "PROCESSING" in a system.
- Reporting indicates "OUTPUT" in a system.

Case 2:

- In order to increase sales, you decided to implement a kind of performance evaluation program, which is intended to motivate and discipline the salespersons under your supervision.
- According to the program, if a salesperson makes daily sales greater than one million, he will be awarded a gift certificate of Ebony Department Store. On the other hand, if a salesperson makes daily sales less than one hundred thousand rupees, he will be given a warning. If he makes a sales less than one hundred thousand rupees two days in a row, a more serious warning letter will be sent to him. If he makes sales less than one hundred thousand rupees three days in a row, he will be fired.
- If you manually check all the sales records to comply the new performance evaluation program, most of your time will be occupied by processing the data and paperwork.
- In other words, you will have no time to do anything else: reading a new book, learning new things, or playing golf, etc.
- In contrast, if you develop information system that can carry out the performance evaluation program, your life will be much easier. The program is now automated with a computer-based information system.
- A major difference between this new system in Case 2 and the previous system in Case 1 is that feedback and control functions are added to the new information system.

INFORMATION SYSTEM ?

Now, it is time to see the real meaning and concept of Information Systems. Too often you hear someone say, "Oh yeah, I know how to use a computer. I can surf the Web with the best of them and I can play Solitaire for hours. I'm really good at computers." Okay. So that person can pound a keyboard, use a mouse at lightning speed, and has a list of favorite Web sites a mile long. But the real question is "Is that person information literate?" Just because you can pound the keyboard doesn't necessarily mean you can leverage the technology to your advantage or the advantage of your organization. An organization can gather and keep all the data on its customers that a hard drive can hold. You can get all the output reports that one desk can physically hold. You can have the fastest Internet connection created to date. But if the organization doesn't take advantage of customer data to create new opportunities, then all it has is useless information. If the output report doesn't tell the management that it has a serious problem on the factory floor, then all that's been accomplished is to kill a few more trees. If you don't know how to analyze the information from a Web site to take advantage of new sales leads, then what have you really done for yourself today? Most of us think only of hardware and software when we think of an Information System. There is another component of the triangle that should be considered, and that's the people side, or "persware."

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Think of it this way:

We talk about the input, processing, output and feedback processes. Most important is the feedback process; unfortunately it's the one most often overlooked. Just as in the triangle above, the hardware (input and output) and the software (processing) receive the most attention. With those two alone, you have computer literacy. But if you don't use the "persware" side of the triangle to complete the feedback loop, you don't accomplish much. Add the "persware" angle with good feedback and you have the beginnings of information literacy.

An information system differs from other kinds of systems in that its objective is to monitor/document the operations of some other system, which we can call a target system. An information system cannot exist without such a target system. For example, production activities would be the target system for a production scheduling system, human resources in the business operations would be the target system of a human resource information system, and so on. It is important to recognize that within a vending machine there is a component/sub-system that can be considered an information system. In some sense, every reactive system will have a subsystem that can be considered an information system whose objective is to monitor and control such a reactive system.

A BUSINESS PERSPECTIVE ON INFORMATION SYSTEMS

Using feedback completes the information-processing loop. To be a good Information Systems manager, however, you must bring into that loop far more than just the computer data. For instance, your information system reports that you produced 100,000 units last week with a "throwback" rate of 10%. The feedback loop tells you that the throwback rate has fallen 2% in the last month. You can say, that's a pretty good improvement. So far, so good. But if you put that information into a broader context, you're still costing the organization a huge sum of money because each percentage point on the throwback rate averages Rs.10,000. And when you bring in available external environmental information, your company is 5% above the industry norm. Now that's information you can use - to your advantage or disadvantage!

If you, as a manager, can then take other information from the internal and external environments to come up with a solution to this problem, you can consider yourself "information literate."

Organizations

Organizations are funny things. Each one tends to have its own individual personality and yet share many things in common with other organizations. Look us at some of the organizations you may be associated with - cricket team, fraternity, health club, or a child's cricket team. See, organizations exist everywhere and each of them has its own structure, just as workplace organizations have their own structure and personality to fit their needs, or in some cases, habits.

A cricket team needs talented, well-trained players at different positions. Sometimes, the success of the team depends on a good, well-informed coach or manager. So too with the workplace organization. Business organizations need many kinds of players with various talents, who are well-trained and well-informed, in order to succeed.

Every organization requires tools to help it succeed. If the baseball team uses bats that are 25 years old against a team whose bats are 2 years old, they will have to work harder on their own to make up for that disadvantage. If your child's cricket team uses balls with torn seams, they're going to have a harder time hitting the ball into the boundaries. So if your organization is using older equipment or uses it the wrong way, it just stands to reason it is going to have a harder time beating the odds.

Management

Every good organization needs a good manager. Pretty simple, pretty reasonable. Take professional cricket coaches. They don't actually play the game; they don't hit the run, catch the ball for the wicket, or hang every decoration for the celebration party. They stay on the sidelines during the game. Their real role is to develop the game plan by analyzing their team's strengths and weaknesses. But that's not all; they also determine the competition's strengths and weaknesses. Every good coach has a game plan before the team even comes out of the dressing room. That plan may change as the game progresses, but coaches pretty much know what they're going to do if they are losing or if they are winning. The same is true in workplace organizations.

BUSINESS PERSPECTIVE OF INFORMATION SYSTEMS

Technology

Do you own a Digital Video Disk? Probably not, since it's only been on the market for a short time. How old is your car or truck? Manufacturers are constantly offering us new vehicles, yet we tend to upgrade only every few years. Your personal computer may be a year old or three years old. Do you have the latest gadgets? Chances are you don't. Face it, you just can't keep up with all the new stuff. No one can. Think about how hard, not to mention expensive, it is for an individual to acquire everything introduced to the marketplace. Think how difficult it is sometimes to learn how to use every feature of all those new products. Now put those thoughts into a much larger context of an organization. Yes, it would be nice if your company could purchase new computers every three months so you could have the fastest and best technology on the market. But it can't. Not only is it expensive to buy the hardware and the software, but the costs of installing, maintaining, updating, integrating, and training must all be taken into account. We'll look at the hardware and software sides of the Information Systems triangle in upcoming chapters, but it's important that you understand now how difficult it is for an organization, large or small, to take advantage of all the newest technology.

Components of an IS

In an organization, information systems consist of the following components. These components will formulate a system, which will help us to gather the required information for making decision in various levels of management. We will now see these components in brief

- **Data** - Input that the system takes to produce information
- **Hardware** - Computer itself and its peripheral equipment: input, output, storage devices; includes data communication equipment
- **Software** - Sets of instructions that tell the computer how to input, process, output and store data
- **Communication networks** - Hardware and software specializing in transmission and reception of electronic data
- **People** - IS professionals and users who design, construct, operate and maintain IS

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- **Procedures** - Rules to process data, e.g. priorities in running different applications, security measures, routines for malfunctioning IS, etc.

Information System Resources

Every Information System is equipped with the following resources. The goals of information systems can be easily achieved by employing these resources to their optimum level by keeping in view that the purpose of using IS in an organization.

People Resources	• End users
	• IS specialists
Hardware Resources	• Machines
	• Media
Software Resources	• Program
Operating Systems (OS)	• Examples: Windows, Unix, etc.

Procedures:

Operating instructions for the people who will use an information system. Examples: Instructions for filling out a paper form or using a software package.

Data Resources:

- **Data vs. Information**

  Data : Raw facts, observations, business transactions Objective measurements of the attributes (characteristics) of entities (people, places, things, events, etc.) Attributes can be last name, first name, gender, etc. for an entity of "people."

  Information : Data that have been converted into a meaningful and useful context for specific end users. Processed data placed in a context that gives it value for specific end users.

  1. Its form is aggregated, manipulated, and organized.
  2. Its content is analyzed and evaluated.
  3. It is placed in a proper context for a human user.

- **Network Resources:**
  - o Communications media
  - o Communications processors
  - o Network access & control software

WHY INFORMATION SYSTEMS?

Ask managers to describe their most important resources and they'll list money, equipment, materials, and people - not necessarily in that order. It's very unusual for managers to consider information an important resource and yet it is. This chapter will help explain why you need to manage this resource as closely as any other in your organization.

The Competitive Business Environment

For many years computer technology was relegated to the backrooms or basements of a corporation. Only the "techies" worried about it and were often the only ones who really knew how it all worked. Now computers are all over the organization - one on every desk. It's not enough for you to know how to pound a keyboard or click a mouse. It is not even enough for you to know how to surf the Web. Now every employee, including you, must know how to take advantage of Information Systems to improve your organization and to leverage the available information into a competitive advantage for your company.

Transformation of Industrial Economies

"In a knowledge- and information-based economy, knowledge and information are key ingredients in creating wealth." Think back to the early 1900s when the horse and buggy were the main form of transportation. Along came a guy named Ford who built a whole new industry around the automobile. Many jobs, such as horse groomers, horse shoers, and buggy manufacturers, were lost forever. Now think about all the new jobs that were created – not just in the factories but all the other businesses associated with the car. The people in the horse and buggy industry adapted, retrained for the new jobs, and the whole country changed. The same thing is happening now with the information industry. Many of the new jobs that are being created have better working conditions, better pay, and more advantages than the old jobs had. You just have to be equipped to take advantage of the situation. You have to take advantage of retraining opportunities. You have to gain the skills necessary for the transformation of the industries that have been a mainstay of this country. It's not that hard - it just takes a lot of hard work.

We often think of industries such as manufacturing and financial institutions as information-based. But even farmers and ranchers in this country are learning information- based skills so that they can become more efficient and cut costs. They are taking advantage of the technological explosion by using computers and Global Positioning Systems on their farms and ranches to increase crop yields or reduce workloads. They're catching on to the idea that Information Systems are a key to success.

Transformation of the Business Enterprise

You can't help but know about the entire job cuts occurring in our country. It seems like every week we hear about thousands and thousands of people losing their jobs. Back in the 80s most of the job losses were in the blue-collar sector. In the 90s it seems many of the cuts are being made in the white collar, management jobs. Why? Think about it. Technology, to a large extent, has driven organizations to change the way they operate and that includes the way they manage. We're going to take an in-depth look at how organizations work and how they've been transformed by technology. But it isn't always bad! You just have to ask yourself this question: "With all the job losses in the last few years, many driven by technological changes, why has the Indian unemployment rate dropped to it's lowest in decades and remained so low?"

CONTEMPORARY APPROACHES TO INFORMATION SYSTEMS

There are several different approaches to Information Systems: technical, behavioral, socio-technical. Think of this analogy: A "techie" looks at most things associated with computing as a series of zeroes or ones. After all, everything in a computer is ultimately reduced to a zero or a one. So using the technical approach, you could say that 2 + 2 = 4. The behavioral approach, on the other hand, takes into account the very nature of human beings. Nothing is totally black and white. Therefore the behavioral approach to the same equation would be "2 + 2 = maybe 4 or perhaps 3.5 to 5.5, but we'll have to put it before the committee and see what the next quarter's figures say." Neither approach is better than the other, depending on the situation. Neither approach is more right than the other, depending on the situation.

NOTES

Check Your Progress

1. Define Database.
2. What is the characteristics of information?
3. What is a system?

NOTES

An organization can't afford to view its information resources as belonging to either the techies (technical approach) or the non-techies (behavioral approach). Responsibility for information belongs to everyone in the organization. This is the sociotechnical approach, that is, a combination of the two. Everyone has to work together to ensure that Information Systems serve the entire organization.

To help you understand the importance of viewing Information Systems through the sociotechnical approach, look at what the current trade journals are saying. David Haskin, writing in the April 1999 issue of Windows Magazine, quotes Steve Roberts, vice president of information technology for Mind Spring Enterprises, an Atlanta-based Internet service provider: "The gap in understanding between technical and non technical people is the biggest challenge I've seen." Haskin goes on to say, "Because technology is the bedrock on which successful businesses are built, the stakes in making this relationship work are high. Failing to use the correct technology can put you at a competitive disadvantage, and glitches in existing technologies can bring a business to a grinding halt."

Information Systems and the use of technology belong to *everyone* in an organization. This concept is best carried out through a sociotechnical approach, which allows both the technical and behavioral approaches to be combined for the good of the organization.

MANAGEMENT INFORMATION SYSTEMS

Management Information Systems (MIS) is the study of the design, implementation, management and use of information technology applications in organizations. A management information system (MIS) is a system or process that provides the information necessary to manage an organization effectively. MIS and the information it generates are generally considered essential components of prudent and reasonable business decisions. MIS should have a clearly defined framework of guidelines, policies or practices, standards, and procedures for the organization. These should be followed throughout the institution in the development, maintenance, and use of all MIS.

MIS is viewed and used at many levels by management. It should be supportive of the institution's longer term strategic goals and objectives. To the other extreme it is also those everyday financial accounting systems that are used to ensure basic control is maintained over financial recordkeeping activities.

An institution's MIS should be designed to achieve the following goals:

- **Enhance communication** among employees.
- **Deliver complex material** throughout the institution.
- Provide **an objective system** for recording and aggregating information.
- **Reduce expenses** related to labor-intensive manual activities.
- Support the organization's **strategic goals** and direction.

Because MIS supplies decision makers with facts, it supports and enhances the overall decision making process. MIS also enhances job performance throughout an institution. At the most senior levels, it provides the data and information to help the board and management make strategic decisions. At other levels, MIS provides the means through which the institution's activities are monitored and information is distributed to management, employees, and customers.

Effective MIS should ensure the appropriate presentation formats and time frames required by operations and senior management are met. MIS can be maintained and developed by either manual or automated systems or a combination of both. It should always be sufficient to meet an institution's unique business goals and objectives. The effective deliveries of an institution's products and services are supported by the MIS. These systems should be accessible and useable at all appropriate levels of the organization. MIS is a critical component of the institution's overall risk management strategy. MIS supports management's ability to perform such reviews. MIS should be used to recognize, monitor, measure, limit, and manage risks. Risk management involves four main elements:

- Policies or practices.
- Operational processes.
- Staff management.
- Feedback devices.

Frequently, operational processes and feedback devices are intertwined and cannot easily be viewed separately. The most efficient and useable MIS should be both operational and informational. As such, management can use MIS to measure performance, manage resources, and help an institution comply with regulatory requirements.

All institutions must set up a framework of sound fundamental principles that identify risk, establish controls, and provide for effective MIS review and monitoring systems throughout the organization. Commonly, an organization may choose to establish and express these sound principles in writing. Sound fundamental principles for MIS review include proper internal controls, operating procedures and safeguards, and audit coverage.

Definition of MIS :

A MIS is an assembly of computer hardware, software, and/or firmware configured to collect, create, communicate, compute, disseminate, process, store, and/or control data or information. ...

An organized approach to gathering data from inside and outside the company and processing it by computer to produce current, accurate, and informative reports for decision makers; A system that provides management with needed information on a regular basis.

Management Information System (MIS) is a subset of the overall internal controls of a business covering the application of people, documents, technologies, and procedures by management accountants to solving business problems such as costing a product, service or a business-wide strategy. Management Information Systems are distinct from regular information systems in that they are used to analyze other information systems applied in operational activities in the organization. Academically, the term is commonly used to refer to the group of information management methods tied to the automation or support of human decision making, e.g. Decision Support Systems, Expert systems, and Executive information systems.

'MIS' is a planned system of collecting, processing, storing and disseminating data in the form of information needed to carry out the functions of management. According to Phillip Kotler "A marketing information system consists of people, equipment, and procedures to gather, sort, analyse, evaluate, and distribute needed, timely, and accurate information to marketing decision makers." (Kotler, Phillip and Keller, Kevin Lane; Marketing Management, Pearson Education, 12 Ed, 2006)

According to Davis and Oldson– "MIS is an integrated user-machine system for providing information to support operations management and decision making function in an organisation. The system utilises computer hardware and software, manual procedures for analysis, planning, control and decision-making and database."

NOTES

According to Henry C. Lucas – "MIS is a set of organised procedures which when executed provide information to support decision making."

The terms MIS and information system are often confused. Information systems include systems that are not intended for decision making. MIS is sometimes referred to, in a restrictive sense, as information technology management. That area of study should not be confused with computer science. IT service management is a practitioner-focused discipline. MIS has also some differences with Enterprise Resource Planning (ERP) as ERP incorporates elements that are not necessarily focused on decision support.

Short for ***management information system*** or ***management information services,*** and pronounced as separate letters, MIS refers broadly to a computer-based system that provides managers with the tools for organizing, evaluating and efficiently running their departments. In order to provide past, present and prediction information, an MIS can include software that helps in decision making, data resources such as databases, the hardware resources of a system, decision support systems, people management and project management applications, and any computerized processes that enable the department to run efficiently.

MIS is basically an integrated system which transforms the data into information (inputs into outputs) for facilitating decision making through processing and using various components of the information system-Hardware, Software, Database, Procedures and Personnel.

The concept of MIS can be illustrated as :

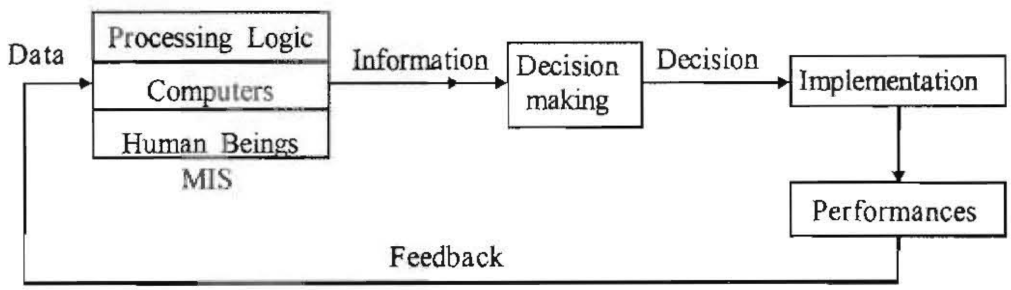

Figure : 14.2

ROLE OF MIS

Increased Business Complexities demands not only quantitative but qualitative decision-making. A good manager is one who minimises if not who minimises, if not eliminates altogether, the elements of risk and uncertainly in decision-making. MIS is helpful in this process. MIS is required to enable managers to take qualitative decisions and ensures success for their organisation.

MIS enables decision makers to come out with appropriate response (futuristic) to a business situation. It facilitates pro-active decision making and enables organizations "to be ready for tomorrow, today."

Models

a) **Waterfall model**, it is possible to rework earlier stages in the light of experience gained at a later stage. Each stage is signed off and the next stage is proceeded with. However the end user is rarely involved in the development stage, even though they may well be involved in signing off. It is therefore critical that the analysts and the programmers understand the end-users' requirements. This can be quite difficult with the waterfall model.

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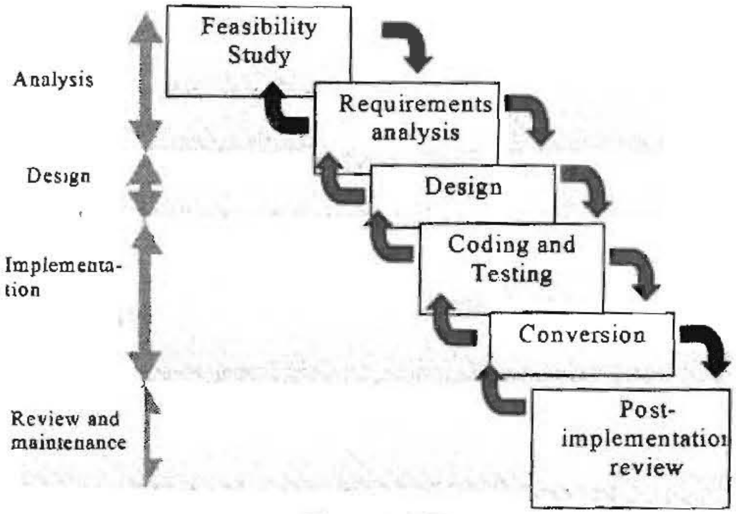

Figure : 14.3

b) The waterfall model has disadvantages, which can be overcome using prototyping, in which a model of the system is developed in partnership with the end-user. The features are worked out with the end user using a **prototype**, and the end user can have a considerable input into the development of a project. The approach is shown below:

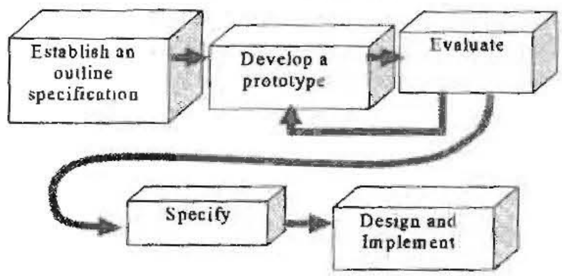

Figure : 14.4

MIS AS A FEDERATION OF SUB-SYSTEMS

MIS is an integrated system which brings together data for all functions of an organisation. It is viewed as a Federation of sub-systems. For example, each organisation will consist of various subsystems- Production, marketing etc. Below we illustrated various functional and activities sub systems :

Functionsl Sub-systems :

- **Marketing** – Sales forecasting, customer analysis, sales planning etc.
- **Manufacturing** – Cost control analysis, production planning and scheduling etc.
- **Financed Accounting** – Financial analysis, income & cash measurement, capital requirement etc.
- **Personnel** – Staffing, personnel requirement & planning, salary & other administration etc.

Activities sub-systems :

- **Management Control** – Budget creation, resource allocation. etc.
- **Transaction Processing** – Processing of orders, receipts and shipments.
- **Strategic Planning** – Objective formulation, strategic planning etc.

Each of these sub-systems will have a certain degree of autonomy in its functioning. But no sub-system can function as an island by itself to the detriment of other functional sub-systems. Each sub-system operator for organization goal. As all these sub-systems enjoys autonomy as well as loosely connected and are interdepedent and thus MIS is viewed as federation of sub systems.

MIS AS A MULTIDISCIPLINARY ACTIVITY

NOTES

MIS is also viewed as a multi-disciplinary activity/subject. MIS is also viewed heavily upon various disciplines like. Management Accounting, operations research, computer Science etc.

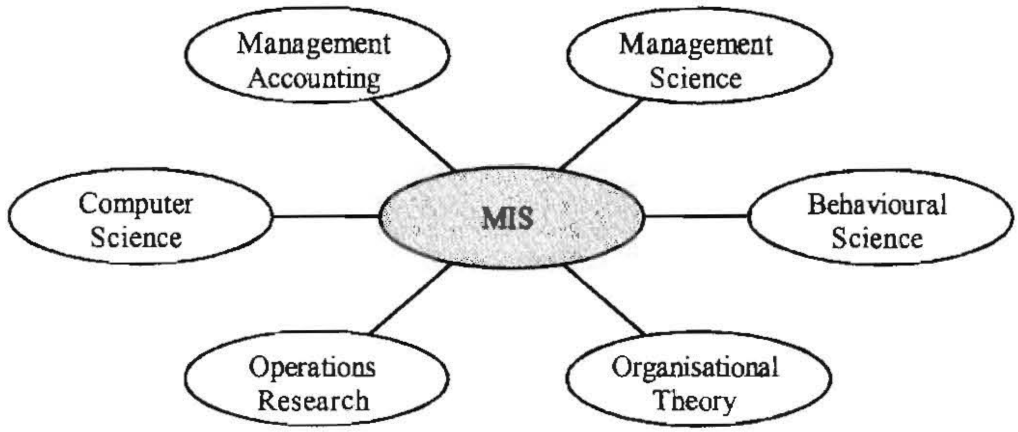

Figure : 14.5

Management Accounting is useful and is made use of in MIS. Management accounting includes monitoring and controlling the organization and provides specific information, costs etc. Management science techniques and principles explains the dynamics of decision-making process, specify management functions at various levels, and thereby facilitate development of MIS.

Organisational theory/behaviour enables, MIS to understand organisations, their types, cultures and behaviour. For e.g., MIS perception in a proprietary firm, family-owned company, Government Corporation etc. MIS heavily depends on organisational theory. MIS make extensive use of computer science and technology for data storage, processing, manipulation, retrieval etc. due to the speed, processing capability and memory size of the computers. As MIS cannot be developed without making use of the various theories, principles, formulae, MIS is viewed as a multidisciplinary subject.

Pre-Requisites of MIS

The pre-requisites of MIS which are as follows :

1. It should be a **unified system.**
2. It should **support/facilitate decisions.**
3. It should be **compatible** with organization.
4. It should be **user-oriented.**
5. It should be **cost effective.**
6. It should use principle of **control by exception.**
7. It should be **speedy.**
8. It should use the principle of **selectivity.**
9. It should be **accurate.**
10. It should be **flexible** (responsibe to change).
11. It should provide **valid information.**

NOTES

Risks Associated With MIS

Risk reflects the potential, the likelihood, or the expectation of events that could adversely affect earnings or capital. Management uses MIS to help in the assessment of risk within an institution. Management decisions based upon ineffective, inaccurate, or incomplete MIS may increase risk in a number of areas such as credit quality, liquidity, market/pricing, interest rate, or foreign currency. A flawed MIS causes operational risks and can adversely affect an organization's monitoring of its fiduciary, consumer, fair lending, Bank Secrecy Act, or other compliance-related activities. Since management requires information to assess and monitor performance at all levels of the organization, MIS risk can extend to all levels of the operations. Additionally, poorly programmed or non-secure systems in which data can be manipulated and/or systems requiring ongoing repairs can easily disrupt routine work flow and can lead to incorrect decisions or impaired planning.

ASSESSING VULNERABILITY TO MIS RISK

To function effectively as an interacting, interrelated, and interdependent feedback tool for management and staff, MIS must be "useable." The five elements of a useable MIS system are: timeliness, accuracy, consistency, completeness, and relevance. The usefulness of MIS is hindered whenever one or more of these elements is compromised.

Timeliness

To simplify prompt decision making, an institution's MIS should be capable of providing and distributing *current* information to appropriate users. Information systems should be designed to expedite reporting of information. The system should be able to quickly collect and edit data, summarize results, and be able to adjust and correct errors promptly.

Accuracy

A sound system of automated and manual internal controls must exist throughout all information systems processing activities. Information should receive appropriate editing, balancing, and internal control checks. A comprehensive internal and external audit program should be employed to ensure the adequacy of internal controls.

Consistency

To be reliable, data should be processed and compiled consistently and uniformly. Variations in how data is collected and reported can distort information and trend analysis. In addition, because data collection and reporting processes will change over time, management must establish sound procedures to allow for systems changes. These procedures should be well defined and documented, clearly communicated to appropriate employees, and should include an effective monitoring system.

Completeness

Decision makers need complete and pertinent information in a summarized form. Reports should be designed to eliminate clutter and voluminous detail, thereby avoiding "information overload."

Relevance

Information provided to management must be relevant. Information that is inappropriate, unnecessary, or too detailed for effective decision making has no value. MIS must be appropriate to support the management level using it. The relevance and level of detail provided through MIS systems directly correlate to what is needed by the board of directors, executive management, departmental or area mid-level managers, etc. in the performance of their jobs.

NOTES

Achieving Sound MIS

The development of sound MIS is the result of the development and enforcement of a culture of system ownership. An "owner" is a system user who knows current customer and constituent needs and also has budget authority to fund new projects. Building "ownership" promotes pride in institution processes and helps ensure accountability. Although MIS does not necessarily reduce expenses, the development of meaningful systems, and their proper use, will lessen the probability that erroneous decisions will be made because of inaccurate or untimely information. Erroneous decisions invariably misallocate and/or waste resources. This may result in an adverse impact on earnings and/or capital. MIS which meets the five elements of use ability is a critical ingredient to an institution's short- and long-range planning efforts. To achieve sound MIS, the organization's planning process should include consideration of MIS needs at both the tactical and strategic levels. For example, at a tactical level MIS systems and report output should support the annual operating plan and budgetary processes. They should also be used in support of the long term strategic MIS and business planning initiatives. Without the development of an effective MIS, it is more difficult for management to measure and monitor the success of new initiatives and the progress of ongoing projects. Two common examples of this would be the management of mergers and acquisitions or the continuing development and the introduction of new products and services.

Management needs to ensure that MIS systems are developed according to a sound methodology that encompasses the following phases:

- Appropriate analysis of system alternatives, approval points as the system is developed or acquired, and task organization.
- Program development and negotiation of contracts with equipment and software vendors.
- Development of user instructions, training, and testing of the system.
- Installation and maintenance of the system.

Management should also consider use of "project management techniques" to monitor progress as the MIS system is being developed. Internal controls must be woven into the processes and periodically reviewed by auditors. Management also should ensure that managers and staff receive initial and ongoing training in MIS. In addition, user manuals should be available and provide the following information:

- A brief description of the application or system.
- Input instructions, including collection points and times to send updated information.
- Balancing and reconciliation procedures.
- A complete listing of output reports, including samples.

Depending on the size and complexity of its MIS system, an institution may need to use different manuals for different users such as first-level users, unit managers, and programmers.

WHY AN MIS MIGHT FAIL ? OR

COMPUTER BASED MIS- ADVANTAGES AND DISADVANTAGES:

MIS systems are complex and expensive pieces of software, and many people are involved with the design both within the organisation and from outside. Often they are built by software houses to the precise requirements of the organisation. So the client organisation needs to be very clear as to what it wants, and the software house analysts need also to be very clear about the requirements.

MIS failures can be expensive and bring bad publicity to all parties. They can arise due to:

- **Inadequate analysis** - problems, needs and constraints aren't understood in the early stages.
- **Lack of management involved in the design** – wrong expectations of a new system / no-one understands the system.
- **Emphasis on the computer system** – Need procedures for handling input and output / select the right hardware and software
- **Concentration on low-level data processing** – Information must be easily accessible and understood
- **Lack of management knowledge of ICT systems and capabilities** – managers know what they want from the system but don't understand the technology
- **Lack of teamwork** – An ICT manager must co-ordinate the accounts, marketing, sales etc. departments and help everyone understand the benefits of the system
- **Lack of professional standards** – All systems need clear documentation that all users can understand (not just the ICT literate)

Organisations can judge how successful the implementation of an MIS system has been by applying the following evaluations:

- **High level of use** - Is it actually used? Some systems don't become operational for reasons such as it taking too long to enter data.
- **High level of user satisfaction** - Do users like the systems?
- **Accomplishment of original objectives** - Have the objectives specified in the analysis stage been achieved?
- **Appropriate nature of use** - Is the software being correctly used? Has proper training been given?
- **Institutionalization of the system** - Has it been taken on board enthusiastically?

NOTES

Check Your Progress

4. What is management information system?
5. What is the Advantages and Disadvantage of MIS?
6. What is do you understand by the Behavioural?

MIS REVIEWS

By its very nature, management information is designed to meet the unique needs of individual institutions. As a result, MIS requirements will vary depending on the size and complexity of the operations. For example, systems suitable for community sized institutions will not necessarily be adequate for larger institutions. However, basic information needs or requirements are similar in all financial institutions regardless of size. The complexity of the operations and/or activities, together with institution size, point to the need for MIS of varying degrees of complexity to support the decision-making processes. Examiners should base MIS reviews on an evaluation of whether the system(s) provide management and directors with the information necessary to guide operations, support timely decision making, and help management monitor progress toward reaching institutional goals and objectives.

During the examination, the MIS review should occur at both a macro (big picture) level and also at the micro (functional/product oriented view of the business) level. The examiner-in-charge of the MIS-review program should look at the useability and effectiveness of the corporate-wide MIS structure.

The consolidation, coordination, and analysis of this MIS feedback can be used to reach supportable macrolevel conclusions and recommendations for corporate-wide MIS activities.

NOTES

A solid understanding of the business is fundamental to the completion of a meaningful MIS review.

One should use the following **guidelines** to determine if management has:

- **Identified the institution's specific information requirements.** Examiners can focus on specific information needs related to issues such as asset quality, interest rate risk, regulatory reporting, and compliance. If possible, the MIS review should be concurrent with examinations of the commercial, consumer, fiduciary, and BIS activities. This would enhance interaction and communication among examiners.
- **Established effective reporting mechanisms to guide decisions.** This process includes reviewing controls that ensure that information is reliable, timely, accurate, and confidential.

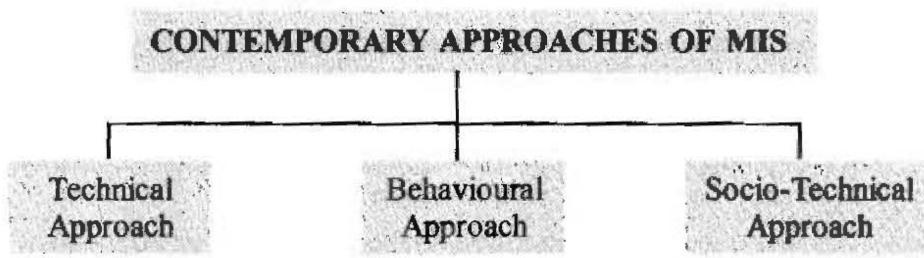

Figure : 14.6

Technical Approaches :

This approach relies on the physical technology and the formal capabilities of system. Operations Research Management Science, Computer Science plays significant role in this approach.

Behavioural Approach :

This approach focusses on the change in attitudes, management and organisational policy. The approach borrows heavily from the political. Science, psychology, sociology and organisational behaviour.

Socio-Technical Approach :

The Socio-Technical Approach, does not opt for purely technical/ technological or behavioural approach but it does attempt to borrow heavily from both the approaches and synthesise so as to optimise the performance of the information system as a whole.

CONCLUSION

Many a times we dot have the information we want and then there is a dilemma. As information is so critical, emerged the MIS-Management Information system, to facilitate effective and effecient decision making. MIS is the system which make available the right information. MIS is a set of organised procedures which when executed provide information to support decision making.

CHAPTER AT A GLANCE

- CIS consists of related components like software, hardware, people, procedures and collections of data. The physical equipment used in computing are hardware and set of instructions that control the hardware is known as software.

NOTES

- Information is data that has been processed into a form that is meaningful to the recipient.
- Characteristics of Information - Timeliness, Appropriatness, Accuracy, consiseness, Frequency, Understandability, Relevant, Complete, Current and Economical.
- A system is a group of interrelated components working together toward a common goal - Inputs, Processing, Output, Feedback and control.
- Components of an IS- Data, Hardware, Software, Communication networks, people, procedures.
- MIS is a set of organised procedures which when executed provide information to support decision making.
- Goals of MIS - Enhance communications, Deliver complex material, an objective system, reduce expenses, strategic goals and direction.
- Risk Management involves four main elements- policies, operational processes, staff management, feedback devices.
- MIS is basically an integrated system which transforms the data into information for facilitating decision making through processing and using various components of the information system.
- MIS enable decision makers to come out with appropriate response to a business situation.
- MIS is Federation of sub system.
- MIS has multidisciplinary Activity.
- Prerequisities of MIS- Unified system, facilitate decision making, computible, user oriented, cost effective, control by exception, speedy, selectivity, accurate, flexible, valid information.
- Disadvantages of MIS- Inadequate analysis, lack of management, emphasis on the computer system, concentration on low- lavel data processing, lack of management knowledge, lack of teamwork, & Lack of professional standard.
- Advantages of MIS- High level of use, High level of user satisfaction, Accomplishment of original objectives, Appropriate nature of use and institutionalization of the system.
- MIS reviews evaluates whether the system provide management and directors with the information necessary to guide operations, support timely decision making and help management monitor progress towards reaching institutional goals.
- Contemporary Approaches of MIS- Technical, Behavioural and Socio-Technical.

ANSWER TO CHECK YOUR PROGRESS:

1. **Databases** are collections of related data that can be retrieved easily and processed by the computers.
2. Characteristics of Information - Timeliness, Appropriatness, Accuracy, consiseness, Frequency, Understandability, Relevant, Complete, Current and Economical.

NOTES

3. A system is a group of interrelated components working together toward a common goal by accepting inputs and producing outputs in an organized transformation process.

4. A management information system (MIS) is a system or process that provides the information necessary to manage an organization effectively.

5. Disadvantages of MIS- Inadequate analysis, lack of management, emphasis on the computer system, concentration on low- lavel data processing, lack of management knowledge, lack of teamwork, & Lack of professional standard. Advantages of MIS- High level of use, High level of user satisfaction, Accomplishment of original objectives, Appropriate nature of use and institutionalization of the system.

6. This approach focusses on the change in attitudes, management and organisational policy. The approach borrows heavily from the political. Science, psychology, sociology and organisational behaviour.

EXERCISE

1. Define data, knowledge and wisdom ?
2. Give short note on Information and its characterstics ?
3. Write short note on :
   (a) Information System
   (b) Components of an IS
   (c) MIS as a ultidisciplinary Activities
   (d) MIS reviews
   (e) Contemporary approaches of MIS
4. Define Management Information system and its prerequisites ?
5. What is role of MIS in business and give its models too ?
6. Highlight on Risks Associated with MIS ?
7. Why an MIS might fail ?

15 Project Planning And Management

The Chapter Covers :

INTRODUCTION

Project Management is the discipline of planning, organizing, and managing resources to bring about the successful completion of specific project goals and objectives. A project is a finite endeavor (having specific start and completion dates) undertaken to create a unique product or service which brings about beneficial change or added value. This finite characteristic of projects stands in sharp contrast to processes, or operations, which are permanent or semi-permanent functional work to repetitively produce the same product or service. In practice, the management of these two systems is often found to be quite different, and as such requires the development of distinct technical skills and the adoption of separate management philosophy.

NOTES

The primary challenge of project management is to achieve all of the project goals and objectives while adhering to classic project constraints—usually scope, quality, time and budget. The secondary—and more ambitious—challenge is to optimize the allocation and integration of inputs necessary to meet pre-defined objectives. A project is a carefully defined set of activities that use resources (money, people, materials, energy, space, provisions, communication, motivation, etc.) to achieve the project goals and objectives.

HISTORY OF PROJECT MANAGEMENT

As a discipline, project management developed from different fields of application including construction, engineering, and defense. In the United States, the forefather of project management is **Henry Gantt, called the father of planning and control techniques,** who is famously known for his use of the Gantt chart as a project management tool, for being an associate of Frederick Winslow Taylor's theories of scientific management, and for his study of the work and management of Navy ship building. His work is the forerunner to many modern project management tools including the work breakdown structure (WBS) and resource allocation.

The 1950s marked the beginning of the modern project management era. Again, in the United States, prior to the 1950s, projects were managed on an ad hoc basis using mostly Gantt Charts, and informal techniques and tools. At that time, two mathematical project scheduling models were developed: (1) the "Program Evaluation and Review Technique" or PERT, developed by Booz-Allen & Hamilton as part of the United States Navy's (in conjunction with the Lockheed Corporation) Polaris missile submarine program; and (2) the "Critical Path Method" (CPM) developed in a joint venture by both DuPont Corporation and Remington Rand Corporation for managing plant maintenance projects. These mathematical techniques quickly spread into many private enterprises.

At the same time, technology for project cost estimating, cost management, and engineering economics was evolving, with pioneering work by Hans Lang and others. In 1956, the American Association of Cost Engineers (now AACE International; the Association for the Advancement of Cost Engineering) was formed by early practitioners of project management and the associated specialties of planning and scheduling, cost estimating, and cost/schedule control (project control). AACE has continued its pioneering work and in 2006 released the first ever integrated process for portfolio, program and project management (Total Cost Management Framework).

In 1969, the Project Management Institute (PMI) was formed to serve the interest of the project management industry. The premise of PMI is that the tools and techniques of project management are common even among the widespread application of projects from the software industry to the construction industry. In 1981, the PMI Board of Directors authorized the development of what has become A Guide to the Project Management Body of Knowledge (PMBOK Guide), containing the standards and guidelines of practice that are widely used throughout the profession. The International Project Management Association (IPMA), founded in Europe in 1967, has undergone a similar development and instituted the IPMA Competence Baseline (ICB). The focus of the ICB also begins with knowledge as a foundation, and adds considerations about relevant experience, interpersonal skills, and competence. Both organizations are now participating in the development of an ISO project management standard.

Definitions

PMBOK (Project Management — Body of Knowledge as defined by the Project

Management Institute — PMI):"Project management is the application of knowledge, skills, tools and techniques to project activities to meet project requirements."

PRINCE2 project management methodology: "The planning, monitoring and control of all aspects of the project and the motivation of all those involved in it to achieve the project objectives on time and to the specified cost, quality and performance."

PROJECT: A temporary endeavor with a finite completion date undertaken to create a unique product or service. Projects bring form or function to ideas or needs.

DIN 69901 (Deutsches Institut für Normung - German Organization for Standardization): "Project management is the complete set of tasks, techniques, tools applied during project execution"

Job description

Project management is quite often the province and responsibility of an individual project manager. This individual seldom participates directly in the activities that produce the end result, but rather strives to maintain the progress and productive mutual interaction of various parties in such a way that overall risk of failure is reduced.

A project manager is often a client representative and has to determine and implement the exact needs of the client, based on knowledge of the firm they are representing. The ability to adapt to the various internal procedures of the contracting party, and to form close links with the nominated representatives, is essential in ensuring that the key issues of cost, time, quality, and above all, client satisfaction, can be realized.

In whatever field, a successful project manager must be able to envision the entire project from start to finish and to have the ability to ensure that this vision is realized.

Any type of product or service — Pharmaceuticals, buildings, vehicles, electronics, computer software, financial services, etc. — may have its implementation overseen by a project manager and its operations by a product manager.

The Traditional Triple Constraints

Like any human undertaking, projects need to be performed and delivered under certain constraints. Traditionally, these constraints have been listed as "scope," "time," and "cost"

These are also referred to as the "Project Management Triangle," where each side represents a constraint. One side of the triangle cannot be changed without affecting the others. A further refinement of the constraints separates product "quality" or "performance" from scope, and turns quality into a fourth constraint.

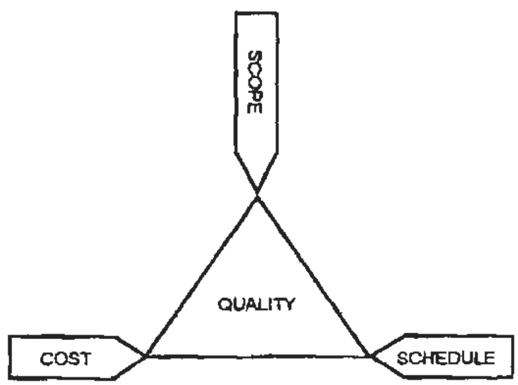

Figure 15.1

PROJECT MANAGEMENT TRIANGLE

The time constraint refers to the amount of time available to complete a project. The cost constraint refers to the budgeted amount available for the project. The scope constraint refers to what must be done to produce the project's end result. These three constraints are often competing constraints: increased scope typically means

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increased time and increased cost, a tight time constraint could mean increased costs and reduced scope, and a tight budget could mean increased time and reduced scope.

The discipline of project management is about providing the tools and techniques that enable the project team (not just the project manager) to organize their work to meet these constraints.

Another approach to project management is to consider the three constraints as finance, time and human resources. If you need to finish a job in a shorter time, you can throw more people at the problem, which in turn will raise the cost of the project, unless by doing this task quicker we will reduce costs elsewhere in the project by an equal amount.

Time

For analytical purposes, the time required to produce a deliverable is estimated using several techniques. One method is to identify tasks needed to produce the deliverables documented in a work breakdown structure or WBS. The work effort for each task is estimated and those estimates are rolled up into the final deliverable estimate.

The tasks are also prioritized, dependencies between tasks are identified, and this information is documented in a project schedule. The dependencies between the tasks can affect the length of the overall project (dependency constrained), as can the availability of resources (resource constrained). Time is not considered a cost nor a resource since the project manager cannot control the rate at which it is expended. This makes it different from all other resources and cost categories. It should be remembered that no effort expended will have any higher quality than that of the effort- expenders.

Cost

Cost to develop a project depends on several variables including (chiefly): resource costs, labor rates, material rates, risk management (i.e.cost contingency), Earned value management, plant (buildings, machines, etc.), equipment, cost escalation, indirect costs, and profit. But beyond this basic accounting approach to fixed and variable costs, the economic cost that must be considered includes worker skill and productivity which is calculated by variation to project cost estimates. This is important when companies hire temporary or contract employees or outsource work.

Scope

Requirements specified to achieve the end result. The overall definition of what the project is supposed to accomplish, and a specific description of what the end result should be or accomplish. A major component of scope is the quality of the final product. The amount of time put into individual tasks determines the overall quality of the project. Some tasks may require a given amount of time to complete adequately, but given more time could be completed exceptionally. Over the course of a large project, quality can have a significant impact on time and cost (or vice versa).

Together, these three constraints have given rise to the phrase "On Time, On Spec, On Budget." In this case, the term "scope" is substituted with "specification."

PROJECT MANAGEMENT ACTIVITIES

Project management is composed of several different types of activities such as:

- Analysis and design of objectives and events
- Planning the work according to the objectives
- Assessing and controlling risk (or Risk Management)

- Estimating resources
- Allocation of resources
- Organizing the work
- Acquiring human and material resources
- Assigning tasks
- Directing activities
- Controlling project execution
- Tracking and reporting progress (Management information system)
- Analyzing the results based on the facts achieved
- Defining the products of the project
- Forecasting future trends in the project
- Quality Management
- Issues management
- Issue solving
- Defect prevention
- Identifying, managing & controlling changes
- Project closure (and project debrief)
- Communicating to stakeholders
- Increasing / decreasing a company's workers

PROJECT OBJECTIVES

Project objectives define target status at the end of the project, reaching of which is considered necessary for the achievement of planned benefits. They can be formulated as S.M.A.R.T.

- Specific,
- Measurable (or at least evaluable) achievement,
- Achievable (recently Acceptable is used regularly as well),
- Relevant and
- Time terminated (bounded).

The evaluation (measurement) occurs at the project closure. However a continuous guard on the project progress should be kept by monitoring and evaluating.

PROJECT MANAGEMENT ARTIFACTS

The following documents serve to clarify objectives and deliverables and to align sponsors, clients, and project team's expectations.

- Project Charter
- Preliminary Scope Statement / Statement of work
- Business case / Feasibility Study
- Scope Statement / Terms of reference
- Project management plan / Project Initiation Document
- Work Breakdown Structure
- Change Control Plan
- Risk Management Plan
- Risk Breakdown Structure
- Communications Plan
- Governance Model
- Risk Register
- Issue Log
- Action Item List
- Resource Management Plan

- Project Schedule
- Project Status Report
- Responsibility assignment matrix
- Database of lessons learned

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Stakeholder Analysis

These documents are normally hosted on a shared resource (i.e., intranet web page) and are available for review by the project's stakeholders (except for the Stakeholder Analysis, since this document comprises personal information regarding certain stakeholders. Only the Project Manager has access to this analysis). Changes or updates to these documents are explicitly outlined in the project's configuration management (or change control plan).

Project Control Variables

Project Management tries to gain control over variables such as risk:

Risk

Potential points of failure: Most negative risks (or potential failures) can be overcome or resolved, given enough planning capabilities, time, and resources. According to some definitions (including PMBOK Third Edition) risk can also be categorized as "positive—" meaning that there is a potential opportunity, e.g., complete the project faster than expected.

Customers (either internal or external project sponsors) and external organizations (such as government agencies and regulators) can dictate the extent of three variables: time, cost, and scope. The remaining variable (risk) is managed by the project team, ideally based on solid estimation and response planning techniques. Through a negotiation process among project stakeholders, an agreement defines the final objectives, in terms of time, cost, scope, and risk, usually in the form of a charter or contract.

To properly control these variables a good project manager has a depth of knowledge and experience in these four areas (time, cost, scope, and risk), and in six other areas as well: integration, communication, human resources, quality assurance, schedule development, and procurement.

APPROACHES

There are several approaches that can be taken to managing project activities including agile, interactive, incremental, and phased approaches.

Regardless of the approach employed, careful consideration needs to be given to clarify surrounding project objectives, goals, and importantly, the roles and responsibilities of all participants and stakeholders.

The traditional approach

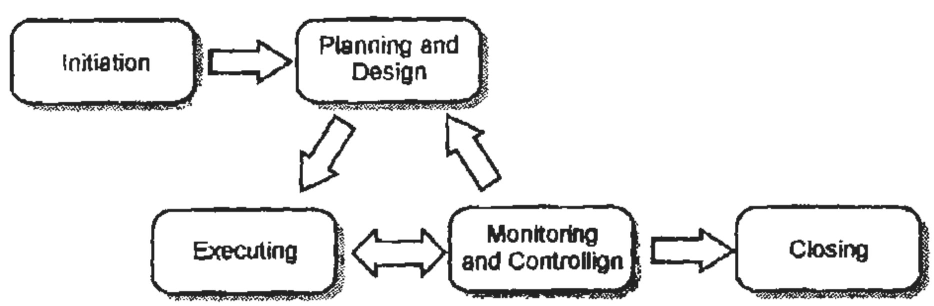

Figure 15.2

DEVELOPMENT PHASES OF A PROJECT

A traditional phased approach identifies a sequence of steps to be completed. In the traditional approach, we can distinguish 5 components of a project (4 stages plus control) in the development of a project:

- project initiation stage;
- project planning or design stage;
- project execution or production stage;
- project monitoring and controlling systems;
- Project completion stage.

Not all the projects will visit every stage as projects can be terminated before they reach completion. Some projects probably don't have the planning and/or the monitoring. Some projects will go through steps 2, 3 and 4 multiple times.

Many industries utilize variations on these stages. For example, in bricks and mortar architectural design, projects typically progress through stages like Pre-Planning, Conceptual Design, Schematic Design, Design Development, Construction Drawings (or Contract Documents), and Construction Administration. In software development, this approach is often known as "waterfall development", i.e., one series of tasks after another in linear sequence. In software development many organizations have adapted the Rational Unified Process (RUP) to fit this methodology, although RUP does not require or explicitly recommend this practice. Waterfall development can work for small tightly defined projects, but for larger projects of undefined or unknowable scope, it is less suited. The Cone of Uncertainty explains some of this as the planning made on the initial phase of the project suffers from a high degree of uncertainty. This becomes specially true as software development is often the realization of a new or novel product, this method has been widely accepted as ineffective for software projects where requirements are largely unknowable up front and susceptible to change. While the names may differ from industry to industry, the actual stages typically follow common steps to problem solving — "defining the problem, weighing options, choosing a path, implementation and evaluation."

RATIONAL UNIFIED PROCESS

The Rational Unified Process (RUP) is an iterative software development process framework created by the Rational Software Corporation, a division of IBM since 2003. RUP is not a single concrete prescriptive process, but rather an adaptable process framework, intended to be tailored by the development organizations and software project teams that will select the elements of the process that are appropriate for their needs. The following are phases of RUP, which align to business activities intended to drive successful delivery and deployment of projects. It also provides the taxonomy for blue printing and producing enterprise architecture artifacts across its different domains.

- **Inception** - Identify the initial scope of the project, a potential architecture for the system, and obtain initial project funding and stakeholder acceptance.
- **Elaboration** - Prove the architecture of the system.
- **Construction** - Build working software on a regular, incremental basis which meets the highest-priority needs of project stakeholders.
- **Transition** - Validate and deploy the system into the production environment
- **Temporary organization sequencing concepts**
- **Action-based entrepreneurship**
- **Fragmentation for commitment-building**
- **Planned isolation**

- **Institutionalised termination**
- **Critical Chain**

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Critical chain is the application of the Theory of Constraints (TOC) to projects. The goal is to increase the rate of throughput (or completion rates) of projects in an organization. Applying the first three of the five focusing steps of TOC, the system constraint for all projects is identified as resources. To exploit the constraint, tasks on the critical chain are given priority over all other activities. Finally, projects are planned and managed to ensure that the critical chain tasks are ready to start as soon as the needed resources are available, subordinating all other resources to the critical chain.

For specific projects, the project plan should undergo Resource Leveling, and the longest sequence of resource-constrained tasks is identified as the critical chain. In multi-project environments, resource leveling should be performed across projects. However, it is often enough to identify (or simply select) a single "drum" resource—a resource that acts as a constraint across projects—and stagger projects based on the availability of that single resource.

Extreme Project Management

In critical studies of project management, it has been noted that several of these fundamentally PERT-based models are not well suited for the multi-project company environment of today. Most of them are aimed at very large-scale, one-time, non-routine projects, and nowadays all kinds of management are expressed in terms of projects. Using complex models for "projects" (or rather "tasks") spanning a few weeks has been proven to cause unnecessary costs and low maneuverability in several cases. Instead, project management experts try to identify different "lightweight" models, such as Agile Project Management methods including Extreme Programming for software development and Scrum techniques. The generalization of Extreme Programming to other kinds of projects is extreme project management, which may be used in combination with the process modeling and management principles of human interaction management.

EVENT CHAIN METHODOLOGY

Event chain methodology is the next advance beyond critical path method and critical chain project management.

Event chain methodology is an uncertainty modeling and schedule network analysis technique that is focused on identifying and managing events and event chains that affect project schedules. Event chain methodology helps to mitigate the negative impact of psychological heuristics and biases, as well as to allow for easy modeling of uncertainties in the project schedules. Event chain methodology is based on the following major principles.

Probabilistic moment of risk: An activity (task) in most real life processes is not a continuous uniform process. Tasks are affected by external events, which can occur at some point in the middle of the task.

Event chains: Events can cause other events, which will create event chains. These event chains can significantly affect the course of the project. Quantitative analysis is used to determine a cumulative effect of these event chains on the project schedule.

Critical events or event chains: The single events or the event chains that have the most potential to affect the projects are the "critical events" or "critical chains of events." They can be determined by the analysis.

Project tracking with events: If a project is partially completed and data about the project duration, cost, and events occurred is available, it is possible to refine information about future potential events and helps to forecast future project performance.

Event chain visualization: Events and event chains can be visualized using event chain diagrams on a Gantt chart.

Process-based management

Also furthering the concept of project control is the incorporation of process-based management. This area has been driven by the use of Maturity models such as the CMMI (Capability Maturity Model Integration) and ISO/IEC15504 (SPICE - Software Process Improvement and Capability Determination), which have been far more successful.

Agile project management approaches based on the principles of human interaction management are founded on a process view of human collaboration. This contrasts sharply with traditional approach. In the agile software development or flexible product development approach, the project is seen as a series of relatively small tasks conceived and executed as the situation demands in an adaptive manner, rather than as a completely pre-planned process.

PROJECT SYSTEMS

As mentioned above, traditionally, project development includes five elements: control systems and four stages.

PROJECT CONTROL SYSTEMS

Project control is that element of a project that keeps it on-track, on-time, and within budget. Project control begins early in the project with planning and ends late in the project with post-implementation review, having a thorough involvement of each step in the process. Each project should be assessed for the appropriate level of control needed: too much control is too time consuming, too little control is very risky. If project control is not implemented correctly, the cost to the business should be clarified in terms of errors, fixes, and additional audit fees.

Control systems are needed for cost, risk, quality, communication, time, change, procurement, and human resources. In addition, auditors should consider how important the projects are to the financial statements, how reliant the stakeholders are on controls, and how many controls exist. Auditors should review the development process and procedures for how they are implemented. The process of development and the quality of the final product may also be assessed if needed or requested. A business may want the auditing firm to be involved throughout the process to catch problems earlier on so that they can be fixed more easily. An auditor can serve as a controls consultant as part of the development team or as an independent auditor as part of an audit.

Businesses sometimes use formal systems development processes. These help assure that systems are developed successfully. A formal process is more effective in creating strong controls, and auditors should review this process to confirm that it is well designed and is followed in practice. A good formal systems development plan outlines:

- A strategy to align development with the organization's broader objectives
- Standards for new systems
- Project management policies for timing and budgeting

- Procedures describing the process
- Project development stages

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Regardless of the methodology used, the project development process will have the same major stages: initiation, planning or development, production or execution, maintenance and controlling, and closing.

Initiation

The initiation stage determines the nature and scope of the development. If this stage is not performed well, it is unlikely that the project will be successful in meeting the business's needs. The key project controls needed here are an understanding of the business environment and making sure that all necessary controls are incorporated into the project. Any deficiencies should be reported and a recommendation should be made to fix them.

The initiation stage should include a cohesive plan that encompasses the following areas:

- Study analyzing the business needs in measurable goals.
- Review of the current operations.
- Conceptual design of the operation of the final product.
- Equipment requirement.
- Financial analysis of the costs and benefits including a budget.
- Select stake holders, including users, and support personnel for the project.
- Project charter including costs, tasks, deliverables, and schedule.
- Planning and design

After the initiation stage, the system is designed. Occasionally, a small prototype of the final product is built and tested. Testing is generally performed by a combination of testers and end users, and can occur after the prototype is built or concurrently. Controls should be in place that ensure that the final product will meet the specifications of the project charter. The results of the design stage should include a product design that:

- Satisfies the project sponsor, end user, and business requirements.
- Functions as it was intended.
- Can be produced within quality standards.
- Can be produced within time and budget constraints.
- Executing

Executing consists of the processes used to complete the work defined in the project management plan to accomplish the project's requirements. Execution process involves coordinating people and resources, as well as integrating and performing the activities of the project in accordance with the project management plan. The deliverables are produced as outputs from the processes performed as defined in the project management plan.

Monitoring and Controlling

Monitoring and Controlling consists of those processes performed to observe project execution so that potential problems can be identified in a timely manner and corrective action can be taken, when necessary, to control the execution of the project. The key benefit is that project performance is observed and measured regularly to identify variances from the project management plan.

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Figure 15.3

- Monitoring and Controlling includes:
- Measuring the ongoing project activities (where we are);
- Monitoring the project variables (cost, effort, ...) against the project management plan and the project performance baseline (where we should be);
- Identify corrective actions to properly address issues and risks (How can we get on track again);
- Influencing the factors that could circumvent integrated change control so only approved changes are implemented
- In multi-phase projects, the Monitoring and Controlling process also provides feedback between project phases, in order to implement corrective or preventive actions to bring the project into compliance with the project management plan.
- Project Maintenance is an ongoing process, and it includes:
- Continuing support of end users
- Correction of errors
- Updates of the software over time

In this stage, auditors should pay attention to how effectively and quickly user problems are resolved.

Over the course of any construction project, the work scope changes. Change is a normal and expected part of the construction process. Changes can be the result of necessary design modifications, differing site conditions, material availability, contractor-requested changes, value engineering and impacts from third parties, to name a few. Beyond executing the change in the field, the change normally needs to be documented to show what was actually constructed. Hence, the owner usually requires a final record to show all changes or, more specifically, any change that modifies the tangible portions of the finished work. The record is made on the contract documents – usually, but not necessarily limited to, the design drawings. The end product of this effort is what the industry terms as-built drawings, or more simply, "asbuilts." The requirement for providing them is a norm in construction contracts.

Closing

Closing includes the formal acceptance of the project and the ending thereof. Administrative activities include the archiving of the files and documenting lessons learned. Closing phase consist of two parts:

Close project: to finalize all activities across all of the process groups to formally close the project or a project phase

Contract closure: necessary for completing and settling each contract, including the resolution of any open items, and closing each contract applicable to the project or a project phase.

GANTT CHART

NOTES

A Gantt chart is a type of bar chart that illustrates a project schedule. Gantt charts illustrate the start and finish dates of the terminal elements and summary elements of a project. Terminal elements and summary elements comprise the work breakdown structure of the project. Some Gantt charts also show the dependency (i.e, precedence network) relationships between activities. Gantt charts can be used to show current schedule status using percent-complete shadings and a vertical "TODAY" line as shown here.

Historical Development

The first Gantt Chart was developed in 1896 by Karol Adamiecki, who called it a harmonogram. Because Adamiecki did not publish his chart until 1931 - and in any case his works were published in either Polish or Russian, languages not popular in the West - the chart now bears the name of Henry Gantt (1861–1919), who designed his chart around the years 1910-1915 and popularized it in the West.

In the 1980s, personal computers eased the creation and editing of elaborate Gantt charts. These desktop applications were intended mainly for project managers and project schedulers. In the late 1990s and early 2000s, Gantt charts became a common feature of web-based applications, including collaborative groupware.

Although now regarded as a common charting technique, Gantt charts were considered revolutionary when they were introduced. In recognition of Henry Gantt's contributions, the Henry Laurence Gantt Medal is awarded for distinguished achievement in management and in community service.

Advantages and Limitations

Gantt charts have become a common technique for representing the phases and activities of a project work breakdown structure (WBS), so they can be understood by a wide audience.

A common error made by those who equate Gantt chart design with project design is that they attempt to define the project work breakdown structure at the same time that they define schedule activities. This practice makes it very difficult to follow the 100% Rule. Instead the WBS should be fully defined to follow the 100% Rule, then the project schedule can be designed.

Although a Gantt chart is easily comprehended for small projects that fit on a single sheet or screen, they can become quite unwieldy for projects with more than about 30 activities. Larger Gantt charts may not be suitable for most computer displays. A related criticism is that Gantt charts communicate relatively little information per unit area of display. That is, projects are often considerably more complex than can be communicated effectively with a Gantt chart.

Gantt charts only represent part of the triple constraints of projects, because they focus primarily on schedule management. Moreover, Gantt charts do not represent the size of a project or the relative size of work elements, therefore the magnitude of a behind-schedule condition is easily miscommunicated. If two projects are the same number of days behind schedule, the larger project has a larger impact on resource utilization, yet the Gantt does not represent this difference.

Although project management software can show schedule dependencies as lines between activities, displaying a large number of dependencies may result in a cluttered or unreadable chart.

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Because the horizontal bars of a Gantt chart have a fixed height, they can misrepresent the time-phased workload (resource requirements) of a project. In the example shown in this article, Activities E and G appear to be the same size, but in reality they may be orders of magnitude different. A related criticism is that all activities of a Gantt chart show planned workload as constant. In practice, many activities (especially summary elements) have front-loaded or back-loaded work plans, so a Gantt chart with percent-complete shading may actually miscommunicate the true schedule performance status.

Gantt Charts for Planning and Scheduling Complex Projects

Gantt Charts are important tools that help you plan and manage complex projects.

They help you work out the order in which tasks need to be carried out; allow you to identify the resources needed to complete the project, along with the times when these resources will be needed; help you work out the quickest possible time in which a project can be completed; and help you identify the "critical path" for a project. This is the sequence of tasks that must be completed on time if you are to complete the project by a particular date.

When a project is under way, Gantt Charts help you to monitor whether the project is on schedule. If it is not, they help you to pinpoint the remedial action necessary to put it back on schedule.

These are all essential activities if you are going to manage projects successfully.

SEQUENTIAL AND PARALLEL ACTIVITIES:

An essential concept behind project planning (and Critical Path Analysis as well) is that some activities are dependent on other activities being completed first. As a shallow example, it is not a good idea to start building a bridge before you have designed it!

These dependent activities need to be completed in a sequence, with each stage being more-or-less completed before the next activity can begin. We can call dependent activities 'sequential' or 'linear'.

The activities which are not dependent on completion of any other tasks. These may be done at any time before or after a particular stage is reached. These are nondependent or 'parallel' tasks.

How to Use the Tool ?

To plan a project using a Gantt Chart, follow these steps:

1. List all activities in the plan

The first step is to list all of the tasks that need to be completed to deliver the project. For each task, show the earliest start date, estimated length of time it will take, and whether it is parallel or sequential. And if tasks are sequential, show which previous stage or stages they depend on.

You will end up with a task list like the one in figure 1. This example shows the task list for an example custom-written computer project. We will use this same example for both this section and the section on Critical Path Analysis and PERT. This will allow you to compare the results of the two approaches.

Gantt Chart Example: Planning a custom-written computer project

NB: The start week shows when resources become available. Whether a task is parallel or sequential depends largely on context.

Check Your Progress

1. What is project management?
2. What are the project management trangle?
3. Define Gantt chart.

NOTES

Task	possible start	Length	Type	Dependent on..
1. High level analysis	week 1	5 days	sequential	
2. Selection of hardware platform	week 1	1 day	sequential	1
3. Installation and commissioning of hardware	week 3	2 weeks	parallel	2
4. Detailed analysis of core modules	week 1	2 weeks	sequential	1
5. Detailed analysis of supporting utilities	week 1	2 weeks	sequential	4
6. Programming of core modules	week 4	3 weeks	sequential	4
7. Programming of supporting modules	week 4	3 weeks	sequential	5
8. Quality assurance of core modules	week 5	1 week	sequential	6
9. Quality assurance of supporting modules	week 5	1 week	sequential	7
10.Core module training	week 7	1 day	parallel	6
11.Development of accounting reporting	week 6	1 week	parallel	5
12.Development of management reporting	week 6	1 week	parallel	5
13.Development of management analysis	week 6	2 weeks	sequential	5
14.Detailed training	week 7	1 week	sequential	1-13
15.Documentation	week 4	2 weeks	parallel	13

2. Head up graph paper with the days or weeks through to task completion

3. Plot the tasks onto the graph paper

Next draw up a rough draft of the Gantt Chart. Plot each task on the graph paper, showing it starting on the earliest possible date. Draw it as a bar, with the length of the bar being the length of the task. Above the task bars, mark the time taken to complete them. Do not worry about task scheduling yet: All you are doing is setting up the first draft of the analysis.

4. Schedule Activities

Now take the draft Gantt Chart, and use it to schedule actions. Schedule them in such a way that sequential actions are carried out in the required sequence. Ensure that dependent activities do not start until the activities they depend on have been completed.

Where possible, schedule parallel tasks so that they do not interfere with sequential actions on the critical path. While scheduling, ensure that you make best use of the resources you have available, and do not over-commit resource. Also allow some slack time in the schedule for holdups, overruns, quality rejections, failures in delivery, and so on.

If all goes well, the project can be completed in 10 weeks.

If you want to complete the task as rapidly as possible, you need:

- 1 analyst for the first 5 weeks.
- 1 programmer for 6 weeks starting week 4.
- 1 programmer for 3 weeks starting week 6.
- Quality assurance resource for weeks 7 and 9.
- Hardware to be installed by the end of week 7.
- Analysis, development and installation of supporting modules are essential activities that must be completed on time.
- Hardware installation is a low priority task as long as it is completed by the end of week

While this section describes how to draw a Gantt Chart manually, in practice project managers tend to use software tools like Microsoft Project to create Gantt Charts.

Not only do these ease the drawing of Gantt Charts, they also make modification of plans easier and provide facilities for monitoring progress against plans.

NOTES

Gantt charts are useful tools for planning and scheduling projects. They help you to assess how long a project will take to complete, determine the resources needed, and lay out the order in which tasks need to be carried out. They are useful in managing the dependencies between tasks.

When a project is under way, Gantt charts are useful for monitoring its progress. You can immediately see what should have been achieved at a particular point in time, and can therefore take remedial action to bring the project back on course if needed. This can be essential for the successful and profitable implementation of the project.

PERT

PERT network chart for a seven-month project with five milestones (10 through 50) and six activities (A through F). The Program (or Project) Evaluation and Review Technique, commonly abbreviated PERT, is a model for project management designed to analyze and represent the tasks involved in completing a given project.

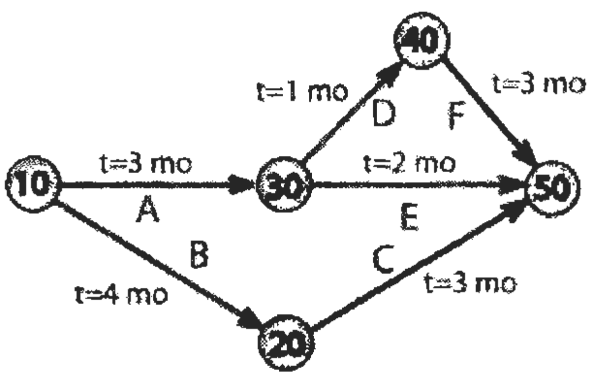

Figure 15.4

Overview

PERT is a method to analyze the involved tasks in completing a given project, especially the time needed to complete each task, and identifying the minimum time needed to complete the total project.

This model was invented by Booz Allen Hamilton, Inc. under contract to the United States Department of Defense's US Navy Special Projects Office in 1958 as part of the Polaris mobile submarine-launched ballistic missile project. This project was a direct response to the Sputnik crisis. Some US government contracts required that PERT be used as part of management supervision.

PERT was developed primarily to simplify the planning and scheduling of large and complex projects. It was able to incorporate uncertainty by making it possible to schedule a project while not knowing precisely the details and durations of all the activities. It is more of an event-oriented technique rather than start- and completion-oriented, and is used more in R&D-type projects where time, rather than cost, is the major factor.

This project model was the first of its kind, a revival for scientific management, founded in Fordism and Taylorism. Only DuPont corporation's critical path method was invented at roughly the same time as PERT.

The most recognizable feature of PERT is the "PERT Networks", a chart of interconnecting timelines. PERT is intended for very large-scale, one-time, complex, non-routine projects.

PERT Terminology and Conventions

NOTES

A PERT chart is a tool that facilitates decision making; The first draft of a PERT chart will number its events sequentially in 10s (10, 20, 30, etc.) to allow the later insertion of additional events.

Two consecutive events in a PERT chart are linked by activities, which are conventionally represented as arrows in the diagram above. The events are presented in a logical sequence and no activity can commence until its immediately preceding event is completed. The planner decides which milestones should be PERT events and also decides their "proper" sequence. A PERT chart may have multiple pages with many sub-tasks.

Terminology

A PERT event: is a point that marks the start or completion of one or more tasks. It consumes no time, and uses no resources. It marks the completion of one or more tasks, and is not "reached" until all of the activities leading to that event have been completed.

A predecessor event: an event (or events) that immediately precedes some other event without any other events intervening. It may be the consequence of more than one activity.

A successor event: an event (or events) that immediately follows some other event without any other events intervening. It may be the consequence of more than one activity.

A PERT activity: is the actual performance of a task. It consumes time, it requires resources (such as labour, materials, space, machinery), and it can be understood as representing the time, effort, and resources required to move from one event to another. A PERT activity cannot be completed until the event preceding it has occurred.

Optimistic time (O): the minimum possible time required to accomplish a task, assuming everything proceeds better than is normally expected

Pessimistic time (P): the maximum possible time required to accomplish a task, assuming everything goes wrong (but excluding major catastrophes).

Most likely time (M): the best estimate of the time required to accomplish a task, assuming everything proceeds as normal.

Expected time (TE): the best estimate of the time required to accomplish a task, assuming everything proceeds as normal (the implication being that the expected time is the average time the task would require if the task were repeated on a number of occasions over an extended period of time).

$TE = (O + 4M + P) \div 6$

Critical Path: the longest possible continuous pathway taken from the initial event to the terminal event. It determines the total calendar time required for the project; and, therefore, any time delays along the critical path will delay the reaching of the terminal event by at least the same amount.

Critical Activity: An activity that has total float equal to zero. Activity with zero float does not mean it is on critical path.

Lead time (rhymes with "feed", not "fed"): the time by which a predecessor event must be completed in order to allow sufficient time for the activities that must elapse before a specific PERT event is reached to be completed.

Lag time: the earliest time by which a successor event can follow a specific PERT event.

Slack: the slack of an event is a measure of the excess time and resources available in achieving this event. Positive slack(+) would indicate ahead of schedule; negative slack would indicate behind schedule; and zero slack would indicate on schedule.

Fast tracking: performing more critical activities in parallel

Crashing critical path: Shortening duration of critical activities

Float or Slack is the amount of time that a task in a project network can be delayed without causing a delay - Subsequent tasks – (free float) or Project Completion – (total float)

IMPLEMENTING PERT

The first step to scheduling the project is to determine the tasks that the project requires and the order in which they must be completed. The order may be easy to record for some tasks (e.g. When building a house, the land must be graded before the foundation can be laid) while difficult for others (There are two areas that need to be graded, but there are only enough bulldozers to do one). Additionally, the time estimates usually reflect the normal, non-rushed time. Many times, the time required to execute the task can be reduced for an additional cost or a reduction in the quality.

In the following example there are seven tasks, labeled a through g. Some tasks can be done concurrently (a & b) while others cannot be done until their predecessor task is complete (c cannot begin until a is complete). Additionally, each task has three time estimates: the optimistic time estimate (a), the most likely or normal time estimate (m), and the pessimistic time estimate (b). The expected time (TE) is computed using the formula (a + 4m + b) /6.

Activity	Predecessor	Opt. a	Norm. m	Pess. b	TE (a + 4m + b) / 6
a	—	2	4	6	4.00
b	—	3	5	9	5.33
c	a	4	5	7	5.17
d	a	4	6	10	6.33
e	b, c	4	5	7	5.17
f	d	3	4	8	4.50
g	e	3	5	8	5.17

Figure 15.5

Note: All times listed are in work days (Mon - Fri, 8 A.M. to 5 P.M. with a one hour lunch break).

Once this step is complete, one can draw a Gantt chart or a network diagram.

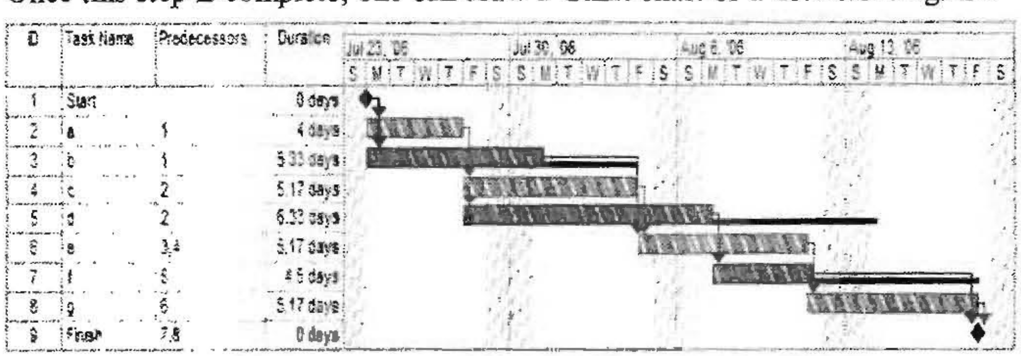

Figure 15.6

NOTES

A Gantt chart created using Microsoft Project (MSP). Note (1) the critical path is in red, (2) the slack is the black lines connected to non-critical activities, (3) when using MSP, you must use the task ID when labeling predecessor activities, and (4) since Saturday and Sunday are not work days (as described above) some bars on the Gantt chart are longer if they cut through a weekend.

A Gantt chart created using OmniPlan. Note (1) the critical path is highlighted, (2) the slack is not specifically indicated on task 5 (d), though it can be observed on tasks 3 and 7 (b and f), (3) when using OmniPlan, you may use the GUI to easily link dependencies, or you may enter them by reference to task ID, and (4) since weekends are indicated by a thin vertical line, and take up no additional space on the work calendar, bars on the Gantt chart are not longer or shorter when they do or don't carry over a weekend.

A network diagram can be created by hand or by using diagram software. There are two types of network diagrams, activity on arrow (AOA) and activity on node (AON). Activity on node diagrams are generally easier to create and interpret. To create an AON diagram, it is recommended (but not required) to start with a node named start. This "activity" has a duration of zero (0). Then you draw each activity that does not have a predecessor activity (a and b in this example) and connect them with an arrow from start to each node. Next, since both c and d list a as a predecessor activity, their nodes are drawn with arrows coming from a. Activity e is listed with b and c as predecessor activities, so node e is drawn with arrows coming from both b and c, signifying that e cannot begin until both b and c have been completed. Activity f has d as a predecessor activity, so an arrow is drawn connecting the activities. Likewise, an arrow is drawn from e to g. Since there are no activities that come after f or g, it is recommended (but again not required) to connect them to a node labeled finish.

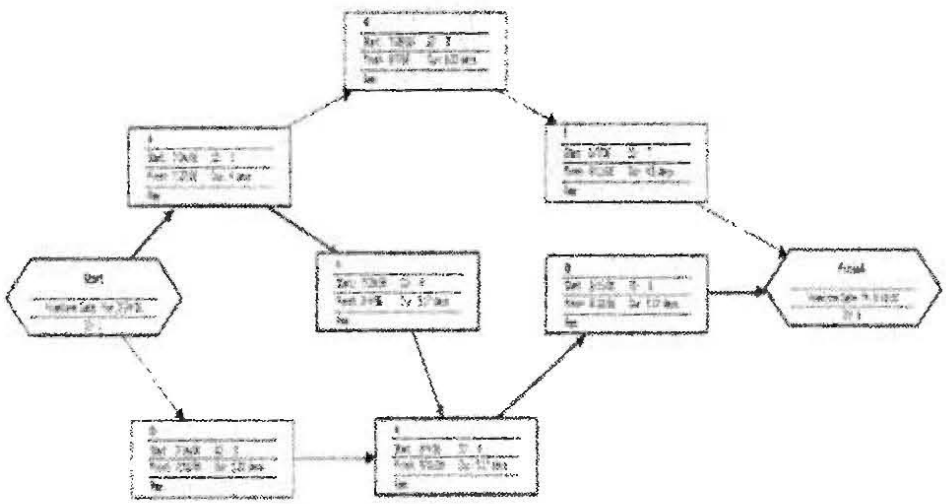

Figure 15.7

A network diagram created using Microsoft Project (MSP). Note the critical path is in red.

Early Start	Duration	Early Finish
	Task Name	
Late Start	Slack	Late Finish

Figure 15.8

A node like this one (from Microsoft Visio) can be used to display the activity name, duration, ES, EF, LS, LF, and slack.

By itself, the network diagram pictured above does not give much more information than a Gantt chart; however, it can be expanded to display more information. The most common information shown is:

- The activity name
- The normal duration time
- The early start time (ES)
- The early finish time (EF)
- The late start time (LS)
- The late finish time (LF)
- The slack

In order to determine this information it is assumed that the activities and normal duration times are given. The first step is to determine the ES and EF. The ES is defined as the maximum EF of all predecessor activities, unless the activity in question is the first activity, for which the ES is zero (0). The EF is the ES plus the task duration (EF = ES + duration).

- The ES for start is zero since it is the first activity. Since the duration is zero, the EF is also zero. This EF is used as the ES for a and b.
- The ES for a is zero. The duration (4 work days) is added to the ES to get an EF of four. This EF is used as the ES for c and d.
- The ES for b is zero. The duration (5.33 work days) is added to the ES to get an EF of 5.33.
- The ES for c is four. The duration (5.17 work days) is added to the ES to get an EF of 9.17.
- The ES for d is four. The duration (6.33 work days) is added to the ES to get an EF of 10.33. This EF is used as the ES for f.
- The ES for e is the greatest EF of its predecessor activities (b and c). Since b has an EF of 5.33 and c has an EF of 9.17, the ES of e is 9.17. The duration (5.17 work days) is added to the ES to get an EF of 14.34. This EF is used as the ES for g.
- The ES for f is 10.33. The duration (4.5 work days) is added to the ES to get an EF of 14.83.
- The ES for g is 14.34. The duration (5.17 work days) is added to the ES to get an EF of 19.51.
- The ES for finish is the greatest EF of its predecessor activities (f and g). Since f has an EF of 14.83 and g has an EF of 19.51, the ES of finish is 19.51. Finish is a milestone (and therefore has a duration of zero), so the EF is also 19.51.

Barring any unforeseen events, the project should take 19.51 work days to complete. The next step is to determine the late start (LS) and late finish (LF) of each activity. This will eventually show if there are activities that have slack. The LF is defined as the minimum LS of all successor activities, unless the activity is the last activity, for which the LF equals the EF. The LS is the LF minus the task duration (LS = LF - duration).

- The LF for finish is equal to the EF (19.51 work days) since it is the last activity in the project. Since the duration is zero, the LS is also 19.51 work days. This will be used as the LF for f and g.

NOTES

- The LF for g is 19.51 work days. The duration (5.17 work days) is subtracted from the LF to get an LS of 14.34 work days. This will be used as the LF for e.
- The LF for f is 19.51 work days. The duration (4.5 work days) is subtracted from the LF to get an LS of 15.01 work days. This will be used as the LF for d.
- The LF for e is 14.34 work days. The duration (5.17 work days) is subtracted from the LF to get an LS of 9.17 work days. This will be used as the LF for b and c.
- The LF for d is 15.01 work days. The duration (6.33 work days) is subtracted from the LF to get an LS of 8.68 work days.
- The LF for c is 9.17 work days. The duration (5.17 work days) is subtracted from the LF to get an LS of 4 work days.
- The LF for b is 9.17 work days. The duration (5.33 work days) is subtracted from the LF to get an LS of 3.84 work days.
- The LF for a is the minimum LS of its successor activities. Since c has an LS of 4 work days and d has an LS of 8.68 work days, the LF for a is 4 work days. The duration (4 work days) is subtracted from the LF to get an LS of 0 work days.
- The LF for start is the minimum LS of its successor activities. Since a has an LS of 0 work days and b has an LS of 3.84 work days, the LS is 0 work days.

The next step is to determine the critical path and if any activities have slack. The critical path is the path that takes the longest to complete. To determine the path times, add the task durations for all available paths. Activities that have slack can be delayed without changing the overall time of the project. Slack is computed in one of two ways, slack = LF - EF or slack = LS - ES. Activities that are on the critical path have a slack of zero (0).

- The duration of path adf is 14.83 work days.
- The duration of path aceg is 19.51 work days.
- The duration of path beg is 15.67 work days.

The critical path is aceg and the critical time is 19.51 work days. It is important to note that there can be more than one critical path (in a project more complex than this example) or that the critical path can change. For example, let's say that activities d and f take their pessimistic (b) times to complete instead of their expected (TE) times. The critical path is now adf and the critical time is 22 work days. On the other hand, if activity c can be crashed to one work day, the path time for aceg is reduced to 15.34 work days, which is slightly less than the time of the new critical path, beg (15.67 work days).

Assuming these scenarios do not happen, the slack for each activity can now be determined.

Start and finish are milestones and by definition have no duration, therefore they can have no slack (0 work days).

The activities on the critical path by definition have a slack of zero; however, it is always a good idea to check the math anyway when drawing by hand.

LFa - EFa = 4 - 4 = 0

LFc - EFc = 9.17 - 9.17 = 0

LFe - EFe = 14.34 - 14.34 = 0

LFg - EFg = 19.51 - 19.51 = 0

NOTES

Activity b has an LF of 9.17 and an EF of 5.33, so the slack is 3.84 work days.

Activity d has an LF of 15.01 and an EF of 10.33, so the slack is 4.68 work days.

Activity f has an LF of 19.51 and an EF of 14.83, so the slack is 4.68 work days.

Therefore, activity b can be delayed almost 4 work days without delaying the project. Likewise, activity d or activity f can be delayed 4.68 work days without delaying the project (alternatively, d and f can be delayed 2.34 work days each).

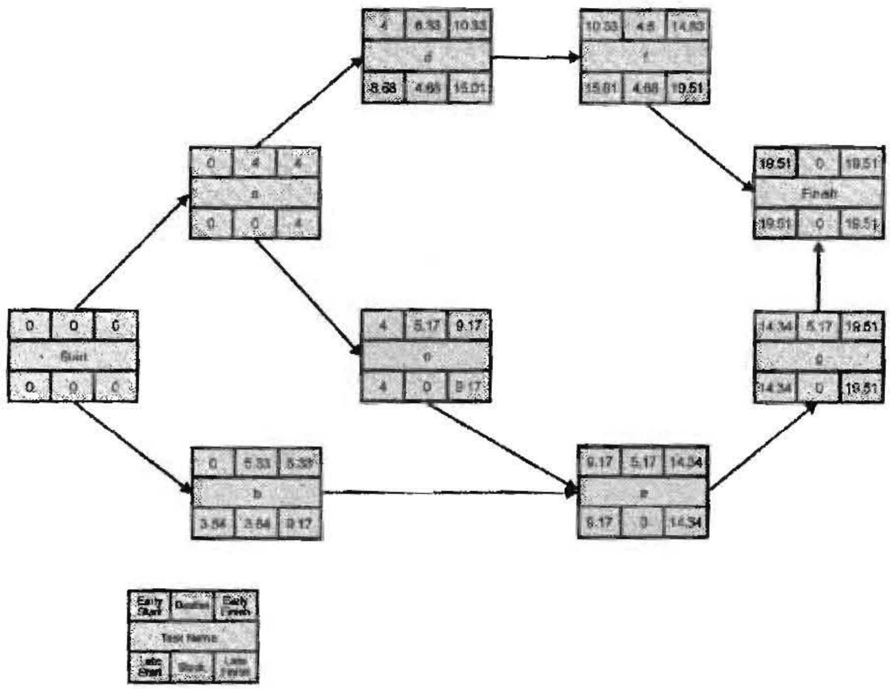

Figure 15.9

A completed network diagram created using Microsoft Visio. Note the critical path is in red.

CRITICAL PATH METHOD

PERT chart for a project with five milestones (10 through 50) and six activities (A through F). The project has two critical paths: activities B and C, or A, D, and F - giving a minimum project time of 7 months with fast tracking. Activity E is sub-critical, and has a float of 2 months.

The Critical Path Method, abbreviated CPM, or critical path analysis, is a mathematically based algorithm for scheduling a set of project activities. It is an important tool for effective project management. It was developed in the 1950s by the US Navy when trying to better organise the building of submarines and later, especially, when building nuclear submarines. Today, it is commonly used with all forms of projects, including construction, software development, research projects, product development, engineering, and plant maintenance, among others. Any project with interdependent activitie

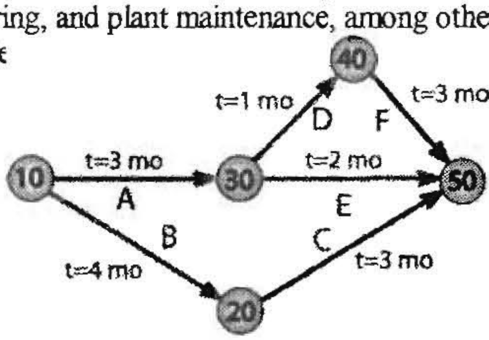

Figure 15.10

NOTES

The essential technique for using CPM is to construct a model of the project that includes the following:

A list of all activities required to complete the project (also known as Work breakdown structure),

The time (duration) that each activity will take to completion, and The dependencies between the activities.

Using these values, CPM calculates the longest path of planned activities to the end of the project, and the earliest and latest that each activity can start and finish without making the project longer. This process determines which activities are "critical" (i.e., on the longest path) and which have "total float" (i.e., can be delayed without making the project longer). In project management, a critical path is the sequence of project network activities which add up to the longest overall duration. This determines the shortest time possible to complete the project. Any delay of an activity on the critical path directly impacts the planned project completion date (i.e. there is no float on the critical path). A project can have several, parallel, near critical paths. An additional parallel path through the network with the total durations shorter than the critical path is called a sub-critical or non-critical path.

These results allow managers to prioritize activities for the effective management of project completion, and to shorten the planned critical path of a project by pruning critical path activities, by "fast tracking" (i.e., performing more activities in parallel), and/or by "crashing the critical path" (i.e., shortening the durations of critical path activities by adding resources).

Originally, the critical path method considered only logical dependencies between terminal elements. Since then, it has been expanded to allow for the inclusion of resources related to each activity, through processes called "activity-based resource assignments" and "resource leveling". A resource-leveled schedule may include delays due to resource bottlenecks (i.e., unavailability of a resource at the required time), and may cause a previously shorter path to become the longest or "resource critical" path. A related concept is called the critical chain, which attempts to protect activity and project durations from unforeseen delays due to resource constraints.

Since project schedules change on a regular basis, CPM allows continuous monitoring of the schedule, allows the project manager to track the critical activities, and alerts the project manager to the possibility that non-critical activities may be delayed beyond their total float, thus creating a new critical path and delaying project completion. In addition, the method can easily incorporate the concepts of stochastic predictions, using the Program Evaluation and Review Technique (PERT) and event chain methodology.

Currently, there are several software solutions available in industry that use the CPM method of scheduling, see list of project management software. However, the method was developed and used without the aid of computers.

A schedule generated using critical path techniques often is not realized precisely, as estimations are used to calculate times: if one mistake is made, the results of the analysis may change. This could cause an upset in the implementation of a project if the estimates are blindly believed, and if changes are not addressed promptly. However, the structure of critical path analysis is such that the variance from the original schedule caused by any change can be measured, and its impact either ameliorated or adjusted for. Indeed, an important element of project postmortem analysis is the As Built Critical Path (ABCP), which analyzes the specific causes and impacts of changes between the planned schedule and eventual schedule as actually implemented.

Check Your Progress

4. What do you understand by parallel activities of task?
5. Define PERT.
6. What is CPM Critical path method?

CONCLUSION :

Project Management brings together a set of tools and techniques-performed by people to describe, organize and monitor the work of project activities. Project managers are the people responsible for managing the project processes and applying the tools and techniques used to carryout the project activities. All projects are composed of processes, even if they employ a haphazard approach.

Project management involves applying knowledge, skills, and techniques during the course of the project to accomplish the project requirements. It ensure that project management techniques are applied and followed. Project managementis a process that includes planning, putting the project plan into action and measuring progress and performance. It involves identifying the project requirements, establishing project objectives, balancing constraints, and taking the needs and expectations of the key stakeholders into consideration.

CHAPTER AT A GLANCE

- Project management is the disciplince of planning, organizing, and managing resources to bring about the successful completion of project goals.
- Henry Gantt is gather of planning and control techniques.
- 1950's – Gantt chart, PERT, CPM

  1956 – AACE

  1969 – PMI

  1981 – PMBOK

  2006 – First Integrated process of portfolio.
- A project manager is a client representative and has to determine and implement the exact needs of the client, based on knowledge of the firm they are representing.
- Project management triangle- Scope, Time and Cost. Or Scope, schedule and cost.
- SMART – Specific, Measurable, Achievable, Relevant and Time bounded.
- Project management artifacts- project charter, statement of work, Business case, swape statement, project initiation document, WBS, change control plan, Risk management plan, Risk break down structure, Communication plan, Governance model, Risk register, issue log, Action item list, Resource management plan, project schedule, project status report, Responsibility assignment matrix, Database of lessons learned etc.
- Project control variable – Risk.
- Traditional approach – Initiation, planning & Design execution, monitoring & controlling and closing.
- Rational unified Process – RUP is an iterative software development process framework created by RSC, a division of IBM. Its different domains are-Inception, Elobaration, Construction, Transition, Planned isolation, tritical chain etc.
- Event Chain methodology is an uncertainly modeling and schedule network analysis technique. Its principles are- Probabilistic moment of risk, Event chains, critical events, project tracking Event chain visualization.
- Project control is that element of a project which keep project on-track, ontime and with in budget.
- Project Development Process's stages- Initiation, development, Execution, managing and controlling and closing.
- Gantt chart is a common technique for representing various activities & phases of a project on schedule. To use the tool :

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- List all activities in the plan
- Head up graph paper with the days or weeks through to task completion
- Plot the tasks onto the graph paper.

- PERT (Program Evaluation and Review Technique) is a method to analyze the involved tasks in completing a given project, especially the time needed to complete each task and identifying the minimum time needed to complete the total project.
- PERT chart will number its events sequentially in 10s.
  O = Optimistic Time, P = Pessimistic Time, M = Most Likely Time, TE = Expected Time TE = (O+4M+P) ÷ 6.
- Implementing pert- schedule the project determine the task and order in which they must be completed, make a network diagram, Write activity name, normal duration E-S, EF, LS, LF.
- CPM (Critical Path Method) is a mathematically based algorithm for scheduling a set of project activities.

ANSWER TO CHECK YOUR PROGRESS:

1. Project Management is the discipline of planning, organizing, and managing resources to bring about the successful completion of specific project goals and objectives.
2. These, constraints are scope, time and cost, where each side represent constraints.
3. A Gantt chart is a type of bar chart that illustrates a project schedule. Gantt charts illustrate the start and finish dates of the terminal elements and summary elements of a project. Terminal elements and summary elements comprise the work breakdown structure of the project.
4. The activities which are not dependent on completion of any other tasks. These may be done at any time before or after a particular stage is reached. These are nondependent or 'parallel' tasks.
5. PERT (Program Evaluation and Review Technique) is a method to analyze the involved tasks in completing a given project, especially the time needed to complete each task and identifying the minimum time needed to complete the total project.
6. CPM (Critical Path Method) is a mathematically based algorithm for scheduling a set of project activities.

EXERCISE

1. Define project management ? Explain triple constraint approach ?
2. Explain following :
   (a) Project Manager Articrafts
   (b) Traditional approach of project activities
   (c) Rational unified Process (RUP)
   (d) Event chain methodology.
3. Write an eassy on project development process & its stages ?
4. Define Gantt chart ? Explain its advantages & limitations ?
5. How an Gantt chart is implemented ? Explain in brief ?
6. Write short note on :
   (a) PERT (Project/Program Evaluation Review Technique)
   (b) CPM (Critical Path Method)

NOTES

16 Human Resource Management (HRM)

The Chapter Covers :

Whenever you see a balance sheet of a company, you see the assets and liabilities which are usually the material elements. Can you name the company that puts human resources as assets in balance sheet and started the tradition of considering their employees as appreciating assets? You will be surprised, but it is true.

It is Infosys!!!!!

You all know that it is a very successful company, and the success has come with just not planning and utilization of material resources, but with *Human resources*, as they are the most valuable assets for any organization.

WHAT IS HRM?

Let us understand it by dividing the term into its subparts.

- Human – People, us
- Resource – assets/costs for organizations

- Management – co-ordination and control to achieve set goals But humans, unlike other resources in the context of work and management, cause problems.

NOTES

But why do we need to be managed? Since we all know we naturally are matured and educated people. NO! it is not always so. Because we disobey, misunderstand, answer back, challenge, have our own ideas about how things might be done and have varying degrees of interest and motivation. Remember we talked about individual and group difference in behaviour in the last semester .This presents a challenge to management in terms of securing effective control.

The solution to this problem could be many. For one, we could as well eliminate human element from the workplace. What do you think?? Automated work organisations!! Automation and use of technologies may replace or reduce significance of people in some circumstances. But it may actually also require highly skilled and trained people to design, maintain and operate the technology. And just how far can people be replaced by machines anyway?

Machines could be used to tightly specify and control how people work - the classic assembly line model. This may facilitate efficiency and control but can also lead to alienation, resistance and conflict

Another alternative is to seek to maximise commitment of people by organising work and creating attitudes and behaviour which generate best outcomes. Thus, *HRM is basically a search for "best practices" to generate high levels of employee commitment and performance.* But organisational practices may cause difficulties – down/right sizing or less secure employment seems to sit uneasily against this rhetoric of HRM.

Story has identified two broadly contrasting pictures of HRM

- Emphasis on people as costs and resources to be worked to secure maximum efficiency. It is called the **"Rational or economic view of employment"** where the basic approach is *Control and compliance*
- Emphasis on people as resources to be invested in to generate high commitment and involvement. This is the **" Social or psychological view of employment"** and it emphasises on **commitment** of the people working together as an organisation both - *Hard and Soft.*

This is a very broad generalisation and practice is more mixed but it helps distinguish tendencies A Textbook Definition **Bratton and Gold** define HRM as:

"... ***a strategic approach to managing employment relations which emphasizes that leveraging people's capabilities is critical to achieving sustained competitive advantage, this being achieved through a distinctive set of integrated employment policies, programmes and practices".*** (p7)

From this definition, we can easily deduce certain key words which can give us an idea of what the features of HRM are. They are:

- ***Strategic*** i.e. planned, deliberate, seeking to achieve set objectives
- ***Capabilities*** i.e. people or resources with potential (knowledge, skills, attitudes) which can be developed to contribute to organisational success.
- ***Competitive advantage*** – by tapping into and developing these capabilities organisations give themselves an edge over their rivals
- ***Integrated*** – that the range of things under HRM (recruitment, selection of employees, their training and development, how they are rewarded) is looked at together not as separate things.

For example, if you recruit and select people you should have a clear idea of how you see them developing and contributing to the performance of the organization. Isn't it? This *Employment Relationship* has several dimensions to it:

1. ***Economic*** – pay in exchange for effort
   - We sell ourselves to survive and prosper
   - We enter the "labour market" to be bought
   - We try to improve our price in various ways. But there is a supply and demand aspect
   - We bring potential effort which needs control
2. ***Legal*** – employment laws, rights and responsibilities on both sides – contractual relationship although formality of the contract can vary Freely entered into But is it that free and equal? Employment rights may help redress the balance between individual and organisations (as does collective association or unions)
3. ***Social*** – Work is social because it involves various degrees of integration with others:
   - Some of this is formally required
   - Some is just "natural"
   - Influence of social on individual
   - In work, social relations are structured
4. ***Psychological*** – mutual expectations and obligations - beyond the formal contract What do you expect your employer to provide beyond the wage – effort bargain? What is reasonable in terms of this bargain?

To understand what human resource management more clearly, we should first review what managers do. Dessler has defined the concept by relating the HRM field with five basic functions all managers perform: planning, organizing, staffing, leading, and controlling. In total, these functions represent the management process. Some of the specific activities involved in each function include:

- ***Planning**:* Establishing goals and standards; developing rules and procedures; de- veloping plans and forecasting-predicting or projecting some future occurrence.
- ***Organizing:*** Giving each subordinate a specific task; establishing departments; delegating authority to subordinates; establishing channels of authority and communication; coordinating the work of subordinates.
- ***Staffing:*** Deciding what type of people should be hired; recruiting prospective employees; selecting employees; setting performance standards; compensating employees; evaluating performance; counseling employees; training and developing employees.
- ***Leading:*** Getting others to get the job done; maintaining morale; motivating subordinates.
- ***Controlling**:* Setting standards such as sales quotas, quality standards, or production levels; checking to see how actual performance compares with these standards; taking corrective action as needed.

Point to Ponder : Is co-ordination a separate function or is it a part of all the functions mentioned above?

Thus, **Human resource management** refers to the practices and policies you need to carry out the people or personnel aspects of your management job. Other thinkers like,

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David. A. Decenzo & Stephen P.Robbins have defined it as "A process consisting four functions- acquisition, development, motivation, and maintenance of human resources."

Institute of personnel management, London, UK: "Personnel Management is that part of management concerned with the people at work and with their relationship into an effective organisation; the men and women who make up an enterprise and having regard for the well-being of the individual and of working groups, to enable them to make their best contribution to its success."

Edward Flippo refers to it as, "Personnel management is the planning, organising, directing and controlling of the procurement, development, compensation, integration, maintenance and separation of human resources to the objectives are accomplished"

The meaning and prevalence of HRM are topics that continue to attract debate and disagreement. As a consequence, practitioners and textbook authors use a diverse and sometimes contradictory range of interpretations. We find that HRM has a variety of definitions but there is general agreement that it has a closer fit with business strategy than previous models, specifically personnel management.

Paradoxically, attempts to define HRM too precisely seemed to have resulted in confusion and contradiction rather than clarity. However, and perhaps only for the moment, HRM has the advantage of appearing to be contemporary and innovative. This is particularly the case in comparison with personnel management. Nevertheless, personnel departments have refused to go away. A casual examination of job advertisements in the press will reveal that applications are still to be sent to 'Personnel Managers', 'Personnel Departments', and even 'Staffing Officers'. At the same time, advertisements for 'human resource' jobs are common - particularly at a senior level - even if applications are to be sent to the Personnel Office!

SCHOOLS OF THOUGHT:

It is evident, therefore, that defining and accepting HRM comes down to a matter of opinion - or vested interest. Indeed, some interpretations have a strong constituency. It can be seen that each of these views has a natural audience able to identify their own interests with a particular interpretation. If you yourself read a few books and will find accounts stressing one of the following:

HRM is really personnel management

Human resource management is a modernized form of 'personnel', repackaged to enhance the status of personnel managers. It has a hard edge, entitling HR managers to the same respect as finance professionals. HRM is based on integrated and coherent recruitment, assessment and development programmes. It is sophisticated, requiring rigorous training under the auspices of a professional body or university.

•HRM is a strategic model

It employs the techniques of strategic management for the utilization of human resources. It focuses on senior managers' concern with achieving objectives and containing costs. HRM aims for a seamless link between business policy and recruitment, performance assessment, reward management, development and dismissal. HRM is a mechanism for control and the exercise of power by top management. It encourages employee attitudes and behaviour which are consistent with business goals. HRM is just one aspect of a senior manager's strategic repertoire. It requires a wide appreciation of the industry and the

organization and fits resource-based theories which are familiar from business strategy literature. This interpretation owes its inspiration largely to the Michigan model

HRM is people management

It covers all aspects of managing employees in its widest sense and emphasizes the role of line managers in overseeing their own staff. From this perspective, HRM is a new generic label for all the techniques and tactics available to manage people. It concentrates on translating organizational objectives into operational achievement by winning employee commitment and gaining high-quality performance. HRM is practical and pragmatic. This interpretation derives from the Harvard model. However, as can be seen from much published material, and even university courses, there is a considerable risk that this approach can result in a loss of focus. The subject can easily be reduced to an incoherent and inconsistent collection of techniques and practices. In fact, the value and popularity of HRM may derive from its openness to varied interpretations. It is possible to argue that the term is a useful, 'catch-all phrase, reflecting general intentions but devoid of specific meaning' (Guest, 1989b). This allows it to be applied in a variety of circumstances. Individual authors and practitioners interpret HRM according to their own background, interests and intended audiences. Indeed, Keenoy and Anthony (1992: 238) consider that we should not look too closely:

'...once we seek to explain HRM, to subject it to any analysis or criticism, it ceases to function as intended. Its purpose is to transform, to inspire, to motivate and, above all, to create a new 'reality' which is freely available to those who choose or are persuaded to believe. To explain it is to destroy it.'

HISTORY OF HUMAN RESOURCE MANAGEMENT:

We all are aware how the development of Human Resource Management took place, through our subjects in First Semester. The development of HRM has been slow but a steady process. Arguably, HRM has become the dominant approach to people management in most of the countries. However, it is important to stress that human resource management has not 'come out of nowhere'. HRM has absorbed ideas and techniques from a number of areas. In effect, it is a synthesis of themes and concepts drawn from over a century of management theory and social science research. There is a long history of attempts to achieve an understanding of human behaviour in the workplace.

Throughout the twentieth century, practitioners and academics have searched for theories and tools to explain and influence human behaviour at work. Managers in different industries encounter similar experiences: businesses expand or fail; they innovate or stagnate; they may be exciting or unhappy organizations in which to work; finance has to be obtained and workers have to be recruited; new equipment is purchased, eliminating old procedures and introducing new methods; staff must be re-organized, retrained or dismissed. Over and over again, managers must deal with events which are clearly similar but also different enough to require fresh thinking.

We can imagine that, one day, there will be a science of management in which these problems and their solutions are catalogued, classified, standardized and made predictable. Sociologists, psychologists and management theorists have attempted to build such a science, producing a constant stream of new and reworked ideas. They offer theoretical insights and practical assistance in areas of people management such as recruitment and selection, performance measurement, team composition and organizational design. Many of their concepts have been integrated into broader approaches which have contributed to management thinking in various periods and ultimately the development of HRM.

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Recollections

The great Industrial Revolution: As you all know brought in an era of Specialization in techniques. The rest is history. Jobs fragmentation, more stress on work specialization ear- marked the significance of this era. Development was fast. Scientific Management: Slowly , the rays of management started rising on the horizon of the economy. F.W.Taylor introduced the Scientific Management. More emphasis was laid on the increase in efficiency and right person for the right job. Training, task performance with economic rewards was given much importance.

Taylor believed in a combination of detailed task specifications and selection of the 'best man' for the job. It was the function of managers to think - workers were expected to do exactly as they were told. This, he felt, would result in the most efficient method of performing physical work. Additionally, he advocated premium payments as a means of rewarding the most effective (compliant) workers.

Taylor's ideas led on to:

- **Fordism** a philosophy of production based on the continuous assembly line techniques devised by Henry Ford. This methodology dominated worldwide manufacturing until the 1980s.
- **Time and motion** - stopwatch methods of measuring work, used to increase efficiency and minimize wasted time and effort.
- **Continuous improvement** - fundamental to Japanese production methods: using employee knowledge and ingenuity to continually refine product manufacture and development.

These practices require management control over the precise detail of work in order to maximise efficiency and gain competitive advantage. Inevitably, this is achieved at the expense of employees who sacrifice the freedom to control their own work.

'Scientific management', under any name, creates an inevitable tension between the rights and expectations of workers and management's need to gain ever greater quality and cost-effectiveness.

Thus, HRM is identified with attempts to deal constructively with this tension through assertive, but non-autocratic, people management. It is also linked to the use of performance-related pay and other ways of rewarding appropriate behaviour.

Labour : Trends started changing rapidly. Workers started coming together to ask for their rights. Now tell me what happened due to this? Trade unions slowly emerged. Workers started their Union activities for getting good benefits; good pay, perks and improved welfare conditions.

LABOUR MOVEMENTS WORLDWIDE:

Some of the developments are listed below.

The period up to 1900: The first trade union was formed in 1780 in USA. During latter half of nineteenth century, rapid industrialisation has taken place, all over the world. The first attempt to organise Indian labour was made by N.M.Lokhande in 1890 when he formed Bombay Mill Association. However later on, till 1918,no series attempts were made to consolidate labour movement. Although some more unions were found in India, most of these remained as "welfare Association" and not as union as we understand by that term these days.

a) **Benevolent paternalisation**: White workers remained unorganised, some philanthropist organisation and individuals took on themselves the responsibility of protecting the interest of labour.

For example, Robert Owen in (1913) – a British businessman, took paternalistic attitude. He said, " The principal social and economic environments influence the physical, mental and psychological development of workers." He had providing housing facilities, sanitation, and schools for children and adults. He also reduced the working hours from 11 to 10 hours. Above all he even abolished child labour. He called workers " vital machines". He advocated better treatment would fetch better profits.

b) **Economic Depression** (1893): Great Depression of 1893 prevented further welfare movements alleviating the sufferings of workers.

c) **Indian Industrial scene**: Even though modern industry began to grow in Indian from 1850's, till the end of First World War, there was no industrial dispute or unrest of importance. By end of war, on account of high price rise and economic depression industrial unrest took place.

Period 1900 to 1940: Important events occurred during this period are given below:

- Workers welfare league of India are formed in UK in 1911 to protect labor interest and unity between British and Indian workers.
- Russian Revolution of 1917 and emergence of communist socialistic movement and unionism.
- Growth of Indian national movement and participation of industrial workers in this movement.
- Formation of ILO in 1919.
- First World War and favorable condition it created to unions.

Period 1940-1970: World war period:

Outbreak of Second World War and resignation of congress Ministry in India (1940).

- Strikes and lockout and reign of terror unleashed by British Government on Workers and unions opposing to British war efforts.
- 1942, for the first time, Tripartite labor conference was covered. This resulted in setting up a permanent. TLC consists of
    1. Plenary conference
    2. Standing labor committee.

Post-war period: This was the period, which saw favorable disposal towards labor.

Following events took place

1) 1947- India became independent socialistic democratic government was setup which favors labor.
2) 1947- India National Trade Union Congress (INTUC) was formed owning allegiance to congress party.
3) All types of workers, professionals, technicians, journalists and even got officers and teachers have organized unions. No. Of registered TU increased to 22,484 by 1971 with a total membership of 5.5 million.
4) In 1970,Communist party in Indian split into two CPI & CPM. CPM formed another TU called center of Indian Trade Union (CITU).

Modern Period after 1970:

Trade Unionism and collective bargaining is an accepted phenomenon in India and world over. The problems and prospects of TU and labour force vary, between developed nations and developing nations.

Developing Nations like India:

- Problem of unemployment and under employment.
- Semi-skilled and manual labour in private and unorganised industries are enormously exploited.
- Poor training leading to very low productivity
- Multiple unionism, union rivalries and lack of union Leadership against frequent strikes and labour unrest, political interference and outside leadership are being resented by workers. Alienation between leaders and members often frustrate unionism.

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Human Factor – Slowly the importance of human aspect began to dawn in the minds of The people. The fact that apart from economic incentives, human beings need satisfaction ossocial and psychological needs was realized and stressed upon.

In Australia, New Zealand and - particularly - the UK, government-sponsored research by work psychologists during and after the first world war produced significant information on the relationship between boredom, fatigue and working conditions. They established that fatigue arose from psychological as well as physical causes. They demonstrated also that working longer hours did not necessarily increase productivity. Human factors psychologists established a tradition of performance measurement, job analysis and clarification of skill requirements. These underlie key HRM techniques such as competence assessment and selection methods.

Human relations – In the 1920s and 30s researchers demonstrated that work performance and motivation did not depend simply on pay and discipline. People worked for many other reasons. They wanted to be involved in determining their own work conditions. They responded to encouragement and the interest shown by management. The Hawthorne experiments paved way for this thought. Workers formed informal groups which established their own norms of behaviour, including acceptable levels of performance. Working groups exercised social pressure on their members to conform to these unconsciously determined rules. The human relations movement had considerable influence within US business schools such as Harvard which later developed a 'soft', humanistic interpretation of HRM.

Behavioural science – The human relations and human factors approaches were absorbed into a broad behavioural science movement in the 1950's and 1960's. This period produced some influential theories on the motivation of human performance. For example, Maslow's hierarchy of needs gave an individual focus to the reasons why people work, satisfying an ascending series of needs from survival, through security to eventual 'self-actualisation'.

In the same period, concepts of job design such as job enrichment and job enlargement were investigated. It was felt that people would give more to an organization if they gained satisfaction from their jobs. Jobs should be designed to be interesting and challenging to gain the commitment of workers - a central theme of HRM.

Management by Objectives – Based on work by Drucker in the 1950s, and further developed by McGregor, management by objectives (MBO) linked achievement to competence and job performance. MBO primarily focused on the individual, tying rewards and promotion opportunities to specific agreed objectives, measured by feedback from performance assessment. Individual managers were given the opportunity to clarify the purposes of their jobs and set their own targets. MBO developed into modern performance management schemes and performance-related pay.

Contingency – Many researchers found difficulty in applying academic theories to real organizations. The socio-technical school developed models of behaviour and performance which took into account the contingent variables, or 'it depends' circumstances, attached to particular work situations (Burns and Stalker, 1961; Woodward, 1980).

They argued that employees were part of a system which also included the equipment and other resources utilized by an organization. The system could not function optimally unless all its components - human and non-human - had been considered. The HRM concepts of coherence and integration derive, in part, from this line of thought.

Organizational development – Also drawn from the long tradition of organizational theory, organizational development (OD) took a pragmatic approach to change. Theory and practice were mixed in a tentative process called 'action research'. OD familiarized managers with the idea that changes in processes, attitudes and behaviour were possible and that organizations should be thought of as whole entities.

Strategic management – Directing people to achieve strategic objectives so that individual goals are tied to the business needs of the whole organization. Strategic management has become a dominant framework for organizational thinking since the second world war. It is based on concepts first used for large-scale military and space programmes in the USA. Frequently, it employs project and team-based methods for planning and implementation. Lately, internal (including human) resources and key competencies have been identified as crucial elements of long-term competitive success. Strategic management has become the major unifying theme of undergraduate and - especially - postgraduate business courses.

The concern with strategy distinguishes human resource management from personnel management!!

Leadership – Many writers have concluded that a visionary leader is essential, particularly in developing and inspiring teams. McGregor's *The Human Side of Enterprise* (1960) linked leadership and management style to motivation. McGregor expressed the contrast between authoritarian people management ('Theory X') and a modern form based on human relations ideas ('Theory Y'). His ideas parallel 'hard' and 'soft' HRM.

Effective managers do not need to give orders and discipline staff; they draw the best from their people through encouragement, support and personal charisma. Later authors (such as Peters and Waterman, 1982) feature the leader's vision and mission as a quasi- religious means of galvanising worker commitment and enthusiasm.

Corporate culture – Deal and Kennedy (1982) popularized the belief that organizational effectiveness depends on a strong, positive corporate culture. They combined ideas from leadership theory and strategic management thinkers with prevailing beliefs about Japanese business success. Managers were exhorted to examine their existing organizational climates critically and work to change them into dynamic and creative cultures. The excellence movement inspired by Peters and Waterman (*In Search of Excellence*, 1982, and others) has been particularly influential with practising managers, despite criticisms of the research on which it was based.

Thus, the development in the management field after the human relations movement led to the new term called ***the human resources approach***, which has gained momentum ever since.

What does this approach states? It states that human beings are very valuable assets to the organization. Uniqueness amongst individuals was recognized. *Peoples in-*

volvement, commitment, potential development, good organisational culture were considered as important factors in HRM!!!

HRM is very important to us for the following reasons:

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1. **Development and Growth of the organisation:** HRM paves way for development and growth in the organisation. But how? Can you come out with some answers? By improving the individual capabilities, acquiring necessary cooperation and developing teamwork HRM makes sure that the organization develops and grows well. Goals of thee organization are met by HRM by effective motivation and excellent utilization of employees.
2. **Creation of healthy culture in the Organization:** HRM creates and maintains excellent culture in the organization and it makes people develop and grow.
3. **Maintenance of Human Resources:** The development, care of Human Resources is done by the HRM. The concept of Human beings is a very crucial and vital factor of production, HRM is gaining more and more importance day by day. It also has important implication in societal development also. IT IS THE HEART AND SOUL OF MODERN MANAGEMENT.

CORE VALUES OF HRM:

The core values of HRM states that

1. Human beings are the crucial aspects of every organization. The greater is the commitment of the human resources the more successful is the organization.
2. An individual is a whole person. He brings all aspects of his personality, attitudes, traits and behavior to the work place.
3. All people represents the organization. The building, equipment and other resources productive only because they are being handled by the hyper energic force of humans.
4. People are different from each other. They vary in abilities, nature, personality, religion etc. people are also influenced by social economic and environmental factors.
5. Human resources have to be acquired, developed and motivated to give higher performances and also must be retained.
6. The success of an organization depends upon the satisfaction of organizational needs and employees needs. There are various levels of hierarchical levels in an organisation. The people who manage (i.e., the managers), and people who are at work (subordinates). The effective coordination and commitment between managers and subordinates is essential for organizational success. Apart from that healthy relation ships are to be maintained with consumers, shareholders, entrepreneurs, governments and suppliers.
7. Human relations enable people to work effectively in an organization with other people in organization.

THE PHILOSOPHY OF HRM :

HRM is climbing up the peak of humanitarianism with its distinct policies and programmes. HRM insists on mutuality.

Mutuality is the common feeling felt by one another as you are all aware the organization where the mutuality exists will flourish and grow.

The mutuality relates to

1. **Mutual goal :** The organization and individuals depend on each other. The organization needs individuals for fulfillment of their goals and individual needs organization to develop and grow. HRM states that these mutual goals if well integrated make the overall system work with effectiveness.
2. **Mutual respect :** This is very crucial aspect. Do you agree so? Yes there is one famous proverb which brings out the importance of respect by stating that "Give respect and take respect". HRM believes that individuals need to be respected. Respect among the members leads to a healthy culture and climate.
3. **Mutual rewards :** HRM believes in the mutual reward system both individuals and organizations need to be rewarded. Organizations reward is development and growth. Individual rewards are monitoring and non monitoring. This reward system paves way for effectiveness and efficiency.
4. **Mutual Responsibilities :** The individuals in the organization are responsible mutually. This sense of responsibility will lead to effective utilization of team work and leads to excellent growth.

Features of Human Resource Management

(1) It is the management of employee's skills, knowledge, abilities, talents, aptitudes, creative abilities etc.

(2) In this, employees are treated as social and psychological man and not an economic man.

(3) Employee are treated as a resource.

(4) It is a strategic management function.

(5) HRM practices with organisational goals.

(6) HRM firmly in a line management.

(7) A stress on the integration of personal policies with business planning.

SCOPE OF HUMAN RESOURCE MANAGEMENT

HRM is concerned with the 'people' dimension of the organizations. The scope of HRM is vast and covers all activities related to employees. The activities of HRM are as follows :

(i) **Human resource planning** – It involves analysis of the internal and external factors like skills needed/technical as well as professional) number of vacancies, trend in market etc.

(ii) **Recruitment and selection** – Recruitment is concerned with developing a pool of candidates in line with the human resources plan. Selection is the process of ultimate hiring of a candidate.

(iii) **Training & Development** – The competencies are to be developed to enable individuals to perform current as well as future jobs.

(iv) **Career Development** – It is a process of achieving an optimal match of individual need with organizational goal.

(v) **Job designing** – It ensures integration of individual jobs across the unit. This activity defines the tasks, authority and systems of a job.

(vi) **Labour relations** – It aims at creating an environment of industrial peace and harmony. This activity, assures healthy union-organization relationship.

(vii) **Benefits** – This element focuses on a fair, consistent and equitable compensation and benefits to the work force.

(viii) **HR Research** – This element ensures a reliable and proof HR information base. It not only evaluates personnel policies and programmes but also highlights the need and areas of change.

OBJECTIVES OF HUMAN RESOURCE MANAGEMENT :

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We will analyze them one by one

1. **Committed :** The first and foremost objective of human resource management is to have a highly committed, eligible, talented, and happy workers.
2. **Development of employees :** An employee does not come alone into the organization. What does he bring? He brings with himself abilities, attitude, behavior, personality etc. Individual has the objective of enhancing his personal growth. He seeks the organization for realization of his personal growth. Organization needs employees for fulfillment of organization objectives. There is an element of mutuality of interests here. Individual and organization need each other for fulfillment of their objectives. There is a need for encouragement of employees in an organization to develop and grow. If sufficient is given for growth it will leads to the efficient working, proper maintenance, motivation and retention of work force.

   If the personal growth of employees are hindered absenteeism, turnover will increase and performance and satisfaction will come down. Hence HRM aims and strives for the development of the employees.
3. **Growth and development of the organization :** HRM objective is to bring about the overall development and growth of the organization. The HRM department serves all the department of the organization. Behavior analysis of employee is focused at individual, group, and organizational levels. Integration of individuals and groups is done in an organization structure is maintained. Overall the objective of organizational development is kept at the forefront.
4. **Development of HR function and climate :** The objective of HRM is to develop an effective HR function for development and maintenance of human functions. HRM also has the objective of maintaining an excellent HR culture.

What do we understand by culture?

Culture is our philosophies, faith and beliefs. By organization culture we mean the philosophies, practices and the codes of practices which are prevalent in the organization. A culture with innovative ideas and opportunities for humans to develop and grow will pave way for all round development of humans and organization. The objective of HRM is to develop HR function is according to the organizational needs and see that good culture is established in the organization.

5. **Objectives for the welfare of the society :** Our society as you know very well consists of all our systems and their beliefs. Every organization faces the societal impact. HRM seeks to do maximum good to the society and also tries to minimize the effects of the so called social events

PRINCIPLES OF HRM

The effectiveness of HR are based on following principles :

(1) **Equal pay for equal work :** Each employees (Men or Women) should be paid on the basis of equal pay for equal work.

(2) **Rewards :** Rewards should be performance based and employees should be performed that they will not be given rewards.

(3) **Strength Intelligence :** The HR manager should judge the strength and intelligence of the employees properly. This is necessary to avoid resentment and frustrations.

(4) **Individual interests :** People should be dealt with individuals. This call for a clear understanding of what the employees feel about their work assignment, policies and all those decisions which affect their interests.

(5) **Fair policies :** The policies and practices should be fair and just. It is necessary to give uniform (equal) opportunities to all the employees.

FUNCTIONS OF HRM:

1. **Promotion of organisational needs :** This is a very crucial function of HRM. The organization needs people human assets. People appreciate day by day with experience and are extremely valuable assets in an organization.HRM functions in this regard refer to planning of human resources, recruitment, placement, motivation, training, assessments, appraisals etc., so that there is an effective contribution from them to the organization.
2. **Development of employees :** What does an employee brings with himself? He does not come alone. He does bring his abilities, attitudes, personality, and behaviour with himself. An individual aims for development and personal growth in the work sphere. Now what does an organization must do to develop and encourage personal growth? Let us discuss in detail. Firstly, the organization through its HR Department identifies the mechanisms for Growth. This mechanism is known as assessment centre and is very popular procedure. Evaluation of employees is done for manpower purposes and decisions are made .A Variety of techniques is used. The behaviour observation leads to assessment and identification of strengths and weaknesses.
3. **Relationship maintenance function :** HRM functions include maintenance of effective interpersonal relations. In this context the functions of legal compliance, maintenance and Industrial relations are done by HRM.
4. **Empowerment :** What do you understand by the term Empowerment? It is the provision of greater freedom and discretion to employees. When employees are given freedom they work effectively as a team and strive for the development and growth of the organization. The function of empowerment leads to the prosperity of the organization.
5. HRMs crucial function also includes Good and effective **communication of policies**. Communication when streamlined effectively leads to excellent network building and growth.
6. **Equality :** Employees need to be treated with fairness and equality. HRM function of equal policies and justice make sure that the employees are protected fully. Equality leads to well trained and well-motivated employees.
7. **Functions relating to job :** What is a job? It is quite simple to define. It is the duty which one is expected to do. An employee works well when the job matches with his expectations, abilities and talents. *Job Satisfaction is vital for all!!!*
8. **Creating Job enlargement,** Job enrichment and Job rotation, jobs are made interesting.

Job enlargement of HRM leads to increase in the jobs at the same level. ***Job rotation***, as you all know, is giving people different jobs and training them. In this way people become multi skilled. This is most common in banks. ***Job enrichment*** leads to enriching the job with more responsibilities. Human needs are many. But the most essential need is the need of self-actualization. This need motivates him to

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work higher and achieve high goals inlife. Job enrichment is done to create involvement, interest and also satisfy the self-actualization motive of the employee. Job enrichment can be done by enriching the job in relation to variety of skills, Significance of tasks, Development of autonomy and access to Interpersonal relation. With the changes in the economies and work force the functions of HRM are ever increasing. HRM is coping up with economic reforms, diversified work culture, competition and societal changes. Its role is becoming important day by day.

IMPORTANCE OF HRM FUNCTIONS:

Why are these concepts and techniques important to all managers? This point will very clear to you if you see this example. As managers none of us would like to make the following: mistake.

- To hire the wrong person for the job
- To experience high turnover
- To find our people not doing their best
- To waste time with countless and useless interviews
- To have our company sued for our discriminatory actions.
- To be quoted under bad example of unsafe practices
- To have some of your employees think their salaries are unfair and inequitable
- relative to others in the organization
- To allow a lack of training to undermine your department's effectiveness
- To commit any unfair labor practices

With the help of our knowledge of HRM practices and philosophy we can avoid making these mistakes. More important, it can help ensure that you get results-through others. Remember!! you could do everything else right as a manager-lay brilliant plans, draw clear organization charts, set up modern assembly lines, and use sophisticated accounting controls- but still fail as a manager (by hiring the wrong people or by not motivating subordinates).

On the other hand, many managers-whether presidents, generals, governors, or supervisors have been successful even with inadequate plans, organization, or controls. They were successful because they had the knack for hiring the right people for the right jobs and motivating, appraising, and developing them. Remember managers versus leaders! Thus, the functions of HRM hold an importance for all members of an organisation.

CHALLENGES TO HRM

The challenges are:

- Going global
- Embracing new technology
- Developing human capital
- Responding to the market
- Containing costs
- Increasing productivity
- Managing change
- Responding to the market

***Challenge 1 :* Going global**

In order to grow and prosper, companies are venturing into new markets and global. Thus, from tapping the global labor force to formulating selection, training, and compensation policies for expatriate employees, managing globalization has been a major HR challenge and will be in the next few years. Take instance of German companies setting up BPO in India.

Challenge 2: **Embracing new technology**

Technology is forcing firms to become more competitive. At every instance there are innovation taking place. The rate of change is rapid, turbulent so to say!! We have come a long way from applications of Lasers to optic fibres. You yourself can look back and review what you did when you wanted to know about a institution to what you can do now if you want to decide on a college. Recent innovations in the form of *total quality management, reengineering work processes, flexible-manufacturing systems* have only one thing in common - serving the customer well through improved operational efficiency. For instance, TQM advocates emphasise the importance of achieving greater quality and flexibility at lower cost and waste. You need not sacrifice something in order to give another thing. All things are possible, provided you work with a clear' focus, i.e., improving things. Employee involvement programmes, therefore, have become part and parcel of TQM.

Competitive benchmarking is the first requirement to effective TQM. Benchmarking is a continuous process. It is not a one-shot deal because industry practices change constantly. This has a serious implication on the HRM practices. Companies such as Modi Xerox, HDFC, IFS, Infosys, SRF, TELCO, Thermax, and Bombay Dyeing have successfully applied competitive benchmarking to meet the rising expectations of customers in their respective areas.

Information technology has made managers depend less and less on the chain-of-command approach to organizing. For example, with HRIS, every employee with a personal computer on his or her desk can tap into the firm's computer network and get needed information. HR plays an integral role in any such changes. For example, empowering workers to make more decisions presumes that they are selected, trained, and rewarded to do so. Performance appraisal and reward systems have to be more team oriented than only individual oriented.

Challenge 3: **Developing human capital**

Organisations compete through their workforce. This is true in the present scenario where it all depend s upon how one markets itself. Thus it is the responsibility of the HRM to develop this resource well and keep it happy and ticking.

Challenge 4: **Responding to the market**

Psychographics knowledge is a must to survive in today's competitive world. The standards set by the external agencies like the government, the competitors separate the winners from the losers. "Better, faster, cheaper….." A company providing such a service will be the winner. Thus one needs to be innovative. All this has an implication for HR. For example, re-engineering requires the administrative systems to be reviewed and modified. Selection, job description, training , career planning , performance appraisal, compensation and labor relations are all required to be changed according to emerging scenario. These will be tackled separately and individually in the coming units.

Challenge 5 : **Containing costs**

Investment in a new technology, intellectual capital and efforts for globalization has increased pressures on companies to lower cost as well as improve productivity. As you will all understand among the above investments, labor cost is the largest expenditure of any organization, especially in service and knowledge intensive companies. So organizations have started using approaches such as down-sizing, outsourcing and employee leasing (read article from Brand Equity, month November) and productivity enhancement. All these has direct impact on HR Policies and practices.

Challenge 6 : Work force Diversity

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As the firms are going global, all managers and HR managers specially need to be concerned about the changes and the diversity in the makeup and the expectations of their employees. It has to be aware of their concerns and make sure that the exchange between the organization and its employee is mutually beneficial. The following highlight shows the summary of social concerns in HRM. Basically the diversity stems from demographic changes such as age differentiation, equal opportunity to both genders, rising levels of education.

Thus HRM needs to manage this diversity by being aware of common characteristics as well as each individual's identity. It means not just tolerating or accommodating all sorts of differences but supporting, nurturing and utilizing these differences to give the organization a competitive edge.

Apart from demographic changes, the cultural boundaries create hassles for a HR manger, because it is the culture which defines the attitudes, beliefs, values and customs of people in a society. Even in an organization, the culture effects how one reacts to a change(for instance leadership styles, and reward system). Thus HR policies and procedures have to take care of the above diversities.

Challenge 7 : Managing Change

To manage change, thus all managers need to have a vision—strategic, have open communications with all the employees, set clear expectations for performance and develop capability. Thus all managers are facilitators in terms of managing change. So we find that the role of HR management is ever increasing. It has taken up the important role of

- Boosting productivity
- More responsive and innovative
- More integrated

As we will deal in the coming lesson number 6 how human resource management is related to corporate strategy. In today's world it is a must to be integrated in the system to survive. The gist is that HRM will have to be more strategic in nature that is visioning, planning and organizing a way ahead of times. It has to be more proactive. **HR management supports strategic implementation in numerous ways.**

1) 10 'C' Checklist

A systematic framework designed for *Human Resource Management in a Business Context* based on the **ten 'C' model**. This framework incorporates ten dimensions, each conveniently beginning with 'C' - in the best management-guru style. In fact terms beginning with 'C' have a considerable track record in HRM (...) The Harvard model has its central four Cs - commitment, congruence, competence, cost-effectiveness - three of which are incorporated in our ten dimensions. (...)The **ten dimensions** have been chosen because they are all measurable in some way and the essence of HRM lies in the tension and HRM has evolved from a number of different strands of thought and is best described as a loose philosophy of people management rather than a focused methodology. It is a topic, which continues to attract debate and disagreement. As a consequence, practitioners and textbooks use a diverse and sometimes contradictory range of interpretations. We found that HRM has a variety of definitions but there is general agreement that it has a closer fit with business strategy than previous models, specifically personnel management. The early models of HRM take either a 'soft' or a 'hard' approach, but economic circumstances are more likely to drive the choice than any question of humanitarianism. We concluded with ten key principles that determine the coherence and effectiveness of the HRM approach to people management.

2) High-Performance Management Systems

Adapted from Human Resource Management in a Business Context, 2nd edition (2004) In all the debates about the meaning, significance and practice of HRM, nothing *seems* so certain than the link between HRM and performance. But is it?

Karen Legge (2001), one of the most respected and astute commentators on human resource management says:

"And what, might it be asked, are the present day concerns of HRM researchers, who (...) are of a modernist, positivist persuasion? In a word, their project is the search for the Holy Grail of establishing a causal relationship between HRM and performance. And in this search some success is claimed, in particular that the more the so-called 'high commitment/performance' HRM practices are adopted, the better the performance' (Legge, K. "Silver Bullet or Spent Round? Assessing the Meaning of the 'High Commitment Management/Performance Relationship" in Storey, J. (ed.) (2001),*Human Resource Management: A Critical Text*, Thomson Learning). She argues that in order to examine the relationship between performance andHRM we need to address three fundamental questions:

1. How are we to conceptualize HRM?
2. How are we to conceptualize performance?
3. How are we to conceptualize the relationship between the two?

Here we will look at HRM operationalised (according to Legge's approach) in terms of high commitment or high performance work practices. In practice, unpicking the meaning of 'high performance management' from wider notions of management can be difficult. For example, the US Department of Labor (1998) defines high performance as:

"A comprehensive customer-driven system that aligns all of the activities in an organization with the common focus of customer satisfaction through continuous improvement in the quality of goods and services."

You will probably have recognized that the roots of this definition lie in Total Quality Management. In the past, the practice of TQM has often been procedural and bureaucratic but the high-performance approach has brought in elements of human relations or 'soft' HRM such as commitment and empowerment. David Nadler publicized the term within his 'Organizational Architecture' approach that focused on 'autonomous work teams' and 'high performance work systems'. Edward E. Lawler III used the term 'high performance involvement' as an alternative to empowerment, advocating the use of small teams of highly committed employees.

The Institute of Work Psychology (2001) at the University of Sheffield states that High Performance Work Systems usually involve three main sets of management practices designed to enhance employee involvement, commitment and competencies. They describe these as:

1. Changing the design and conduct of jobs through flexible working (especially functional flexibility - broadening the pool of 'who does what' through training), teamwork, quality circles, and suggestion schemes.
2. Ensuring that employees are given the knowledge and competences to handle high performance work through teamwork training, team briefings, inter-personal skills, appraisal, and information sharing.

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3. Resourcing and development practices designed to attract and keep the right people with the right motivation. These include some guarantee of job security, an emphasis on internal selection, sophisticated selection techniques, and employee attitude surveys with feedback to the workers involved.

Here there are further indications of an integration of 1970s and 1980s management techniques together with a certain amount of repackaging for the 21st Century.

3) Web-Based Human Resources

Today's Human Resources function is being transformed by the Web. Web- Based Human Resources shows HR professionals how to use online technologies to offer more services to more employees at a lower cost. It offers concrete tips on which approaches are most effective in small, medium, and large organizations; provides a framework for transforming HR from a support function to one centered on organization-wide productivity and learning; and explains all the key web technologies and trends that are changing the HR function for the better!

Web-based HR Systems Walker (Walker, A.J. 'Best Practices in HR Technology' in *Web-Based Human Resources*, McGraw Hill, 2001) states that if HR technology is to be considered successful, it must achieve the following objectives:

- **Strategic Alignment** Must help users in a way that supports the users.
- **Business intelligence** Must provide the user with relevant information and data, answer questions, and inspire new insights and learning.
- **Efficiency and effectiveness** Must change the work performed by the Human Resources personnel by dramatically improving their level of service, allowing more time for work of higher value, and reducing their costs. But, despite extensive implementation of Enterprise Resource Planning (ERP) projects, Human Resource Information Systems (HRIS), and HR service centres costing millions of dollars, Walker concludes that few organizations have been entirely happy with the results. Why is this? Cutting HR staff, outsourcing and imposing technology on what was left, has implemented many systems. Arguably this approach should, at least, have cut costs. But Walker argues that survey results demonstrate that overall HR departments have actually **increased** their staffing levels over the past decade to do the same work. Moreover he considers that:

"Most of the work that the HR staff does on a day-to-day basis, such as staffing, employee relations, compensation, training, employee development, and benefits, unfortunately, remains relatively untouched and unimproved from a delivery standpoint."

The HR Function

Walker advocates the business process re-engineering the HR function first, then E-engineering the HR work. He suggests the formation of re-engineering teams of providers, customers and users to examine the whole range of HR activities – including those, which are not being done at present. The end product is a set of processes organized into broad groupings such as resourcing, compensation or training and development. These processes should then be examined by the re-engineering team and redesigned to:

1. Be better aligned with organizational goals.
2. Streamlined so as to be cost-effective in comparison with the 'best in class'.
3. Have a better integration with other processes.

From this redesign comes the picture of a new HR function. What next? The organization could be restructured and the tasks handed out existing or new staff. But Walker argues that the most effective approach is to introduce new technology to deal with the redesigned processes.

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4) Learning Organizations

Walton (1999) states of the concept of the learning organisation: 'Perhaps more than anything else it has helped to put HRD on the strategic agenda.' But the concept is evolving and remains fairly abstract or, as a senior consultant engagingly described it: 'quite fluffy'. What follows is necessarily a considerably simplified consideration of the concept.

The seminal ideas of the concept come from two main sources: Pedler et al's (1991) ideas on the 'learning company' and Senge's (1990) 'five disciplines'. According to Senge (1990) learning organisations are organisations in which:

(a) The capacity of people to create results they truly desire is continually expanding;

(b) new and open-minded ways of thinking are fostered;

(c) people are given freedom to develop their collective aspirations;

(d) individuals continually learn how to learn together.

This set of goals may seem somewhat ambitious but Senge contends that they can be achieved through the gradual convergence of five 'component technologies', the essential disciplines that are:

- **Systems thinking**. People in an organisation are part of a system. Systems' thinking is a discipline which integrates the other disciplines in a business. It allows the 'whole' (organisation) to be greater than the 'parts (people, departments, teams, equipment and so on).
- **Personal mastery**. This discipline allows people to clarify and focus their personal visions, focus energy, develop patience and see the world as it really is. Employees who possess a high level of personal mastery can consistently generate results which are important to them through their commitment to lifelong learning.
- **Mental models**. These are internalised frameworks, which support our views of the world, beliefs in why and how events happen, and our understanding of how things, people and events are related. Senge advocates bringing these to the surface, discussing them with others in a 'learningful' way and unlearning ways of thinking which are not productive.
- **Building shared vision**. Developing 'shared pictures of the future' together so that people are genuinely committed and engaged rather than compliant.
- **Team learning**. Senge sees teams as a vital element of a learning organisation. Hence there is a great significance in the ability of teams to learn.

Check Your Progress

1. What is HRM?
2. Why HRM is important for us.
3. Write some function of HRM.
4. What are challenges of HRM?

5) Participative management: an excerpt

A snapshot today shows us a profession on the cusp, fully feeling the tensions of the fault line as it tries to sort its way into the future. I'd like to focus on 5 of the main tensions that make up the field

SEGREGATION VS. INTEGRATION OF PEOPLE PRACTICES.

There are at least 17 major areas of human resource in business today:

- Organization structuring and design
- Orientation
- Goal Setting: Individual
- Performance Feedback
- Individual Learning support
- Selection/succession
- Communication
- Goal Setting: Team
- Career management support
- Organization development

- Job/work design
- Pay/rewards systems
- Individual assessment
- Performance support
- Benefits
- HR information systems
- Organization assessment

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In the past, practices in these areas reflected different philosophies. They were planned in isolation. They used different language about work (tasks, results, outputs, outcomes, duties, key results areas, etc.) and about people (knowledge, skills, values, attitudes, commitments, competencies, capabilities, abilities). The models they used for similar jobs were often different – such that the selection, development, succession, and performance specs for the same job might be different. The segmentation became so pronounced that even means to ends (e.g., competency studies) became ends in themselves ("I want a competency model for this job," not "I want to improve the fit of people to this job.")

Operational and Administrative vs. Strategic and Facilitative Role of HR Professional.

David Ulrich has long pointed out that the HR profession must spend more time in strategic and cultural work, and less in administrative and operational. He points out that most HR people in the past managed records and administered services like pay and training programs. He notes that HR professionals also did a lot of the day to day management work, handling performance problems and discipline, doing various kinds of counselling, intervening on union-related issues, policing policy.

But, we are now in a knowledge era characterized by accelerated change, where people issues have become central to organization success. Shifts in business strategy, acquisitions and divestitures, new alliances, globalization, new technologies – these all require strategic thinking about human resources. Also, something has to happen to help change organization cultures – and change them dramatically!! Human Resource professionals are the logical choice for these roles. But they have to shift emphasis. This implies that HR professionals spend their time as strategists, HR system designers, culture change facilitators, coaches, consultants to management on performance, researchers. Fortunately, technology and sources outside the business are able to take over the record keeping and more procedural functions of HR. And, it is appropriate now to turn over the day-to-day people management to managers, and to the people themselves. But, the competencies and mindsets of human resources professionals don't always fit the new work profile. In fact, the administrative skills of the past actually have a negative relationship with the emerging requirements.

Utilitarian vs. Generative View of Human Resources.

The term "human resources" carries one bias of this apparent dichotomy. In the mechanistic, more authoritarian worldview, people are resources in the sense of being optimized and even exploited. Today, the more utilitarian view, often based on behaviorism vies with a more generative view based on humanistic philosophies and psychologies. Debates rage between factions supporting "Performance Consulting" in the sense of "Performance Engineering" and factions supporting more learning-centered view. "Will we do job-specific training, or more broadly based education?" we ask. Should the learning specialist become a performance engineer and systems consultant or focus on unleashing the capacity of people so that they can do that work themselves? Is the human being in the workplace to be treated as an effect or a cause? And, is there a higher order of integration where we can act as through both are true?

The Challenge for HR People

The shifts change things for everyone. But what about the HR professional? Perhaps the distinctions within HR (i.e., between HR and HRD) are too fine. In a knowledge world, excellent people practices are driving forces for success.

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There are clear and emerging challenges for HR people. Here are some:

Reorient Personal Competencies and Work.

The emerging workplace scenario requires more strategic, systemic, business-savvy HR professionals. It demands competence in integrated people systems design, participative process, and change facilitation. And, we need to be able to function fully in the information/knowledge world – using its technologies. The HR professional also must have the emotional intelligence to be able to lead while standing on an explosive psychological fault line.

Redesign the People Practices.

All the HR practices of the business must be brought into congruence with the emerging realities of work and life, among them: transparency, interoperability, generativity, virtual relationships and offices, self- management, strategic alignment, customer focus, flexibility, rapid knowledge transfer, global relevance, simplicity and clear added- value

Prepare People for New Roles.

The New World of Work shifts the relationship paradigm from domination, adversarialism, and dependency to self-management and partnership. This requires new roles and orientations by everyone. HR professionals must help prepare people to thrive and contribute in the new world of work. They must teach everyone how to be successful with the new people systems.

Provide Useful Research for an Expanded Audience.

Now that everyone shares in the work of HR – as self- managers, as coaches, and as designers – everyone is a potential user of HR research. Research results can also help accelerate change at the cusp!! So, research results have to be accessible – even brought — to everyone. Beyond that, we need research showing cause-effect connections between people practices and important dependent variables like productivity, revenues, profitability, customer satisfaction and retention, and worker attraction and retention.

Some sample lines of inquiry include: link of open system practices to economic performance; updated information about the extent of self- managed learning, third-party (non-professional) assisted learning, and professionally structured learning; nature and effect of roles played by HR professionals in high performance and low performance organizations; the factors associated with successful and unsuccessful deliberate culture change programs; the people practice differences between high and average/low performing organizations; factors associated with speed of adoption of new human resource practices; critical success factors for HR professionals in a transitioning/transforming organization; the economic impact of authoritarian vs. participative styles of managing; the %-ages and key characteristics of those who successfully transition into the new world of work; ratios of managers to workers and the relationship with key measures of firm success.

Support, Even Drive, all Aspects of Culture Change.

Institutional leaders today face tremendous pressures to perform in the face of shifting rules and performance environment. This is true in all sectors. It is true in all nations. Unfortunately, the natural and expedient reaction is to cope and go for short-term returns. There may be lip service to more fundamental change – change

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that may take energy today, but will lead to a productive future that is more aligned with the new rules of the game. But, most leaders are too absorbed in today's issues to steer the large-scale changes that are needed to safely make it through the cusp.

The HR professional becomes the "de facto" steward of culture change – learning about its dynamics, finding out where to put the strategic dynamite, and even jumping up and down to create little movements along the fault line before the forces build to catastrophic levels and a destructive earthquake occurs.

To Jump or Not to Jump?

The world is changing dramatically. The workplace is changing radically. As people – the knowledge resources in a knowledge world — move into the fore, human resource professionals assume new roles and a new centrality. But, the tectonic plate of the emerging world has only begun to show itself. Most of it is underground, pushing against a great fault line – the cusp of change. Great forces are at work, and those of us who dare to reach for them and help unleash them into the future need a lot of courage. Why? Because it is not always clear when and where to jump up and down, or, if we choose to use dynamite– what its effects might be. It's clearer all the time, though, that the fault line is but an indicator that major and inexorable forces of change are at work. So our actions will only help accelerate and shape the inevitable. As Obi Wan Kanobe said in the first Star Wars episode, "May the force be with you." The force IS with HR for the future. AND, we are in a unique position to influence and use – if not control it.

EFFECT OF COMPETITION ON HUMAN RESOURCE MANAGEMENT

As a result of domestic and international competition, HRM is being give a key role. Our analysis shows following changes :

(a) With increase in cost of human resource and the need to bring product prices down to meet competition. Man power productivity plays a crucial role in this scenario.

(b) There is increasing emphasis on training to latest talents.

(c) More attention to career growth and career planning for employees.

(d) To meet ambitious career aspirations and salary expections, HR department are using industrywise benchmarking for salary revisions.

(e) Corporate restructuring and redefining of roles are also to be done.

(f) Contemporary practices & policies and employee compensation are becoming more focused, responsive and are also constantly reviwed against the external environment.

The human resource manager should develop competence in dealing with employees as well as other organisation stake holder customers, investors etc. In the current Indian Scenario, while public services are being privatised, private sector organisation are also in the process of re-examining their structures and job roles. Traditional hierarchies are making way for innovative structure to manage organisation.

CONCLUSION :

HRM is the planning, organizing, directing and controlling the operative functions of procurement, development, compensation and maintenance of human resource of an organization's goals or objectives. It is responsible for getting the best people, training them and providing mechanism to ensure that these employees maintain their productive affiliations with the organizations. According to Ieon. C. Megginson, the term human resource can be thought of as, 'the total knowledge, skills, creative abilities, talents and aptitudes of an organization's workforce, as well as the value, attitudes and beliefs of the individual involved. The term human resource can also explained as natural resource. It means that management can get and use the skill, knowledge, ability etc. through the development of skills, tapping and utilising them again and again.

CHAPTER AT A GLANCE

- HRM is basically a search for "best practices" to generate high levels of employee commitment and performance.
- Two contrasting view of HRM- Rational or economic view of employment (control and compliance), social or psychological view of employment (Hard and Soft).
- HRM as a strategic approach to managing employment relations which emphasizes that leveraging peoples capabilities is to achieving sustaned competitive advantages, this being achieved through a distinctive set of integrated employment policies, programme and practices.
- Dimensions of Employment Relationship- Economic, Legal, Social and psychological.
- HRM is a process consisting 4 functions- acquisition development, motivation and maintenance of human resources.
- HRM is people management, HRM is a strategic model; HRM is really personnel management.
- F.W. Taylor's ideas led on to fordism, time and motion and continuous improvement.
- Labour movements worldwide :
  - **upto 1900** – Benevolent paternalisation, Economic depression and Indian industrial scene.
  - **1900 to 1940** – Workers welfare league of India, russian revolution, ILO. First world war.
  - **1940 - 1970** – Second world war, strikes and lockout. Tripartite labor conference in 1942.
  - **Post War Period** – INTUC, communist party into two- CPI & CPM.
  - **After 1970** – Trade unionism and collective bargaining Human Relation- 1920s and 30s.
  - **Behavioural Science** – 1950s and 1960s.
  - **MBO** – Drucker (1950s); MBO linked achievement to competence and job performance.
- HRM is very important development and growth of the organisation, creation of healthy culture in the organisation, Maintenance of Human resources.
- Core value of HRM – Human beings, personality & attitude, building & resources, indifference of people higher performance.
- Philosophy of HRM – Mutuality. Mutuality relates to mutual goal, mutual respect, Mutual rewards & Mutual responsibilities.
- Scope of HRM – Human resource planning, Recruitment and selection, Training & Developments, career Development, Job Designing, Labour relations & Benefits.

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- Objectives of HRM – Committed, Development of employees, Growth & development of the organization, Development of HR function & climate, objectives for the welfare of the society.
- Principles of HRM – Equal pay for equal work, Rewards, strength & Intelligence, Individual interest & fair policies.
- Functions of HRM – Promotion of organisational needs, Development of employees, Relationship maintenance function, Empowerment, Communication of policies, Equality, Functions relating to job, Job enlargment & enrichment.
- Challenges to HRM – Going Global, Embracing new technology, Development human capital, Responding to the market, Containing costs, Increasing productivity managing chance and responding to the market.
- HRM supports strategic implementation in these ways – 10'c' model High-performance Management system, Web-Based Human resources, Learning organizations and participative management.

ANSWER TO CHECK YOUR PROGRESS:

1. HRM is basically a search for "best practices" to generate high levels of employee commitment and performance.
2. HRM is very important to us for the following reasons:
   a. Development and growth of the organisation
   b. Creation of healthy cuthure in the organisation
   c. Maintenance of human resources.
3. Functions of HRM – Promotion of organisational needs, Development of employees, Relationship maintenance function, Empowerment, Communication of policies, Equality, Functions relating to job, Job enlargment & enrichment.
4. Challenges to HRM – Going Global, Embracing new technology, Development human capital, Responding to the market, Containing costs, Increasing productivity managing chance and responding to the market.

EXERCISE

1. Define HRM ? Give its history, features and importance ?
2. Write short note on :
   (a) "HRM is really personnel management."
   (b) "HRM is a strategic model."
   (c) "HRM is people management."
3. State the labour management development both in prewar & ost war duration ?
4. Give the core value & philosophy of HRM ?
5. State objectives, principle and functions of HRM ?
6. What are various challanges come in way of successful HRM ?
7. "HRM supports strategic implementation." Throw light on the statement ?
8. What are the various are of HR ?
9. What are the obstacles come for HR Professional ?
10. What is the effect of competition on HRM ?

17 Job Analysis

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The Chapter Covers :

INTRODUCTION

Job analysis provides the basis for determining what types of information should be obtained from the applicant, from previous employers, and from other sources. Even though many companies are laying off substantial portions of their workforces, employee selection is a vital part of HRM. Personnel selection is important in the building of a productive workforce. Determining the qualifications of job candidates requires that as much information as possible be obtained from the candidates and other sources. It is important for you to understand that the information that is collected should be relevant to the job and sufficiently reliable and valid. HR practitioners should have an understanding of job requirements to permit an analysis of application fonns, employment tests, interviews, and reference checks of individual candidates.

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Following definitions will help us to understand the concept of job analysis better:

According to B. Flippe – "Job analysis is the process of studying and collecting information relating to the operations & responsibilities of a specific job."

According to DeCenzo & Robbins – "Job analysis is a systematic exploration of the activities within a job. It is a basic technical procedures, one that is used to define the duties, responsibilities and accountabilities of a job."

"A defined data collection and analysis procedure through which information about job tasks and job requirements are obtained." – Unknown

In short, *"Job analysis is the procedure for determining the duties and skill requirements of a job and the kind of person who should be hired for it."* – Unknown

Job analysis is the procedure through which you determine the duties of these positions and the characteristics of the people who should be hired for them .The analysis produces information on job requirements, which is then used for developing job descriptions (what the job entails) and job specifications (what kind of people to hire for the job).

PROCESS OF JOB ANALYSIS

Step 1: Identify the use to which the information will be put, since this will determine the types of data you collect and how you collect them. Some data collection techniques like interviewing the employee and asking what the job entails and what his responsibilities are - are good for writing job Organizations consist of positions that have to be staffed, descriptions and selecting employees for the job

Step 2 : Review relevant background information such as organization charts, process charts, and job descriptions. *Organization charts* show how the job in question relates to other jobs and where it fits in the overall organization. The chart should identify the title of each position and, by means of its interconnecting lines, show who reports to whom and with whom the job incumbent is expected to communicate.

Step 3 : Select representative positions to be analyzed. This is done when many similar jobs are to be analyzed and it is too time-consuming to analyze, say, the jobs of all assembly workers.

Step 4 : Next actually analyze the job by collecting data on job activities, required employee behaviors, working conditions, and human traits and abilities needed to perform the job. For this, you would use one or more of the job analysis techniques explained in this lesson.

Step 5 : Review the information with job incumbents. The job analysis information should be verified with the worker performing the job and with his or her immediate supervisor. This will help to confirm that the information is factually correct and complete. This "review" step can also help gain the employee's acceptance of the job analysis data and conclusions by giving that person a chance to review and modify your description of his or her job activities.

Step 6 : Develop a job description and job specification. A job description and a job specification are usually two concrete products of the job analysis. The *job description* is a, written statement that describes the activities and responsibilities of the job, as well as important features of the job such as working conditions and safety hazards. The *job specification* summarizes the personal qualities, skills, and background required for getting the job done; it may be either a separate document or on the same document as the job description.

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Why is Job Analysis required:

Job analysis : is a systematic procedure for studying jobs to determine their various elements and requirements. The job analysis for a particular position typically consists of two parts.

- o A *job description* is a list of the elements that make up a particular job.
- o *A job specification* is a list of the qualifications required to perform particular job.

JOB DESCRIPTION VS. JOB SPECIFICATION

(1) A job description is a written statement what the job holder does how it is done, under what conditions it is done and why it is done.	(1) Job specifications states the minimum acceptable qualifications that the employee must posses to perform the job successfully.
(2) It includes the job title, location, duties, tools & equipents to be used and working conditions.	(2) It includes educational qualification, experience, training, initiative, communication skills and emotional characteristics.
(2) It is an important tool in the recruitment process, for it helps in advertising the vacancy effectively.	(2) It is an important tool in the selection process for it helps in ascertaining the applicant's qualifications related to job performance.

It is essential for you to understand that Job Analysis helps to find information about the following:

Work activities. Information is usually collected on the actual work activities performed, such as cleaning, selling, teaching, or painting. Such a list may also indicate how, why, and when the worker performs each activity.

Human behaviors.Information on human behaviors like sensing, communicating, decision-making, and writing may also be collected. Included here would be information regarding human job demands such as lifting weights, walking long distances, and so on.

Machines, tools, equipment, and work aids used. Included here would be information regarding products made, materials processed, knowledge dealt with or applied (such as finance or law), and services rendered (such as counseling or repairing)

Performance standards.Information is also collected regarding performance standards (in terms of quantity, quality, or speed for each job duty, for instance) by which an employee in this job will be evaluated.

Job context. Included here is information about such matters as physical working conditions, work schedule, and the organizational and social context-for instance, in terms of the number of people with whom the employee would normally have to interact. Also included here might be information regarding incentives for doing the job.

Human requirements. Finally, information is usually compiled regarding human requirements of the job, such as job-related knowledge or skills (education, training, work experience) and required personal attributes (aptitudes, physical characteristics, personality, interests).

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Uses of Job Analysis

(1) Job Analysis provides complete knowledge about job and job related information helps in human resource planning.

(2) Job Analysis helps in developing measure of job proficiency since it takes into account all the elements of the work involved.

(3) It facilitates job evaluation (basis of compensation/pay packet).

(4) It uncovers organizational weaknesses.

(5) It helps in revising the existing faulty work procedures.

(6) It helps in determining the training needs of workers by revealing the required skills and the knowledge for doing a job.

(7) It also helps in taking the promotional decisions.

(8) It facilitates performance appraisal by fixing standards for performance.

(9) It helps in avoiding and minimizing the possibility of human injury.

Areas in which Job Analysis Information is used

- **Recruitment and Selection :** Job analysis provides information about what the job entails and what human characteristics are required to carry out these activities. Such job description and job specification information is used to decide what sort of people to recruit and hire.
- **Compensation :** Job analysis information is also essential for estimating the value of and appropriate compensation for each job. This is so because compensation. (such as salary and bonus) usually depends on the job's required skill and education level, safety hazards, degree of responsibility and so on-all factors that are assessed through job analysis. Job analysis provides the information determining the relative worth of each job so that each job can be classified.
- **Ensure Complete Assignment of Duties :** The job analysis is also useful for ensuring that all the duties that have to be done are in fact assigned to particular positions. For example, in analyzing the current job of your company's production manager, you may find she reports herself as being responsible for two dozen or so specific duties including planning weekly production schedules, purchasing raw materials, and supervising the daily activities of each of her first-line supervisors. }v fissing, however, is any reference to managing raw material or finished goods inventories. On further investigation you find that none of the other manufacturing people is responsible for inventory management either. Your job analysis (based not just on what employees report as their duties, but on your knowledge of what
- **Training :** Job analysis information is also used for designing training and development programs because the analysis and resulting job description show the skills-and therefore training-that are required.
- **Performance Appraisal :** A performance appraisal compares each employee's actual performance with his or her performance standards. It is often through job analysis that experts determine the standards to be achieved and the specific activities to be performed.

Methods of Collecting Job Analysis Data

You should know that a variety of methods are used to collect information about jobs. None of them, however, is perfect. In actual practice, therefore, a combination of several methods is used for obtaining job analysis data. These are discussed below.

1) ***Job performance***

In this method the job analyst actually performs the job in question. The analyst, thus, receives first hand experience of contextual factors on the job including physical hazards, social demands, emotional pressures and mental requirements. This method is useful for jobs that can be easily learned. It is not suitable for jobs that are hazardous (e.g., fire fighters) or for jobs that require extensive training (e.g., doctors, pharmacists).

2) ***Personal observation***

The analyst observes the worker(s) doing the job. The tasks performed, the pace at which activities are done, the working conditions, etc., are observed during a complete work cycle. During observation, certain **precautions** should be taken The analyst must observe average workers during average conditions. The analyst should observe without getting directly involved in the job. The analyst must make note of the specific job needs and not the behaviours specific to particular workers. The analyst must make sure that he obtains a proper sample for generalisation.

This method allows for a deep understanding of job duties. It is appropriate for manual, short period job activities. On the negative side, the methods fail to take note of the mental aspects of jobs.

3) ***Critical incidents***

The critical incident technique (CIT) is a qualitative approach to job analysis used to obtain specific, behaviorally focused descriptions of work or other activities. Here the job holders are asked to describe several incidents based on their past experience. The incidents so collected are analysed and classified according to the job areas they describe. The job requirements will become clear once the analyst draws the line between effective and ineffective behaviours of workers oh the job.

For example, if a shoe salesman comments on the size of a customer's feet and the customer leaves the store in a huff, the behaviour of the salesman may be judged as ineffective in terms of the result it produced. The critical incidents are recorded after the events have already taken place - both routine and non-routine. The process of collecting a fairly good number of incidents is a lengthy one. Since, incidents of behaviour can be quite dissimilar, the process of classifying data into usable job descriptions can be difficult. The analysts overseeing the work must have analytical skills and ability to translate the content of descriptions into meaningful statements.

4) ***Interview***

The interview method consists of asking questions to both incumbents and supervisors in either an individual or a group setting. The reason behind the use of this method is that jobholders are most familiar with the job and can supplement the information obtained through observation. Workers know the specific duties of the job and supervisors are aware of the job's relationship to the rest of the organisation.

Due diligence must be exercised while using the interview method. The interviewer must be trained in proper interviewing techniques. It is advisable to use a standard format so as to focus the interview to the purpose of analyst.

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Guidelines for Conducting Job Analysis Interviews

- Put the worker at ease; establish rapport.
- Make the purpose of the interview clear.
- Encourage the worker to talk through empathy.
- Help the worker to think and talk according to the logical sequence of the duties performed.
- Ask the worker only one question at a time.
- Phrase questions carefully so that the answers will be more than just "yes" or" no".
- Avoid asking leading questions.
- Secure specified and complete information pertaining to the work performed and the worker's traits
- Conduct the interview in plain, easy language.
- Consider the relationship of the present job to other jobs in the department.
- Control the time and subject matter of the interview.
- Be patient and considerate to the worker.
- Summarise the information obtained before closing the interview.
- Close the interview promptly.

Although the interview method provides opportunities to elicit information sometimes not available through other methods, it has limitations. First, it is time consuming and hence costly. Second, the value of data is primarily dependent on the interviewer's skills and may be faulty if they put ambiguous questions to workers. Last, interviewees may be suspicious about the motives and may distort the information they provide. If seen as an opportunity to improve their positions such as to increase their wages, workers may exaggerate their job duties to add greater weightage to their positions.

5) *Questionnaire method*

The questionnaire is a widely used method of analysing jobs and work. Here the jobholders are given a properly designed questionnaire aimed at eliciting relevant job related information. After completion, the questionnaires are handed over to supervisors. The supervisors can seek further clarifications on various items by talking to the jobholders directly.

After everything is finalised, the data is given to the job analyst. The success of the method depends on various factors. The structured questionnaire must cover all job related tasks and behaviours. Each task or behaviour should be described in terms of features such as importance, difficulty, frequency, and relationship to overall performance. The jobholders should be asked to properly rate the various job factors and communicate the same on paper. The ratings thus collected are then put to close examination with a view to find out the actual job requirements. Questionnaire method is highly economical as it covers a large number of job holder" at a time. The collected data can be quantified and processed through a computer. The participants can complete the items leisurely. Designing questionnaires however is not an easy task. Proper care must be taken to see that the respondents do He': misinterpret the questions. Further, it is difficult to motivate the participants to complete the questionnaires truthfully and to return them.

Let us now have a look at some of the standard questionnaires that are being widely used. They are discussed below for your better understanding:

(1) The Position Analysis Questionnaire (PAQ)

The PAQ is a standardised questionnaire (developed at Purdue University) developed to quantitatively sample work-oriented job elements. It contains 194 items divided into six major divisions. The PAQ permits management to scientifically and quantitatively group interrelated job elements into job dimensions. These are explained below:

1. **Information Input:** Where and how does the employee gets the information he/ she uses in performing his/her job. *Examples:* Use of written materials. Near-visual differentiation.
2. **Mental Process:** What reasoning, decision making, planning and information-processing activities are involved in performing in the job? *Examples:* Levels of reasoning in problem solving.
3. **Job context:** In what physical and social context is the work performed? *Examples:* High temperature. Interpersonal conflict situations.
4. **Other Job characteristics:** What activities, conditions, or characteristics other than those described above are relevant to the job? *Examples:* Specified work pace. Amount of job structure.

   The activities shown above represent requirements that are applicable to all types of jobs. This type of quantitative questionnaire allows many different jobs to be compared with each other.

(2) Management Position Description Questionnaire (MPDQ)

MPQD is a standardised instrument designed specifically for use in analyzing managerial jobs. The 274-item questionnaire contains 15 sections. It would take 21\2hrs to complete the questionnaire. In most cases the respondents are asked to state how important each item is to the position.

Management Position Description Factors

1. Product, marketing and financial strategy planning.
2. Coordination of other organisational units and personnel.
3. Internal business control.
4. Products and services responsibility.
5. Public and customer relations.
6. Advanced consulting.
7. Autonomy of actions.
8. Approval of financial commitments.
9. Staff service.
10. Supervision.
11. Complexity and stress.
12. Advanced financial responsibility.
13. Brood personnel responsibility.

Functional Job Analysis (FJA)

- *FJA* is a worker-oriented job analysis approach that attempts to describe the whole person on the job. It tries to examine the fundamental compo-

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nents *of* "data, people and things". There are five steps to be followed:

- The first involves the identification *of* the organisation goals for the FJA analysis. This analysis describes what should be, as well as, what is.
- The second step is the identification and description *of* tasks, where tasks are defined as actions. The task actions may be physical (operating an electrical typewriter), mental (analyzing data) *or* interpersonal (consulting another person).
- The task statements developed in *FJA* must conform to a specific written format.
- The third step deals with analysis *of* tasks. Each task is analysed using 7 scales. These include three worker function scales (data, people, things), a worker instruction scale (degree *of* supervision imposed) and three scales *of* reasoning, mathematics and language.
- In the fourth step the analyst develops performance standards to assess the results *of* a worker's tasks.
- The final step deals with the development *of* training content needed by the jobholder.

Which Method to Follow ?

Experts agree that the choice of job analysis method depends upon the purposes to be served by the data. There is no one best way to conduct a job analysis. Wherever possible, multiple methods of job analysis must be followed. A quantitative approach like Position Analysis Questionnaire (PAQ) should be supported by a qualitative approach like Critical Incident Technique (CIT).

IMPACT OF BEHAVIOURAL FACTORS ON JOB ANALYSIS

While carrying out the job analysis, managers must take note of certain strong behavioural responses from the employees. Employees may not always like the idea of someone taking a hard look at their jobs. Let's examine the reasons behind such negative responses more closely.

a. ***Employee Fears***. Most employee's fear that job analysis efforts may put them in a 'Straight Jacket', limiting their initiative and inability. Another reason for the negative attitude is the feeling that" as long as someone does not know precisely what I am supposed to be doing, then I am safe".

   A searching examination of jobs may uncover employee faults, which might have escaped the employer's attention so far.

b. ***Resistance to change:*** When jobs change in tune with changes in technology, there is an urgent need to revise job descriptions and job specifications -to make them more meaningful. This would have a significant impact on the safe and secure job worlds, employees used to live comfortably. Employees resist such changes because when jobs are redefined, they may have to handle difficult tasks and shoulder painful responsibilities. To ward off such threats, managers must involve employees in the revision process, stating the reasons for incorporating latest changes clearly.

c. ***Overemphasis on current employees:*** Job analysis efforts should not place heavy emphasis on what the employees are currently doing. Some employees may be gifted with unique capabilities and given a chance they may expand the scope of the job and assume more responsibilities. The company may have difficulty in finding someone like that person if he or she were to leave the company. Therefore, "the job description and job specifications should not be merely a description of what the person currently filling the job does".

d. ***Management' Straight Jacket:*** Job analysis efforts may put managers in a ' straight jacket', limiting their freedom to adapt to changing needs from time to time. To avoid this, they may even refuse to appropriately describe what an employee is supposed to do in the company - creating, of course, further confusion in the minds of employees.

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Let us now summarise what we discussed under Job Analysis. We started with defining job analysis. Then we came down to the six steps that are covered in the process of job analysis. Later on we threw some light on the type of information that is covered and the areas where this information is used .We then spoke about the various methods that are available for Job analysis and noticed that there is no one best method to collect data. All the methods have their pros and cons. This sums up the topic.

Important Terms:

Task - meaningful, discrete, unit of work activity generally performed on job by one worker within some limited time period; represents composite of methods, procedures, and techniques

Duty - area of work that includes several distinct tasks - e.g., preparing operating room for surgery, monitoring patient

Position - set of tasks and duties performed by single individual, Chief surgical nurse

Job - group of positions that is identical with respect to their major significant tasks; sufficiently alike to be covered by single analysis - surgical nurse

Occupation - general class of jobs - nurses

Career - sequence of jobs held by individual throughout lifetime

JOB EVALUATION

Job evaluation is the process of analyzing and assessing the various jobs systematically to ascertain their relative worth in an organization. Job is evaluated on the basis of their content and is placed in the order of their importance.

It should be noted that in a job evaluation programme, the jobs are ranked and not the jobholders. Jobholders are rated through performance appraisal.

"Job evaluation is a process of finding out the relative worth of a job as compared to other jobs"

Now, we are going to explain the objectives of job evaluation :

The following **objectives** are derived from the analysis of the above-mentioned definitions: -

1) To gather data and information relating to job description, job specification and employee specifications for various jobs in an organization.
2) To compare the duties, responsibilities and demands of a job with that of other jobs.
3) To determine the hierarchy and place of various jobs in an organization.
4) To determine the ranks or grades of various jobs.

5) To ensure fair and equitable wages on the basis of relative worth or value of jobs. In other words equal wages are fixed to the jobs of equal worth or value.

6) To minimize wage discrimination based on sex, age, caste, region, religion etc.

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Principles of Job Evaluation Programme

Job evaluation programme should be implemented carefully. The following **principles** help in successful implementation of the programme:

1. Rate the job but not the employee. Rate the elements on the basis of the job demands.
2. The elements selected for rating should be easily understood. The elements should be defined clearly and properly selected.
4. Employees concerned and the supervisors should be educated and convinced about the programme.
5. Supervisors should be encouraged to participate in rating the jobs.
6. Secure employee cooperation by encouraging them to participate in the rating programme.
7. Discuss with the supervisors and employees about rating but not about assigning money values to the points.
8. Do not establish too many occupational wages.

JOB EVALUATION PROCESS

The job-evaluation process starts defining objectives of evaluation and ends with establishing wage and salary differentials.

The main objective of job evaluation, as was stated earlier, is to establish satisfactory wage and salary differentials. Job analysis should precede the actual program of evaluation. Job analysis, as was discussed earlier, provides job-related data, which would be useful in drafting job description and job specification.

A job-evaluation program involves answering several questions: The major ones are:

- Which jobs are to be evaluated?
- Who should evaluate the jobs?
- What training do the evaluation need?
- How much time is involved?
- What should be the criteria for evaluation?
- What methods of evaluation are to be employed?

Which jobs are to be evaluated in any exercise, where there are more than 30 or 40 jobs to be evaluated, it is necessary to identify and select a sample of benchmark jobs, which can be used for comparisons inside and outside the organs. The benchmark jobs should be so selected to achieve representative sample of each of the main levels of jobs in each of the principal occupations.

The size of the sample depends on the number of different jobs to be covered. It is likely to be less than about five percent of the total number of employees in the organization and it would be difficult to produce a balanced sample unless at least 25 percent of the distinct jobs at each level of the organization were included.

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Staffing

A committee, which consists of Head of several of department's, as was pointed out earlier, does representatives of employee unions and specialist drawn from the National Productivity council Job evaluation. HR specialists will be normally the chairmen of the committee.

Responsibility for the overall coordination of the job-evaluation programme should be in the hands of a senior executive who can then report its progress to the board, and advise it on ensuring wage and salary development.

Training for the Committee

Members of the job-evaluation committee should be trained in its procedure so as to make the program successful.

Time Factor

Job evaluation should not be conducted in haste. Any rushing through will lead to appeals against the grading of jobs. Eight jobs in a day can be the ideal pace. After this, the quality of evaluation tends to drop, and more time has to spend later in checking and assessing the validity of the grading. The final review of all the time should be allowed for re-evaluation, if necessary.

Isolating Job-evaluation criteria

The heart of job evaluation is the determination of the criteria for evaluation. Most job evaluations use responsibility, skill, effort and working conditions as major criteria. Other criteria used are difficulty, time-span of discretion, size of subordinate staff, and degree of creativity needed. It needs no emphasis that job evaluation criteria vary across jobs.

How To Improve Job Evaluation

Following measures and steps for improving the work of evaluation programmes;

- The details of the scheme should be drawn up in such a way that they do not conflict with other provision of a collective agreement.
- The scheme should be sold to all concerned and suggestions sought.
- Give major importance that the number of job titles and classification be kept to a minimum.
- Any anticipated changes in methods should be carried out before a scheme is installed and all modifications in it should be resisted until it becomes fully established.
- In preparing job descriptions it is a sound practice to emphasis in them the things which makes one job different from another rather than to find a comprehensive statement of all the duties of the job.
- The better the state of industrial relations the easier it is to introduce a job evaluation scheme.

Essentials for the success of a Job Evaluation Programme

Following are the essential for the success of Job Evaluation:

1. Compensable factors should represent all of the major aspects of job content. Compensable factors selected should:
   - Avoid excessive overlapping or duplication,
   - Be definable and measurable,

Check Your Progress

1. Define Job Analysis.
2. In which Areas Job Analysis information is used.
3. What do understand by questionnaire method?

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- Be easily understood by employees and administrators,
- Not cause excessive installation or admin cost and
- Be selected with legal considerations in mind.

2. Operating managers should be convinced about the techniques and programme of evaluation. They should also be trained in fixing and revising the wages based on job evaluation
3. All the employees should be provided with complete information about job Evaluation techniques and programme.
4. All groups and grades of employees should be covered by the job evaluation
5. The results of job evaluation must be *fair* and rational and unbiased to the individuals being affects
6. A job evaluation scheme should be chosen cautiously. It should be devised and administered on the basis of employment market, demand for labour, bargaining power of the parties & job conditions.

JOB DESCRIPTION

Job Description is an important document, which is basically descriptive in nature and contains a statement of job Analysis. It provides both organizational information's (like location in structure, authority etc) and functional information (what the work is).

It gives information about the scope of job activities, major responsibilities and positioning of the job in the organization. This information gives the worker, analyst, and supervisor with a clear idea of what the worker must do to meet the demand of the job.

Who can better describe the characteristics of good job description?

Earnest Dale has developed the following hints for writing a good job description: -

1) The job description should indicate the scope and nature of the work including all-important relationships.
2) The job description should be clear regarding the work of the position, duties etc.
3) More specific words should be selected to show:-
    a) The kind of work
    b) The degree of complexity
    c) The degree of skill required
    d) The extent to which problems are standardized
    e) The extent of worker's responsibility for each phase of the work

Uses of Job Description

There are several uses of job description, like

- Preliminary drafts can be used as a basis for productive group discussion, particularly if the process starts at the executive level.
- It helps in the development of job specification.
- It acts as a too during the orientation of new employees, to learn duties

& responsibilities. It can act as a basic document used in developing performance standards.

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Contents of Job Description

Friends following are the main content of a job description it usually consist of following details or data. Job description is a statement containing items such as

- Job title / Job identification / Organization position
- Location
- Job summary
- Duties
- Machines, tools and equipment
- Materials and forms used
- Supervision given or received
- Working conditions
- Hazards

Job identification or Organization Position: - This includes the job title, alternative title, department, division and plant and code number of the job. The job title identifies and designates the job properly. The department, division etc., indicate the name of the department where it is situated and the location give the name of the place.

Job Summary: - This serves two important purposes. First is it gives additional identification information when a job title is not adequate; and secondly it gives a summary about that particular job.

Job duties and responsibilities - This gives a total listing of duties together with some indication of the frequency of occurrence or percentage of time devoted to each major duty. These two are regarded as the "Hear of the Job".

Relation to other jobs - This gives the particular person to locate job in the organization by indicating the job immediately below or above in the job hierarchy.

Supervision - This will give an idea the number of person to be supervised along with their job titles and the extent of supervision.

Machine - These will also gives information about the tool, machines and equipment to be used.

Working Conditions - It gives us information about the environment in which a jobholder must work.

Hazards: - It gives us the nature of risks of life and limb, their possibilities of occurrence etc.

JOB SPECIFICATION

Now friends let us discuss about job specification. Can any body explain the term job specification?

Its explanation is given below:

It tells us, what kind of person to recruit and also under what qualities that person should be tested. Job Specification translates the job description into terms of the human qualifications, which are required for performance of a job. They are intended to serve as a guide in hiring and job evaluation.

Job specification is a **written statement of qualifications, traits, physical and mental characteristics** that an individual must possess to perform the job duties

Check Your Progress

4. Define Job summary.
5. What are the two step for job specification information?
6. What is behavioural specification?

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and discharge responsibilities effectively. In this, job specification usually developed with the co-operation of personnel department and various supervisors in the whole organization.

Job Specification Information -

The first step in the programme of job specification is to prepare a list of all jobs in the company and where they are located. The second step is to secure and write up information about each of the jobs in a company. Usually, this information about each of the jobs in a company. Usually this information includes:

1. **Physical specifications :** Physical specifications include the physical qualifications or physical capacities that vary from job to job. Physical qualifications or capacities
2. nclude physical features like height, weight, chest, vision, hearing, ability to lift weight, ability to carry weight, health, age, capacity to use or operate machines, tools, equipment etc.
3. **Mental specifications :** Mental specifications include ability to perform, arithmetical calculations, to interpret data, information blue prints, to read electrical circuits, ability to plan, reading abilities, scientific abilities, judgment, ability to concentrate, ability to handle variable factors, general intelligence, memory etc.
4. **Emotional and social specifications :** Emotional and social specifications are more important for the post of managers, supervisors, foremen etc. These include emotional stability, flexibility, social adaptability in human relationships, personal appearance including dress, posture etc.
5. **Behavioral Specifications :** Behavioral specifications play an important role in selecting the candidates for higher-level jobs in the organizational hierarchy. This specification seeks to describe the acts of managers rather than the traits that cause the acts. These specifications include judgments, research, creativity, teaching ability, maturity trial of conciliation, self-reliance, dominance etc.

Employee Specification

Job specifications information must be converted into employee specification information in order to know what kind of person is needed to fill a job. Employee specification is a like a brand name which spells that the candidate with a particular employee specification generally possess the qualities specified under job specification.

Employee specification is useful to find out the suitability of particular class of candidates to a particular job. Thus, employee specification is useful to find out prospective employees (target group) whereas job specification is useful to select the right candidate for a job.

Uses of Job Specification

Now we will see what are the uses of this job specification;

- Physical characteristics, which include health, strength, age range, body size, weight, vision, poise etc.
- Psychological characteristics or special aptitudes:- This include such qualities as manual dexterity, mechanical aptitude, ingenuity, judgment etc.
- Personal characteristics or fruits of temperament – such as personal appearance, good and pleasing manners, emotional stability, aggressiveness or submissiveness.

- Responsibilities: - Which include supervision of others, responsibility for production, process and equipment, responsibility for the safety of others and responsibility for preventing monetary loss.
- Other features of a demographic nature: Which are age, sex, education, experience and language ability.
- Job specifications are mostly based on the educated gneisses of supervisors and personnel managers. They give their opinion as to who do they think should be considered for a job in terms of education, intelligence, training etc.

CONCLUSION

Job analysis is the process of systematically analysing the activities pertaining to each job. It is designe to determine the duties, responsibilities and accountability of the job. The three basic parts of job analysis are - Identify the job, obtaining information about the duties & responsibility, Determining the skills needed for the job.

CHAPTER AT A GLANCE

- Job analysis is the procedure for determining the duties and skills requirement of a job and the kind of person who should be hired for it.
- Process of Job analysis– Identify the use of information, review relevant background information & select representative position, analyze the job by collecting data, review the information with job incumbents develop a job description and job specification.
- Job analysis find following information- work activities, human behaviours, machines and equipments, performance standards, Job context and human requirements.
- Area of Job analysis – recruitment & selection, compensation, Assignment of duties, Training and performance appraisal.
- Method of collecting job analysis data - Job performance and questionaries (PAQ, MPDQ).
- Employee activities in PAQ (Position Analysis Questionaire) - Information Input, Mental process, Job context & other job characterstics.
- MPDQ (Management Position Description Questionnaire) is a standarised instrument specially designed to analyze managerial jobs.
- FAJ (Functional Job Analysis) is approach that attempts to describe the whole person on the job.
- Impact of Bahavioural factors on job analysis Employee fears, resistance to change, over emphasis on current employees, management straight jacket.
- Job evaluation is the process of analyzing and assessing the various jobs systematically to ascertain their relative worth in an organization.. Its objectives are to gather information, compare the duties, determine the hierarchy determine the rank and ensure fair wages.
- Job evaluation process includes staffing, Training, Time factor and isolating job evaluation criteria.
- Job description is a written statement indicates scope and nature of work, position, duties, skills & complications.
- Contents of job description - Job title, Location, Job summary, Duties, Tools, Material, Supervision working condition Hazards.

- Job specification is a written statement of qualification, traits, physical and mental characteristics. It provide information about.
- Physical specifications, physical features, mental specifications, Emotional and social specifications.

ANSWER TO CHECK YOUR PROGRESS:

1. Job analysis is the procedure through which we determine the duties, position and characterstics of the people who should be hired for them.
2. Area of Job analysis – recruitment & selection, compensation, Assignment of duties, Training and performance appraisal.
3. The questionnaire is a widely used method of analysing jobs and work. Here the jobholders are given a properly designed questionnaire aimed at eliciting relevant job related information. After completion, the questionnaires are handed over to supervisors.
4. **Job Summary**: - This serves two important purposes. First is it gives additional identification information when a job title is not adequate; and secondly it gives a summary about that particular job.
5. The first step in the programme of job specification is to prepare a list of all jobs in the company and where they are located. The second step is to secure and write up information about each of the jobs in a company.
6. Behavioral specifications play an important role in selecting the candidates for higher-level jobs in the organizational hierarchy. This specification seeks to describe the acts of managers rather than the traits that cause the acts. These specifications include judgments, research, creativity, teaching ability, maturity trial of conciliation, self-reliance, dominance etc.

EXERCISE

1. Explain Job specification and its users ?
2. Define job analysis and explain its process ?
3. Write a short essay on Job description.
4. Define Job evaluation and its process ?
5. Distinguish between Job Description & Job specification ?
6. What are the areas in which Job analysis is used ?
7. What are the methods of collecting Job analysis data ?
8. Write short note on :
   (a) Functional Job Analysis.
   (b) Management Position Description Questionaire.
   (c) Position analysis Questionnaire
9. What is the impact of behavioural factor on Job Analysis ?

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18 Management Skills-Leadership and Motivation

The Chapter Covers :

INTRODUCTION

Leadership is a dynamic force essential for success in any human group effort. Without leadership no organisation or enterprise can flourish. In fact, it is vital to the survival of a business. For all technological changes that name taken place in business industry, the need for human leadership is no less today. Leadership is an important aspect of managing. It can be said that management works when the manager like upon his role as leader.

DEFINITION AND MEANING OF LEADERSHIP

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Leadership is the **ability to influence** individuals or groups toward the achievement of some particular goal or goals. **Leadership**, as a process, **shapes the goals** of a group or organization, **motivates behavior** toward the achievement of those goals, and helps define group or organizational culture. It is primarily a process of influence.

According to J.K. Hemphill– "Leadership is the initiation of acts which result in a consistent pattern of group interaction directed towards the solution of a mutual problem".

According to Harry Trumann– "Leadership is the ability to get other people to do what they don't want to do and like it".

According to Keitlo Davis – "Leadership is the ability to persuade others to seek defined objectives enthu siastically. It is the human factor which kinds a group together and motiuates it towards goals."

Thus, Leadership may be defined as an humanized acitivity or actiuitice influening group people to act for attaintment of group goals.

LEADERSHIP VERSUS MANAGEMENT :

Although some managers are able to influence followers to work toward the achievement of organizational goals, the conferring of formal authority upon a manager does not necessarily make that individual a leader. Yes, that individual has authority, but whether or not they are able to influence their subordinates may depend on more that just that authority.

So students There is an interesting story, which nicely illustrates the difference between a manager and a leader.

Newly appointed to the position of supervisor in a large industrial plant, a manager decided to impress his subordinates with his authority. Striding purposefully onto the plant floor, the manager carefully chose the subject of his well-rehearsed address. Once he had arrived at the workstation manned by the union shop steward, he announced, in words loud enough for most workers to hear, "I want to make one thing perfectly clear: I RUN THIS PLANT!"

Unimpressed, the shop steward held up his hand. On seeing his signal, all the workers shut off their equipment. Then, in the eerie silence of the large plant, the shop steward challenged the manager: "OK. So, let's see you run it."

Clearly, by virtue of his appointment to the position of manager, the supervisor hadauthority. However, without followers, he was no leader. In this scenario, the union shop steward is the leader. In spite of the authority inherent in the position of supervisor, the workers chose to follow the directives of the shop steward.

So students I think now u are clear with the difference between a leader and the Manager. So now lets sort out the fundamental difference between a manager and a leader:

- A manager administers, but a leader innovates
- A manager maintains, while a leader develops
- A manager focuses on systems and structures, whereas a leader's focus is on people
- A manager relies on control, but a leader inspires trust
- A manager keeps an eye on the bottom line, while a leader has an eye on the horizon
- A manager does things right, a leader does the right thing.

Difference between Leadership & Management :

Basics of Difference	Leadership	Management
1. Meaning	Leadership is a process of influencing people to direct their efforts towards the attaintment of some particular.	Management is the process of getting things done through others.
2. Power and Authority	Leadership is based on power. The Power may be desired from format authority or from any other source.	Management is based on authority which is delegated to a management position by a person in superior position
3. Structures	Leadership structure are more flexible, open, informal and dynamic than management.	Management is bound by organised formal structure.
4. Goal	Leaders achieve goal by inspiring others.	Manager achieve goals by directing others.
5. Existence of position	Existence of a Leaders position depend on the pleasure of his followes.	Existence of manager's position is independent of the coill of his subordinates. It depends on the terms and conditions of his service.

Leadership is related to someone's ability to motivate others and managing interpersonal behaviour. Needless to say, it relies heavily on the process of effective communication. Leadership is important in attempting to reduce employee dissatisfaction. Good leadership also involves the effective delegation of power and authority. It is important to note that leadership is a dynamic process involving changes in the leader-follower relationship. The leader-follower relationship is a two-way process and is essentially a reciprocal one in nature.

The concept of power is inherently implied in the process of leadership. Power, as we understand the term in this context, is one's ability to exert influence, i.e. to change the attitude or behaviour of individuals and the groups. There are five possible bases of power as identified by French and Raven (1968) which are: **reward power, coercive power, legitimate power, referent power, and expert power.** The greater the number of these power sources available, the greater is one's potential for effective leadership.

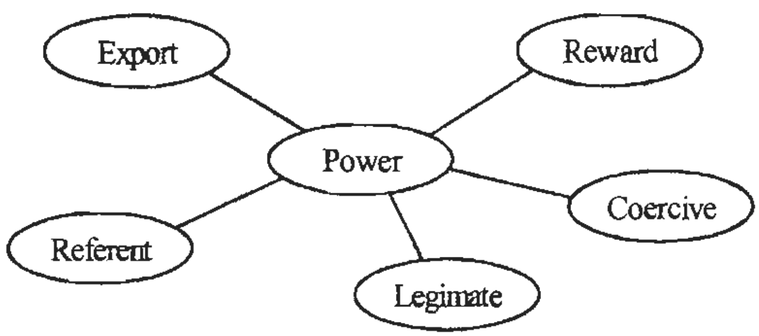

Figure 18.1

Let us try to understand each of these power sources.

- **Reward power** is based on the subordinate's perception that the leader has the ability to control rewards that the followers are looking for, for example, leader's ability to influence the decisions regarding pay, promotion, praise, recognition, increased responsibilities, allocation and arrangement of work, granting of privileges etc.
- **Coercive power** is based on fear and the subordinate's perception that the leader has the ability to punish or to cause an unpleasant experience for

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those who do not comply with directives. Examples include withholding pay raises, promotion or privileges; allocation of undesirable duties or responsibilities; withdrawal of friendship or support; formal reprimands or possibly dismissal. This is in effect the opposite of reward power.

- **Legitimate power** is based on subordinate's perception that the leader has a right to exercise influence because of holding a particular position in the hierarchy of organizational structure. Legitimate power is thus based on authority and not on the nature of personal relationship with others.
- **Referent power** is based on the subordinate's identification with the leader. The leader is able to influence the followers because of the interpersonal attraction and his personal charisma. The followers obey the leader because of their respect and esteem towards him.
- **Expert power** is derived from the subordinate's perception of the leader as someone who has access to information and relevant knowledge.

IMPORTANCE OF LEADERSHIP

Without Leadership, an organisation would for only a confusion of people and machines. Just as an orchestra without a conduct would for only musician and instruments. The orchestra and all other organisations require leaders to develop their precious assets to the fullest. Briefly, the importance of Leadership are as follows :

1. **Determines goal & guides for it** – A leader plans goals & policies for his group. The trigger a persons will to do, show the way and guide group members towards group accomplishment. He created enthusiasm for, performance (best) among his followers.
2. **Boosts Morale** – Morale s internal feeling of a person. A good leader can arouse will to, cooperate among the employe. He transforms lukewarm desires for achievement into burning passions for successful accomplishments.
3. **Team-spirit** – Leader provides a healthy & satisfying work climate by harmonising individual to accomplish group goals. He tries to reconcie conflicts & create team-spirit among his group.
4. **Optimum use of human resources** – Leadership can left man's vision to higher sights, raise man's standard to higher performance and build man's personality beyond his normal limitations. A leader can influence the activities and behaviour of his followence to contribute their best.
5. **Facilitates change** – Leaders can induce and introduce change. They are the instrumental in conceiving change. They introduce change by convincing their followers about the positure effects of the change.
6. **Other Importance :** The other importance of leadership :
   - **Creates confidence and enthuiasm** among his group member.
   - Leadership act as a **catalyst that transforms potential into reality.**
   - Leadership plays vilal role in **ensuring suruimal and effectiveness** of organisation.
   - Leadership is necessary in organisation in order to **create work environment** that are productive and satisfying for human beings.
   - Leadership help in **maintaing order and disciplence** in organisation.
   - Leaders play a crucial role in **resolving conflicts** arising in the group.
   - Leader is the **bridge** between group members and top management.

LEADERSHIP TRAITS

Traits/Qualities of successful leader are as follows :

1. **Energy**, both mential and physical required for a job.
2. **Emotional stability,** which enables a leader to act with say- confidence, avoid anger and deal with his sub ordinates with understanding.
3. **Human relations skill**, which require an understanding of human behaviour.
4. **Empathy,** which enables him to look at things objectively and from another's viewpoint.

> ***7 keys of Business Leadership***
> 1. Trust your subordinates.
> 2. Develop a vision.
> 3. Keep your cool (show mettle fire)
> 4. Encourage risk.
> 5. Be an expert.
> 6. Invite dissent.
> 7. Simplify.

5. **Objectivity,** which prevents him from getting emotionally involved.
6. **Personal motivation,** i.e. enthusiasm within himself to get the job done.
7. **Communication skill,** that is ability to talk and write clearly and forcefully.
8. **Teaching ability,** which will help him develop and inspire his subordinate.
9. **Social skill,** which enables him to understand people and know their strength and weaknesses and presents himself as a friendly and approachable person.
10. **Technical competence,** which provides him with an effective working knowledge and insight of the operations under his guidance.
11. **Administrative skill,** to implement plans & policies, to organise and to mobilise resources in a pragmatic manner.
12. **Intelligence,** which make him to think scientifically.

LEADERSHIP STYLE

Every leader usually develops his own style of leadership style of every leader are differ from the other. There exist different leadership style. The main styles are :

Leadership Style
- Autocratic or Authoritarian
  - Hard Boiled
  - Benevolent
  - Manipulative
- Democratic or participative
- Laissez Faire or Free rein
- Paternalistic
- Bureaucratic

A. **Autocratic or Authoritarion Leadership** – An autocratic leader take all decision solely. He centralises power and tell his group members what to do and expect them to obey his order without any question or remark. This can be further categories as :

(a) **Hard Boiled/Negative/Pure Autocrat** – Such leaders use heavy negative influence. They superimpose their orders/decision an subordinates. He uses fear of punishment to carryout his orders.

(b) **Benevolent Autocrat** – Such leaders try to use positive leadership techniques by using praise and pats on the back to secure personal loyalty for achieving acceptance of his own decisions.

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(c) **Manipulative Autocrat** – Such leaders make the sub ordinate feel that they are actually participating in the decision making even though managers has taken the decisions himself.

B. Participative/Democrative Leadership – The democratic leaders decentralise authority and encourages subordinates participation in decision making. He believes in free flow of two way communication. He tries to lead through persuasion and example rather than through fear or force.

C. Free-rein or Laissez – faire leadership – This type of leader, prefers to give little or no direction and seeks to lead his group with a very loose rein, allowing his subordinates a great deal of freedom. This amount to back passing and results in the little real interest in the job. Free rein leadership helps subordinates trained and develop themselves independly. This style is suitable where subordinates are duty conscious and highly competent.

D. Paternalistic leadership – This style of leadership adopts the paternal or fatherly attitude as the right one for the relationship between the leader and his group. Its objectives is to help, guide, protect and keep the followers happily working together as members of a family. It is based on the ground that, "Happy employee work harder" while otherwise stated employee will work harder out of gratitude.

E. Bureaucratic style of leadership – It is also refered as rules-centered or procedure centered leadership. It is less dynamic and less pro-active. It is noticed in Indian sector, often critized for delay and savoritism. This is also a very rigit style.

APPROACHES TO LEADERSHIP

The subject of leadership is so vast and perceived to be so critical, it has generated a huge body of literature. Each researcher working in the field has tried to explain leadership from a different perspective. Broadly, there are four distinct approaches to leadership, viz. Traits theory, Behaviouristic theory, Contingency theory and Charismatic theories of leadership.

Traits Theory

Ask people what good leadership is, and it's quite likely you will get a response that suggests good leadership can somehow be defined in terms of traits or characteristics. Similarly, if one were to ask people to design an experiment aimed at defining good leadership, it's likely the response will be an attempt to isolate the characteristics of leaders of organizations deemed to be successful (by whatever terms that success is measured).

This is exactly what the initial, formal research into leadership was all about. There was a sense among researchers that some critical leadership traits could be isolated. There was also a feeling that people with such traits could then be recruited, selected, and installed into leadership positions.

The problem with the trait approach lies in the fact that almost as many traits as studies undertaken were identified. After several years of such research, it became apparent that no such traits could be identified. Although some traits were identified in a considerable number of studies, the results were generally inconclusive.

Researchers were further confounded by questions about how to find commonality or generalizability from an examination of the traits of leaders as diverse as Stalin, Hitler, Martin Luther King Jr., John F. Kennedy, Churchill, Mother Theresa, Gandhi and Margaret Thatcher. Do these leaders have any trait in common? Is this a trait all leaders must possess?

- Technical skill
- Task motivation
- Group task supportiveness
- Emotional control
- General charisma
- Friendliness
- Application to task
- Social skill
- Administrative skill
- Intelligence

Behaviouristic Theory:

The results of the trait studies were inconclusive. Traits, among other things, were hard to measure. How, for example, do we measure traits such as honesty, integrity, loyalty, or diligence? Another approach in the study of leadership had to be found.

To measure traits, researchers had to rely on constructs which lacked reliability and, given differing definitions, also lacked validity. After the problems with the trait approach became evident, researchers turned to an examination of leader behaviors. With behaviors, researchers could rely on empirical evidence.

Behaviors, contrary to traits, could be observed. It was thus decided to examine the behaviors of successful (again, by whatever means success was measured) leaders. The initial phases of the behavioral research seemed as frustrating as the trait approach — the number of behaviors identified was staggering. However, over time, it appeared that the key behaviors could be grouped or categorized. The most prominent studies were those undertaken by the University of Michigan and by Ohio State University.

Interestingly, both studies arrived at similar conclusions. Both studies concluded that leadership behaviors could be classified into two groups.

The University of Michigan studies (Rensis Likert) identified two styles of leader behavior:

- **Production centered behavior :** when a leader pays close attention to the work of sub- ordinates, explains work procedures, and is keenly interested in performance
- **Employee centered behavior :** when the leader is interested in developing a cohesive work group and in ensuring employees are satisfied with their jobs.

These two styles of leader behavior were believed to lie at the ends of a single continuum. Likert found that employee- centered leader behavior generally tended to be more effective.

Researchers at Ohio State leadership found results which suggested two basic leader behaviors or styles.

- **Initiating structure behavior :** when the leader clearly defines the leader-subordinate, establishes formal lines of communication, and determines how tasks are to be performed.
- **Consideration behavior :** the leader shows concern for sub-ordinates and attempts to establish a warm, friendly, and supportive climate.

Unlike the Michigan Studies, these two behaviors were not viewed as opposite ends of a continuum, but as independent variables. Thus the leader can exhibit varying degrees of both initiating structure and consideration at the same time.

Rather than concentrating on what leaders are, as the trait approach did, the behavioral approach forced looking at what leaders do. The main shortcomings of the behavioral approach was its focus on finding a dependable prescription for effective leadership.

Check Your Progress

1. Define leadership.
2. Write some importance of leadership.
3. Define traits theory.

The Managerial Grid

NOTES

Blake and Mouton (1985) tried to show an individual's style of leadership on a 9x9 grid consisting of two separate dimensions, viz. concern for production and concern for people which are similar to the concept of employee-centered and production-centered styles of leadership as mentioned earlier. The grid has nine possible positions along each axis creating a total of eighty-one possible styles of leader behaviour. The managerial grid thus identifies the propensity of a leader to act in a particular way. The (9,1) style is known as **task management** which focuses wholly on production. Managers with this style are exceptionally competent with the technicalities of a particular job but are miserable failures in dealing with people. The (1,9) style in contrast emphasizes people to the exclusion of task performance and is known as **country club style of management.**

The ideal style of leadership, as envisioned by the theory of managerial grid is the (9,9) style or **team management style** where there is maximum concern for both people and production. The research evidence in favour of the view that managers perform best under (9,9) style is however scanty.

The basic criticisms against the behaviouristic theories are that: Lack of generalizations of the findings as they found to vary widely Ignoring the significant influence of the situational factors.

Contingency Theories

Managerial leadership has influenced organizational activities in many ways. These influences include motivating subordinates, budgeting scarce resources, and serving as a source of communication. Over the years researchers have emphasized the influences of leadership on the activities of subordinates. These emphasis by researchers led to theories about leadership. "The first and perhaps most popular, situational theory to be advanced was the 'Contingency Theory of Leadership Effectiveness' developed by Fred E. Fiedler" This theory explains that group performance is a result of interaction of two factors. These factors are known as leadership style and situational favorableness. These two factors will be discussed along with other aspects of Fiedler's theory. "In Fiedler's model, leadership effectiveness is the result of interaction between the style of the leader and the characteristics of the environment in which the leader works".

The first major factor in Fiedler's theory is known as the leadership style. This is the consistent system of interaction that takes place between a leader and work group. "According to Fiedler, an individual's leadership style depends upon his or her personality and is, thus, fixed". In order to classify leadership styles, Fiedlers has developed an index called the least-preferred coworker (LPC) scale.

The LPC scale asks a leader to think of all the persons with whom he or she has ever worked, and then to describe the one person with whom he or she worked the least well with. This person can be someone forms the past or someone he or she is currently working with. From a scale of 1 through 8, leader are asked to describe this person on a series of bipolar scales such as those shown below:

Unfriendly 1 → 2 → 3 → 4 → 5 → 6 → 7 → 8 Friendly
Uncooperative 1 → 2 → 3 → 4 → 5 → 6 → 7 → 8 Cooperative
Hostile 1 → 2 → 3 → 4 → 5 → 6 → 7 → 8 Supportive
Guarded 1 → 2 → 3 → 4 → 5 → 6 → 7 → 8 Open

The responses to these scales (usually sixteen in total) are summed and averaged: a high LPC score suggests that the leader has a human relations orientation, while a low LPC score indicates a task orientation. Fiedler's logic is that individuals who rate their least preferred coworker in relatively favorable light on these scales derive satisfaction out of interpersonal relationship; those who rate the coworker in a relatively unfavorable light get satisfaction out of successful task performance". This method reveals an individual's emotional reaction to people with whom he or she cannot work. It is also stressed that is not always an accurate measurement.

"According to Fiedler, the effectiveness of a leader is determined by the degree of match between a dominant trait of the leader and the favorableness of the situation for the leader.... The dominant trait is a personality factor causing the leader to either relationship-oriented or task-orientated".

Leaders who describe their preferred coworker in favorable terms, with a high LPC, are purported to derive major satisfaction from establishing close relationships with fellow workers. High LPC leaders are said to be relationship-orientated. These leaders see that good interpersonal relations as a requirement for task accomplishment. Leaders who describe their least preferred coworker unfavorable terms, with a low LPC, are derived major satisfaction by successfully completing a task. These leaders are said to be task-orientated. They are more concerned with successful task accomplishment and worry about interpersonal relations later.

The second major factor in Fiedler's theory is known as situational favorableness or environmental variable. This basically is defined as the degree a situation enables a leader to exert influence over a group. Fiedler then extends his analysis by focusing on three key situational factors, which are leader-member, task structure and position power. Each factor is defined in the following:

1. **Leader-member relations :** the degree to which the employees accept the leader.
2. **Task structure :** the degree to which the subordinates jobs are described in detail.
3. **Position power :** the amount of formal authority the leader possesses by virtue of his or her position in the organization.

For leader-member relations, Fiedler maintains that the leader will has more influence if they maintain good relationships with group members who like, respect, and trust them, than if they do not. Fiedler explains that task structure is the second most important factor in determining structural favorableness. He contends that highly structured tasks, which specify how a job is to be done in detail provide a leader with more influences over group actions than do unstructured tasks. Finally, as for position power, leads who have the power to hire and fire, discipline and reward, have more power than those who do not. For example, the head of a department has more power than a file clerk.

By classifying a group according to three variables, it is possible to identify eight different group situations or leadership style. These eight different possible combinations were then classified as either task orientation or relationship orientated. The following information shows that task-orientated leadership was successful in five situations, and relationship-orientated in three.

- Fiedler's Contingency Theory of Leadership
- Leader-Member Task Position Power Successful Leadership
- Relations Structure Of Leader Style

  Good → Structured → Strong → Task Orientation
  Good → Structured → Weak → Task Orientation
  Good → Unstructured → Strong → Task Orientation
  Good → Unstructured → Weak → Consideration

Poor → Structured → Strong → Consideration
Poor → Structured → Weak → Consideration
Poor → Unstructured → Strong → Task Orientation
Poor → Unstructured → Weak → Task Orientation

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"According to Fiedler, a task-orientated style of leadership is more effective than a considerate (relationship-orientated) style under extreme situations, that is, when the situations, is either very favorable (certain) or very unfavorable (uncertain)" . Task-orientated leadership would be advisable in natural disaster, like a flood or fire. In and uncertain situation the leader-member relations are usually poor, the task is unstructured, and the position power is weak. The one who emerges as a leader to direct the group's activity usually does not know any of his or her subordinates personally. The task-orientated leader who gets things accomplished proves to be the most successful. If the leader is considerate (relationship-orientated), he or she may waste so much time in the disaster, which may lead things to get out of control and lives might get lost.

Blue-collar workers generally want to know exactly what they are supposed to do. Therefore it is usually highly structured. The leader's position power is strong if management backs his or her decision. Finally, even though the leader may not be relationship-orientated, leader-member relations may be extremely strong if he or she is able to gain promotions and salary increases for subordinates. Under these situations is the task-orientated style of leadership is preferred over the (considerate) relationship-orientated style.

"The considerate style of leadership seems to be appropriate when the environmental or certain situation is moderately favorable or certain, for example, when (1) leader-member relations are good, (2) the task is unstructured, and (3) position power is weak". For example, research scientists do not like superiors to structure the task for them. They prefer to follow their own creative leads in order to solve problems. Now under a situation like this is when a considerate style of leadership is preferred over the task-orientated style.

Fiedler's theory has some very interesting implications for the management of leaders in organizations:

1. The favorableness of leadership situations should be assessed using the instruments developed by Fiedler (or, at the very least, by a subjective evaluation).
2. Candidates for leadership positions should be evaluated using the LPC scale.
3. If a leader is being sought for a particular leadership position, a leader with the appropriate LPC profile should be chosen (task-orientated for very favorable or very unfavorable situations and relationship-orientated for intermediate favorableness).
4. If a leadership situation is being chosen for a particular candidate, a situation (work team, department, etc.) should be chosen which matches his/her LPC profile (very favorable or unfavorable for task-orientated leaders and intermediate favorableness for relationship-orientated leader).

Several other implications can be derived from Fiedler's findings. **First,** it is not accurate to speak of effective and ineffective leaders. Fiedler goes on by suggesting that there are only leader who perform better in some situations, but not all situations. **Second,** almost anyone can be a leader by carefully selecting those situations that match his or her leadership style. Lastly, the effectiveness of a leader can be improved by designing the job to fit the manager. For instance, by increasing or decreasing a leader's position power, changing the structure of a task, or influencing leader-member relations, an organization can alter a situation to better fit a leader's style.

In conclusion, the Fiedler's Contingency Theory of Leadership, has been cautious of accepting all conclusions. Fiedler's work is not without problems or critics. Evidence suggests that other situational variables, like training and experience have an impact in a leader's effectiveness. There are also some uncertainties about Fiedler's measurement of different variables. For instance, there is some doubt whether the LPC is a true measure of leadership style. "Despite these and other criticisms, Fiedler's contingency theory represents an important addition to our understanding of effective leadership". Fred Fiedler's theory became an important discovery in the study of leadership. His theory made a major conrtibution to knowledge in the leadership area.

HERSEY AND BLANCHARD'S SITUATIONAL MODEL

The situational leadership model, developed by Paul Hersey and Kenneth Blanchard, suggests that the leader's behaviour should be adjusted according to the maturity level of the followers. The level of maturity or the readiness of the followers were assessed to the extent the followers have the ability and willingness to accomplish a specific task. Four possible categories of followers' maturity were identified:

R1 : Unable and Unwilling
R2 : Unable but Willing
R3 : Able but Unwilling
R4 : Able and Willing

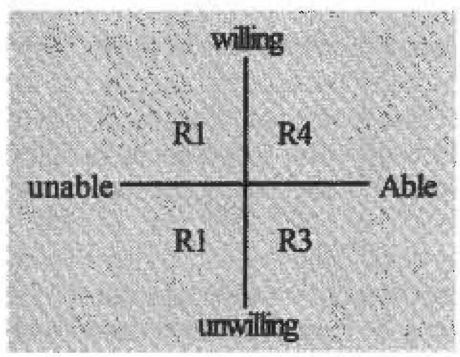

Figure 18.2

The leader behaviour was determined by the same dimensions as used in the Ohio studies, viz. production orientation and people orientation. According to the situational mode, a leader should use a telling style (high concern for task and low concern for people) with the least matured group of followers who are neither able nor willing to perform (R1). A selling style of leadership (high concern for both task and relationship) is required for dealing with the followers with the next higher level of maturity, that is those who are willing but unable to perform the task at the required level (R2). The able but unwilling followers are the next matured group and require a participating style from the leader, characterized by high concern for consideration and low emphasis on task orientation. Finally the most matured followers who are both able and willing requires a delegating style of leadership. The leader working with this kind of followers must learn to restrain himself from showing too much concern for either task or relationship as the followers themselves do accept the responsibility for their performance.

Check Your Progress

4. Name some approaches of leadership.
5. What do you understand by contigency theory?

Though this theory is difficult to be tested empirically, it has its intuitive appeal and is widely used for training and development in organizations. In addition, the theory focuses attention on followers as a significant determinant of any leadership process.

THE PATH GOAL THEORY

In the recent time, one of the most appreciated theories of leadership is the path-goal theory as offered by Robert House, which is based on the expectancy theory of motivation. According to this theory, the effectiveness of a leader depends on the following propositions:

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- Leader behaviour is acceptable and satisfying to followers to the extent that they see itas an immediate source of satisfaction or as instrumental to future satisfaction
- Leader behaviour is motivational to the extent that (1) it makes the followers' needs satisfaction contingent or dependent on effective performance, and (2) it complements the followers' environment by providing the coaching, guidance, support, and rewards necessary for realizing the linkage between the level of their performance and the attainment of the rewards available.

The leader selects from any of the four styles of behaviour which is most suitable for the followers at a given point of time. These are directive, supportive, participative, and the achievement-oriented according to the need and expectations of the followers. In other words, the path-goal theory assumes that leaders adapt their behaviour and style to fit the characteristics of the followers and the environment in which they work. Actual tests of the path-goal theory provides conflicting evidence and therefore it is premature to either fully accept or reject the theory at this point. Nevertheless the path-goal theory does have intuitive appeal and offers a number of constructive ideas for leaders who lead in a variety of followers in a variety of work environments.

TRANSFORMATIONAL LEADERSHIP

Transformational or charismatic leaders are those who could inspire their followers to transcend their own self-interests for the good of the organizations or for a greater objective. Thus leaders like Netaji Subhas Chandra Bose or Gandhiji could inspire their followers to submit their own personal goals of pursuing lucrative academic or professional careers and sacrifice everything for the sake of the freedom of their motherland from the British rules. By the force of their personal abilities they transform their followers by raising the sense of the importance and value of their tasks. Five leadership attributes have been identified as important in this context which are self- confidence, a vision, strong conviction in that vision, extraordinary or novel behavior and ability to create an image of a change agent It is however important to note that the effect of cultural difference in the context of leadership must be considered in order to understand and identify the effective leadership behaviour. An extensive project has been undertaken jointly by GLOBE foundation and Wharton Business School to identify the impact of culture on leadership across the world, which concluded only recently. The study has identified lists of both positive and negative leader attributes which have been universally accepted across culture. The findings from the completed phases of the study however suggest the presence of a strong influence of cultural bias on the success and effectiveness of the leaders.

CONCLUSION :

Leadership is one of the essential functions that must be performed by all the managers. The success of all the managers largely depends. On the capacity to lead their subordinates. However it is not easier to master the art of leadership.

CHAPTER AT A GLANCE

- Leadership is a process of influencing people to direct their efforts towards the attainment of some particular goal or goals.
- **Leadership Vs Management** – Meaning, Power and Authority, Structures, Goal, Existence of position.
- Power is the one's ability to exert influence legitimate, referent and expert.

- **Importance of leadership** – Determines goal & guides for it., Boosts Morale, Team spint, optimum use of human resources, Facilitates change others.
- **Possible bases of power** – Reward, Coercive, legitimate, referent and expert.
- **Importance of leadership** – Determines goal & guides for it, Boosts Morale, Team spirit, optimum use of human resources, Facilititates change, others.
- **Leadership Traits** – Energy, Emotional stability, Human relations skill, Empathy, objectivity, Personal motivation, Communication skill, Teaching ability, Social skill Technical competence, Administrative skill, Intelligence.
- **Leadership Style**
  - Autocratic
    - Hard Boiled
    - Benevolent
    - Manipulative
  - Demoratic
  - Free-rein
  - Paternalistic
  - Bureaucratic
- **Theory of Leadership** – Traits theory, Behaviouristic theory, Contingency theory and Charismatic theory.
- **Traits Theory** – This theory states that there are certain unique traits/ qualities essential for a successful leader like – Technical skill, Friendness, Take Motivation, Social skill, Conotional control, Intelligence etc.
- **Behaviouristic Theory** – It is based on the premise that effective leadership is the result of effective behaviour of leader.
- **Managerial Grid** – It shows a 9×9 grid consisting of 2 dimensions – production and people :

  9, 1 = Task Management

  1, 9 = Country club style of management

  9, 9 = Team Management Style
- **Contingency Theory** – The leaders performance is intruction of two factors leadership style and situational favourableness.
- Hersey and Blanchard's situational model – They suggests that the leader's behaviour should be adjusted according to the maturity level of the followers.
- Path Goal Theory have intutive appeal and offers a number of constructive ideas for leaders. Who lead in a variety of followers in a variety of work environment.
- Transformational leaders are those who can inspire their followers to trascend their own self Interest for the good of the organizations or for a greater objective.
  5 attributes vision self confidence, novel behaviour, change agent and strong conviction.

NOTES

ANSWER TO CHECK YOUR PROGRESS:

1. **Leadership** is the **ability to influence** individuals or groups toward the achievement of some particular goal or goals. **Leadership,** as a process, **shapes the goals** of a group or organization, **motivates behavior** toward the achievement of those goals, and helps define group or organizational culture. It is primarily a process of influence.
2. **Importance of leadership** – Determines goal & guides for it, Boosts Morale, Team spirit, optimum use of human resources, Facilititates change, others.
3. **Traits Theory** – This theory states that there are certain unique traits/ qualities essential for a successful leader like – Technical skill, Friendness, Take Motivation, Social skill, Conotional control, Intelligence etc.
4. there are four distinct approaches to leadership, viz. Traits theory, Behaviouristic theory, Contingency theory and Charismatic theories of leadership.
5. **Contingency Theory** – The leaders performance is intruction of two factors leadership style and situational favourableness.

EXERCISE

1. What do you understand by leadership ? Discuss the importance of leadership in modern business ?
2. Point out main distinctions between leadership and management ?
3. Discuss the different theories of leadership ?
4. Write notes on the following :
   - Leadership Traits
   - Transformational Leadership
   - Path goal theory
5. Comment on following :
   (a) "Leaders are born, not made"
   (b) Leadership is the process by which an executive directs. Guides and influence the work of others."

19 Delegation And Motivation

The Chapter Covers :

INTRODUCTION

Delegation is the process by which a manager assign his authority to his subordinates to perform certain task or activities assigned to them. It involves shifting of decision making authority from one level to another lower level.

Delegation mean dispersing authority and **authority** is the formal right vested in managerial position, to decide, to direct and to influence the behaviour of subordinates with a view to achieve goals.

DEFINITION OF DELEGATION

According to Koontz – "Delegation means vesting of decision making discretion in a subordinate."

According to Terry and Franklin – "Delegation means conferring authority from one manager or organisational unit to another in order to accomplish particular assignment."

Thus, delegation means sharing authority with another and is one of the fundamental step in organising process.

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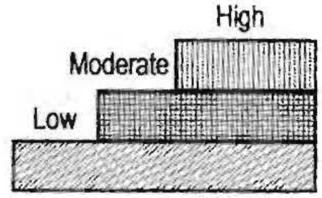
DEGREE OF DELEGATION

Delegation has basically following Degrees :



1. **Low Degree :** Low degree of delegation is that in which a superior states a particular task to his subordinate and tells them to investigate on that task and report back.
2. **Moderate Degree :** It is that in which a superior states the task to his subordinate. He bell him to investigate on that task and report back with an action plan.
3. **High Degree :** It is that degree of delegation in which a task is specified to a subordinate and he is told to investigate on that task, make an action plan, formulate the plan and then report back with the results and reasons.

IMPORTANCE & NEED OF DELEGATION

To delegate is to give, allot or confer a part of authority to subordinates. Responsibility is being in charge of situation. Responsibility cannot be delegated. Given a chance we will not like to part with authority. Delegation becomes a must because –

(a) Structure of authority exists.

(b) Superiors need to concentrate on important and vital issues.

According to weihrich and koontz – "Delegation is necessary for an organisation to exist. Just as no person in an organisation can do all the tasks necessary for accomplishing a group purpose so it is impossible for one person to exercise all the authority for making decision in a growing organisation."

The key importance of delegation are :

1. Delegation is the process that **establishes hierarchy** by creating authority, responsibility and accountability relationship between organisation members.
2. Delegation **ensures quicker decision** which lead to faster action and saves valuable time.
3. Delegation facilitates decision making by the person who are close to the work, so that, **better decision** can be taken.
4. Delegation can be one of the managements best techniques for satisfying needs and for **motivating subordinates** to better performance.
5. Delegation tends to inject positive attitude and **high morale in subordinates.**
6. Delegation is the cordinal step which helps in **training and development** of subordinates.
7. Through delegation managers face and deal with wide variety of challenging situation, in turn, cause **growth of managerial capabilities** of managers.
8. Delegation ensures & **maintains depth and continuity in organisation** and can provide successors in case of need. Delegation is the most important skills of a manager to continue up the ladder of management.
9. Delegation **reduces the workload** of superious permitting them to concentrate on key areas. It also provide an **opportunity to subordinate** to grow and develop.
10. Delegation provide **satisfaction to subordinates** in term of recognition. Accountability impossed on subordinates forces them to act in a more meaningful and responsible manner.

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PROCESS OF DELEGATION

Weihrich and Koontz have stated that delegation process involves following steps :

1. **Determining the result expected from a subordinate or position** – Determination of expected result will help in deciding the adequate authority to be delegated, Assignment of task will be meaningful only when the subordinate clearly knows what end result he/she has to achieve.
2. **Assigning task to the subordinate or position** – Next step of delegation is to assign duties. Duties must be clearly and precisely defind. Duties should be described n terms of result – So that subordinate can know in advance in what terms his performance will be evaluated.
3. **Delegation authority for accomplishing these tasks** – No subordinate can carry out task or duties without appropriate amount of authority. Thus, subordinates must be given the authority (right and permission to give orders) necessary to carry them out.
4. **Holding the person in that position responsible for the accomplishment of the tasks**– Final step in the process of delegation of authority relates to creation of responsibility. When authority is delegated to a subordinate, he must also be held liable to carry out the tasks and use the authority properly. There should be an adequae arrangements for holding the subordinate responsible for achieving a task.

Creation of responsibility

↑

Delegating Authority

↑

Assigning tasks

↑

Determining the results expectect

PROCESS OF DELEGATION

Figure 19.1

PRINCIPLES OF DELEGATION

1. **Results expected** – The amount of delegated authority should be adequate enough to achieve the result expected. Before delegating authority, the goals and plans of expected results must be set. Moreover, these should be clearly made known the subordinates.
2. **Functional Definition** – The functions and work of each subordinate should be clearly defind. Also relationship of each subordinate established. It reduces overlapping of work as well as conflicts among subordinates.
3. **Scalar Principle** – Authority should flow overtically from top to bottom of the organisation level. It helps to understand who can delegate to whom and whom they are accountable.
4. **Unity of command** – A subordinate should receive delegation only from one superior i.e. a subordinate shall be accountable to one superior (BOSS) only.

5. **Residual authority and responsibility** – Only general responsiblities can be delegated but personal responsibilities cannot be delegated i.e. all responsibilities cannot be delegated.
6. **Exception/Authority level** – Managers should delegate their routine matter and retain with themselves the exception to the routine and overall policy matters.
7. **Completness and clarity of limits** – whole task must be delegated rather than pieces of tasks for effectiveness of delegation. Also limit of delegation must be clearly set which will enable subordinates to know their area of operation and to take initiative.
8. **Communication** – Superior should give clear instruction as well as subordinates should regularly keep informed the superior about the progress of cash. There should be two way flow of communication in free manner.

BARRIERS TO DELEGATION OF AUTHORITY

Obstactes

- **Superior**
  - Fear of loss of authority
  - Fullacy
  - Lack of confidences trust
  - Avoid risk
  - Previous example
- **Subordinates**
  - Lack of self confidence
  - Fear of criticism
  - Each of incentives
  - Over burdened subordinates
- **Organisation**

I. Barrier by Supervisor

1. **Fear of loss of authority** – Some manager have excessive love or passion for authority. They fear that they will loose status and position and thus unwilling to delegate authority.
2. **Fallacy** – Some manager believe in fallacy i.e. "I can do it better myself.". They are overconfident and want to do the work by own rather than by subordinates.
3. **Lack of confidence & trust** – Some manager, hesitate in delegating authority as they are lacking required confidence and trust on subordinates.
4. **Avoid risk** – Managers run the risk of subordinates failure to perform the work as required. They consider it better to avoid risk by avoiding delegation.
5. **Previous examples** – Poor examples set by superiors who do not delegate may discourage the managers to delegate further.

II. Barriers by subordinates :

1. **Lack of self confidence** – Subordinates do not have faith on their capability & capacity. So they refuse to take any responsible task.
2. **Fear of criticism** – Some subordinates thinks that more work make chances of more mistakes. They fear of criticism and like to avoid accepting authority and responsibility.
3. **Lack of incentives** – A person work for return reward (positive incentives). If subordinate are not offered any reward for addedresponsibility, It may become block in delegation.
4. **Overburdened subordinates** – Some subordinates have more work than can do such subordinates revert to assign new assignment.

III. Berriers by organisation :

1. Absence of proper control & communication system.
2. Lack of resources.
3. Inadequate planning and policy.
4. Lack of proper organisation resources.
5. Lack of effective incentive system.

GUIDELINES FOR EFFECTIVE DELEGATION :

1. Clarify the assignment i.e. what is to be delegated.
2. Identify the subordinate i.e. right person.
3. Clarify the results expected.
4. Set limit of, authority and inform others about authority delegated.
5. Make specific way for performance and trained the subordinated.
6. Allow subordinates for freedom of action and keep trust and confidence on them.
7. Two way free flow communication (superior <=> subordinates).
8. Willingness to forebear mistakes of subordinates.
9. Welcome the ideas of others.
10. Effective control system and adequate reward to subordinates.

CONCLUSION FOR DELEGATION : Delegation is the fundamental steps in the organising process. It is essential for the existence and efficient functioning of an organisation. It is a key to effective managerial performance. Delegation is granting of authority to subordinates to operate within prescribed limit and specific goal.

MOTIVATION

Motivation is a process that starts with a physiological or psychological need that activates a behavior or a drive that is aimed at a goal. Every employee is expected to show increased and qualitative productivity by the manager. To achieve this the behavior of the employee is very important. The behavior of the employees is influenced by the environment in which they find themselves. Finally, an employee's behavior will be a function of that employee's innate drives or felt needs and the opportunities he or she has to satisfy those drives or needs in the workplace.

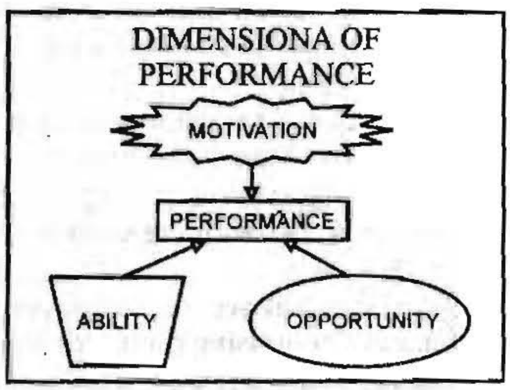

Figure 19.2

If employees are never given opportunities to utilize all of their skills, then the employer may never have the benefit of their total performance. Work performance is also contingent upon employee abilities. If employees lack the learned skills or innate talents to do a particular job, then performance will be less than optimal. A third dimension of performance is motivation.

Definitions :

According to M. J. Jucius – "Motivation is the act of stimulating someone or oneself to get desired course of action, to push right button to get desired reactions."

According to Terry and Franklin – "Motivation is the need or drive within an individual that drives him or her towards goal-oriented action."

According to Carool Shartler – "Motivation is a reported urge or tension to move in a given direction or to achieve a certain goal."

Thus, motivation is the need or reasons that makes people to work or to take action.

NOTES

The following are the **features** of motivation :

- Motivation is an act of managers
- Motivation is a continuous process
- Motivation can be positive or negative
- Motivation is goal oriented
- Motivation is complex in nature
- Motivation is an art
- Motivation is system-oriented
- Motivation is different from job satisfaction
- Motivation is internal feeling
- Motivation is the willingness to exert effort
- Motivation is a way to direct and explain behaviour
- Motivation is sytem oriented

NEED AND IMPORTANCE OF MOTIVATION

The importance of motivation are as follows :

1. Effective motivation system **inspires employees** to do work or to take action. It creates willingness among the employees to perform their work with great enthusiasm, zeal and full devotion.
2. **Higher performance** result to better productivity and productivity is achived by highly motivated employees.
3. Motivation encourage employees to direct their energies for **achieving organisational goal.** According to Brech– "Motivation is the key of management in action."
4. Motivation ensures **proper supply** of satisfied human rsource as well as it help to maintain a reservoir of highly motivated employees.
5. Employee become more concerned about the well being of the enterprise and feel a **close ties with organisation.** In turn reduces employee turnover and absenteeism.
6. Motivated employees concentrate on finding new & better ways of doing specific task by **utilising resources in optimum manner** and avoid wastage.
7. Motivated employee work with operative spirit and in a disciplined manner. All this reduceds the chances of conflict and **better industrial relations.**

MOTIVATION TECHNIQUE

Technique	Meaning	Example
1. Positive	It is the process of influencing others to do work to behave in accordance with the desire of the leader through the use of reward.	Rewards, incentives, fringe benefits, praise, responsibility, participation in decision making
2. Negative	It is the process of controlling behaviour of employees through fear, compulsion and source.	wage cuts, demotion, retrenchment transfer, reprimands
3. Extrinsic or External	It is the reward that a person receiving after finishing the task.	Higher wages, profit sharing Fringe benefits

NOTES

4. Intrinsic or Internal	It comes from inner drive or urge due to satisfication that comes while performing a job	Higher, responsibility, opportunity for achievement and individual growth social recognition.
5. Financial	It is related to monetary benefits.	Pay, dearness and other allowances, bonus, profit sharint and fringe benefits lanch, transports housing facilities, free medical or mediclaim insurance, Pension & graduity etc.
6. Non , financial	It is not related to financial rewards rather associated with the work culture.	Jot enlargment, Job enrichment, Job rotation, promotion, security of job, congenial social environment, opportunity for advancement, Quality circles etc.

MOTIVATIONAL FACTORS

There are several factors that motivate a person to work. The motivational factors can be broadly divided into two groups:

I. MONETARY FACTORS:

Salaries or wages: Salaries or wages is one of the most important motivational factors. Reasonable salaries must be paid on time. While fixing salaries the organization must consider such as :

- Cost of living
- Company ability to pay
- Capability of company to pay etc,

Bonus : It refers to extra payment to employee over and above salary given as an incentive. The employees must be given adequate rate of bonus.

Incentives : The organization may also provide additional incentives such as medical allowance, educational allowance, HRA, allowance, etc.

Special individual incentives : The company may provide special individual incentives. Such incentives are to be given to deserving employees for giving valuable suggestions.

II. NON MONETARY FACTORS:

Status or job title : By providing a higher status or designations the employee must be motivated. Employees prefer and proud of higher designations.

Appreciation and recognition : Employees must be appreciated for their services. The praise should not come from immediate superior but also from higher authorities.

Delegation of authority : Delegation of authority motivates a subordinate to perform the tasks with dedication and commitment. When authority is delegated, the subordinate knows that his superior has placed faith and trust in him.

Working conditions : Provision for better working conditions such as air-conditioned rooms, proper plant layout, proper sanitation, equipment, machines etc, motivates the employees.

Job secnrity : Guarantee of job security or lack of fear dismissal, etc can also be a good way to motivate the employees. Employees who are kept temporarily for a long time may be frustrated and may leave the organization.

Job enrichment : Job enrichment involves more challenging tasks and responsibilities. For instance an executive who is involved in preparing and presenting reports of performance, may also asked to frame plans.

Check Your Progress

1. Define Delegation.
2. What are the process of Delegation?

NOTES

Workers participation : Inviting the employee to be a member of quality circle, or a committee, or some other form of employee participation can also motivate the work-force.

Cordial relations : Good and healthy relations must exist throughout the organization. This would definitely motivates the employees.

Good superiors : Subordinates want their superiors to be intelligent, experienced, matured, and having a good personality. In fact, the superior needs to have superior knowledge and skills than that of his subordinates. The very presence of superiors can motivate the subordinates.

Other factors : There are several other factors of motivating the employees:

- Providing training to the employees.
- Proper job placements.
- Proper promotions and transfers.
- Proper performance feed back.
- Proper welfare facilities.
- Flexible working hours.

MONEY AS A MOTIVATOR

It is normally believed that money acts as a motivator. In general the role of money as a motivator depends upon certain factors:

Money fails to motivate people, when there is no direct relationship between reward and effort. Economic conditions of people influence the Importance of money. For poor person, the value of certain amount of money is quite high as compared to rich. Money is a significant motivator at lower level of employees level however money may not be a significant factor for senior executives who have already fulfilled their lower level needs.

Employees are concerned not only wih the amount of money paid to them, but it should be fair and equitable as paid to that of othe employees of same level or status.

Social attitudes towards money and wealth also decides the motivation to earn more and more.

ESSENTIALS OF SOUND MOTIVATION SYSTEM

1. Clearly states the objectives.
2. Increase efficiency and effectiveness of all resources.
3. Influence behaviour and actions of employees.
4. Simple to understand.
5. Challanging.
6. To create competitive spirit among the employees.
7. Flexible and dynamic.
8. Reasonably stable and permanent.
9. Equitable to all the employees.
10. Integrate organisational goal with individual goal.
11. Blending of financials nonfinancial incentives.
12. Effective mechanism of feedback.

MOTIVATIONAL THEORIES :

Maslow's-Hierarchy of Needs Theory: This theory was proposed by Abraham Maslow and is based on the assumption that people are motivated by a series of five universal needs. These needs are ranked, according to the order in which they influence human behavior, in hierarchical fashion

NOTES

- **Physiological needs** are deemed to be the lowest- level needs. These needs include the needs such as food & water .

So long as physiological **needs are unsatisfied, they exist as a driving or motivating force** in a person's life. A hungry person has a felt need. This felt need sets up both psychological and physical tensions that manifest themselves in overt behaviors directed at reducing those tensions (getting something to eat). Once the hunger is sated, the tension is reduced, and the need for food ceases to motivate. At this point (assuming that other physiological requirements are also satisfied) the next higher order need becomes the motivating need.

- Thus, **safety needs** — the needs for shelter and security — become the motivators of human behavior.

Safety needs include a desire for security, stability, dependency, protection, freedom from fear and anxiety, and a need for structure, order, and law.. In the workplace this needs translates into a need for at least a minimal degree of employment security; the knowledge that we cannot be fired on a whim and that appropriate levels of effort and productivity will ensure continued employment.

- **Social needs** include the need for belongingness and love.

Generally, as gregarious creatures, human have a need to belong. In the workplace, this need may be satisfied by an ability to interact with one's coworkers and perhaps to be able to work collaboratively with these colleagues.

- After social needs have been satisfied,**ego and esteem needs** become the motivating needs.

Esteem needs include the desire for self-respect, self-esteem, and the esteem of others. When focused externally, these needs also include the desire for reputation, prestige, status, fame, glory, dominance, recognition, attention, importance, and appreciation.

- The highest need in Maslow's hierarchy is that of **self-actualization**; the need for self-realization, continuous self-development, and the process of becoming all that a person is capable of becoming.

Alderfer's Hierarchy of Motivational Needs : Clayton **Alderfer** reworked Maslow's Need Hierarchy to align it more closely with empirical research. Alderfer's theory is called the **ERG theory** — Existence, **R**elatedness, and **G**rowth.

- Existence refers to our concern with basic material existence requirements; what Maslow called physiological and safety needs.
- Relatedness refers to the desire we have for maintaining interpersonal relationships; similar to Maslow's social/love need, and the external component of his esteem need.

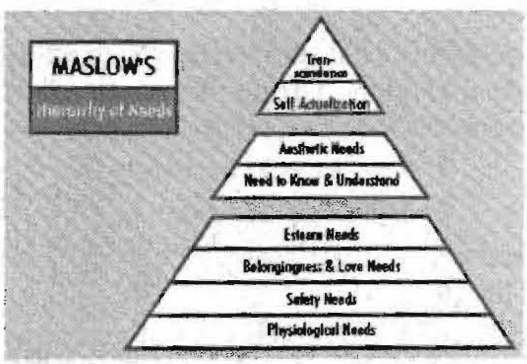

Figure 19.3

- Growth refers to an intrinsic desire for personal development; the intrinsic component of Maslow's esteem need, and self-actualization

Alderfer's ERG theory differs from Maslow's Need Hierarchy insofar as ERG theory demonstrates that **more than one need may be operative at the same time**. ERG theory **does not assume a rigid hierarchy** where a lower need must be substantially satisfied before one can move on.

NOTES

Alderfer also deals with **frustration-regression**. That is, **if a higher-order need is** frustrated, an individual then seeks to increase the satisfaction of a lower-order need. According to Maslow an individual would stay at a certain need level until that need was satisfied. ERG theory counters by noting that when a higher- order need level is frustrated the individual's desire to increase a lower- level need takes place. Inability to satisfy a need for social interaction, for instance, might increase the desire for more money or better working conditions. So frustration can lead to a regression to a lower need. In summary, ERG theory argues, like Maslow, that satisfied lower-order needs lead to the desire to satisfy higher-order needs; but multiple needs can be operating as motivators at the same time, and frustration in attempting to satisfy a higher- level need can result in regression to a lower- level need.

Alderfer's Hierarchy of Motivational Needs

Level of Need	Definition	Properties
Growth	Impel a person to make creative or productive effects on himself and his environment	Satisfied through using capabilities in engaging problems; creates a greater sense of wholeness and fullness as a human being
Relatedness	Involve relationships with significant others	Satisfied by mutually sharing thoughts and feelings; acceptance, confirmation, under-standing, and influence are elements
Existence	Includes all of the various forms of material and psychological desires	When divided among people one person's gain is another's loss if resources are limited.

A Reorganization of Maslow's and Alderfer's Hierarchies

Level	Introversion	Extroversion
Growth	Self-Actualization (development of competencies [knowledge, attitudes, and skills] and character)	Transcendence (assisting in the development of others competencies and character; relationshipsto the unknown,
Other (Relatedness)	Personal identification with group, significant others (Belongingness)	Value of person by group (Esteem)
Self (Existence)	Physiological, biological (including basic emotional needs)	Connectedness, security

Two-factor Theory: Herzberg's Two Factor Theory, also known as the **Motivation-Hygiene Theory**, was derived from a study designed to test the concept that people have two sets of needs:

1. their needs as animals to avoid pain

2. their needs as humans to grow psychologically Herzberg' study

Herzberg's study consisted of a series of interviews that sought to elicit responses to the questions:

(1) Recall a time when you felt exceptionally good about your job. Why did you feel that way about the job? Did this feeling affect your job performance in any way?

Did this feeling have an impact on your personal relationships or your well- being?

(2) Recall a time on the job that resulted in negative feelings? Describe the sequence of events that resulted in these negative feelings.

NOTES

Research Resultlts : it appeared from the research, that the things making people happy on the job and those making them unhappy had **two separate themes.**

1) **SATISFACTION (MOTIVATION):** Five factors stood out as strong determiners of job satisfaction:
   - Achievement
   - Recognition
   - Work itself
   - Responsibility
   - Advancement

The last three factors were found to be most important for bringing about lasting changes of attitude. It should be noted, that recognition refers to recognition for achievement as opposed to recognition in the human relations sense.

2) **DISSATISFACTION (HYGIENE):** The determinants of job **dissatisfaction** were found to be:
   - Company policy
   - Administrative policies
   - Supervision
   - Salary
   - Interpersonal relations
   - Working conditions

From the results Herzberg concluded that the replies people gave when they felt good about their jobs were significantly different from the replies given when they felt bad. Certain characteristics tend to be consistently related to job satisfaction and others to job dissatisfaction. Intrinsic factors, such as work itself, responsibility and achievement seem to be related to job satisfaction. Respondents who felt good about their work tended to attribute these factors to themselves. On the other dissatisfied respondents tended to cite extrinsic factors such as supervision, pay, company policies and working condition. Herzberg proposed that his findings indicated the existence of a dual continuum: the opposite of "satisfaction" is " No satisfaction" and the opposite of "Dissatisfaction" is "No Dissatisfaction.

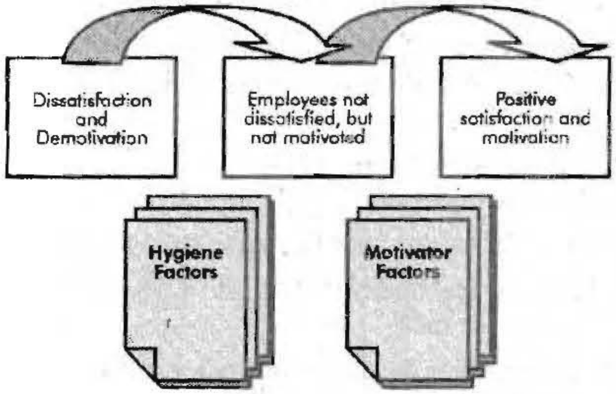

Figure 19.4

According to Herzberg, the factors leading to Job satisfaction are separate and distinct form those that lead to job dissatisfaction. Therefore, managers who seek to eliminate factors that can create job dissatisfaction may bring about peace but not necessarily motivation. They will be placating their workforce rather than motivating them. As a result, conditions surrounding the job such as quality of supervision, pay, company policies, physical working conditions relations with others and job security were characterized by Herzberg as hygiene factors, when they're adequate, people will not be dissatisfied; neither will they be satisfied. If we want to motivate people on their jobs, Herzberg suggested emphasizing factors associated with the work itself or to outcomes directly derived form it, such as promotional opportunities, opportunities for personal growth, recognition, responsibility and achievement. These are the characteristics that people find intrinsically rewarding.

NOTES

Expectancy Theory

In recent years, probably the most popular motivational theory has been the **Expectancy Theory** (also known as the Valence-Instrumentality- Expectancy Theory). Although there are a number of theories found with this general title, they all have their roots in **Victor Vroom**'s 1964 work on motivation.

ALTERNATIVES AND CHOICES:

Vroom's theory assumes that behavior results from conscious choices among alternatives whose purpose it is **to maximize pleasure** and **minimize pain**. The key elements to this theory are referred to as **Expectancy (E), Instrumentality (I),** and **Valence (V)**. Critical to the understanding of the theory is the understanding that each of these factors represents a belief.

Vroom's theory suggests that the individual will consider the outcomes associated with various levels of performance (from an entire spectrum of performance possibilities), and elect to pursue the level that generates the greatest reward for him or her.

Expectancy: "What's the probability that, if I work very hard, I'll be able to do a good job?"

Expectancy refers to the strength of a person's belief about whether or not a particular job performance is attainable. Assuming all other things are equal, an employee will be motivated to try a task, if he or she believes that it can be done. This expectancy of performance may be thought of in terms of probabilities ranging from zero (a case of "I can't do it!") to 1.0 ("I have no doubt whatsoever that I can do this job!")

A number of factors can contribute to an employee's expectancy perceptions:

- The level of confidence in the skills required for the task
- The amount of support that may be expected from superiors and subordinates
- The quality of the materials and equipment
- The availability of pertinent information

Previous success at the task has also been shown to strengthen expectancy beliefs.

Instrumentality: "What's the probability that, if I do a good job, that there will be some kind of outcome in it for me?"

If an employee believes that a high level of performance will be instrumental for the acquisition of outcomes which may be gratifying, then the employee will place a high **linking one outcome (a high level of performance, for example) to another outcome (a reward)**.

Instrumentality may range from a probability of 1.0 (meaning that the attainment of the second outcome — the reward — is certain if the first outcome — excellent job performance — is attained) through zero (meaning there is no likely relationship between the first outcome and the second). An example of zero instrumentality would be exam grades that were distributed randomly (as opposed to be awarded on the basis of excellent exam performance). Commission pay schemes are designed to make employees perceive that performance is positively instrumental for the acquisition of money.

For management to ensure high levels of performance, it must tie desired outcomes (positive valence) to high performance, and ensure that the connection is communicated to employees.

The VIE theory holds that people have preferences among various outcomes. These preferences tend to reflect a person's underlying need state.

.Valence: "Is the outcome I get of any value to me?"

The term **Valence refers to the emotional orientations people hold with respect to outcomes (rewards).** An outcome is positively valent if an employee would prefer having it to not having it. An outcome that the employee would rather avoid (fatigue, stress, noise, layoffs) is negatively valent. Outcomes towards which the employee appears indifferent are said to have zero valence.

Valences refer to the level of satisfaction people expect to get from the outcome (as opposed to the actual satisfaction they get once they have attained the reward).

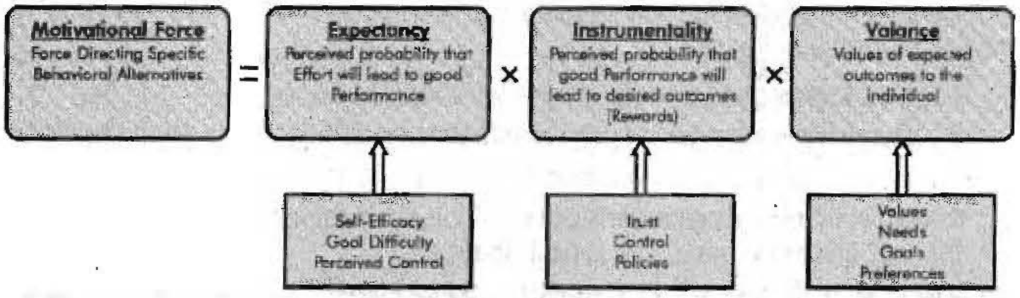

Figure 19.4

Vroom suggests that an employee's beliefs about Expectancy, Instrumentality, and Valence interact psychologically to create a motivational force such that the employee acts in ways that bring pleasure and avoid pain. People elect to pursue levels of job performance that they believe will maximize their overall best interests (their subjective expected utility). There will be **no** motivational forces acting on an employee if any of these three conditions hold:

(1) The person does not believe that he/she can successfully perform the required task

(2) The person believes that successful task performance will not be associated with positively valent outcomes

(3) The person believes that outcomes associated with successful task completion will be negatively valent (have no value for that person)

MF = Expectancy x Instrumentality x Valance

McClelland's Theory of Needs: According to David McClelland, regardless of culture or gender, people are driven by three motives:

• Achievement, • Affiliation, and • Influence.

Since McClelland's first experiments, over 1,000 studies relevant to achievement motivation have been conducted. These studies strongly support the theory.

- **Achievement :** The need for achievement is characterized by the wish to take responsibility for finding solutions to problems, master complex tasks, set goals, get feedback on level of success.
- **Affiliation :** The need for affiliation is characterized by a desire to belong, an enjoyment of teamwork, a concern about interpersonal relationships, and a need to reduce uncertainty.
- **Power :** The need for power is characterized by a drive to control and influence others, a need to win arguments, a need to persuade and prevail According to McClelland, the presence of these motives or drives in an individual indicates a predisposition to behave in certain ways. Therefore, from a manager's perspective, recognizing which need is dominant in any particular individual affects the way in which that person can be motivated.

Check Your Progress

3. What some features of motivation?
4. Write some features of motivation.

NOTES

Summary :

People with achievement motives are motivated by standards of excellence, delineated roles and responsibilities and concrete, timely feedback. Those with affiliation motives are motivated when they can accomplish things with people they know and trust.

And the power motive is activated when people are allowed to have an impact, impress those in power, or beat competitors.

Theory of "X" and Theory of "Y": Douglas McGregor observed two diametrically opposing view points of managers about their employees, one is negative called "Theory of X" and one is positive called "Theory of Y" a) Theory of X : Following are the assumptions of managers who believe in the "Theory of X" in regard to their employees.

- Employees dislike work; if possible avoid the same
- Employees must be coerced, controlled or threatened to do the work
- Employees avoid responsibilities and seek formal direction
- Most employees consider security of job, most important of all other factors in the job and have very little ambition

Theory of Y: Following are the assumptions of managers who believe in the "Theory of Y" in regard to their employees.

- Employees love work as play or rest
- Employees are self directed and self controlled and committed to the organizational objectives
- Employees accept and seek responsibilities
- Innovative spirit is not confined to managers alone, some employees also possess it.

Theory of X assumes Maslow's lower level needs dominate in employees. Whereas Theory of Y, assumes Maslow's higher level needs dominate in employees.

Goal Setting Theory : Edwin Locke proposed that setting specific goals will improve motivation. Salient features of this theory are the following :

- Specific goal fixes the needs of resources and efforts
- It increases performance
- Difficult goals result higher performance than easy job
- Better feedback of results leads to better to better performance than lack of feed back.
- Participation of employees in goal has mixed result
- Participation of setting goal, however, increases acceptance of goal and involvements.
- Goal setting theory has identified two factors which influences the performance.

These are given below;

- o Goal commitment
- o Self efficiency

- **Goal commitment :** Goal setting theory presupposes that the individual is committed to the goal. This commitment depends on the following:
  - o Goals are made public
  - o Individual has an internal locus of control
  - o Goals are self-set
- **Self –Efficiency :** Self Efficiency is the belief or self confidence, that he/ she is capable of performing task. Persons with high self-efficiency put up

extra-efforts when they face challenges. In the case of low self-efficiency level they will lessen or even abandon when meeting challenges.

Reinforcement Theory: This theory focus its attention as to what controls behaviour. In contrast to goal setting theory, which is cognitive approach focus attention on what initiates behaviour. Behaviour, as per cognitive approach is initiated by internal events. Reinforcement theory argues that behaviour is reinforced and controlled by external events. The classical conditioning proposed by Pavlov which we have already studied in our earlier lessons explains this in a better way.

Equity theory: This theory of motivation centres around the principle of balance or equity. According to this theory level of motivation in an individual is related to his or her perception of equity and farness practiced by management. Greater the fairness perceived higher the motivation and vice versa. In this assessment of fairness, employee makes comparison of input in the job (in terms of contribution) with that of outcome (in terms of compensation) and compares the same with that of another colleague of equivalent cadre.

CONCLUSION : Motivation is the need or reason that makes people to work or to take action. It includes the processes and force in an individual that influence or encourage him to act or not to act in particular ways. It arouses or energies the willingness to put in effort in a particular direction. Motivation as applied to practice of management is concerned with job related factors and non job related factors.

(1) What will make employees perform better ?
(2) What will keep them contended ?
(3) What will help them stay with the company ?
(4) Individuals at work place and individuals at home, how motivators influence all these places ?

CHAPTER AT A GLANCE

- Delegation means vesting a decision making discretion in a subordinate.
- **Degree of delegation** – Low, Moderate and High.
- **Importance of delegation** – establishes hierarchy, ensure quicker decision, better decision, motivating subordinates, high morale in subordinates, training and development, growth of managerial capabilities, maintains depth & continuity, reduces the workload, opportunity to subordinates and satisfaction to subordinates.
- **Process of Delegation** – Determining the result expected from a position, Assign task to position, Delegate proper authority, creation of responsibility.
- **Principle of Delegation** – (1) Results expected, Functional definition, scalar principle, Unity of command, Residual authority and responsibility, Exception/Authority level, completness and clarity of limits, Communication.
- **Barrier**
  - By Supervisor – Fear of loss of authority, Fallacy, Lack of confidence & trust, Avoid risk, previous examples.
  - By Subordinates – Lack of self-confidence, Fear of criticism, Lack of incentives, overburdened subordinates
  - By Organisation.
- Motivation is the need or drive within an individual that drives him/her towards goal oriented action.

NOTES

- **Features of motivation** – Act of manager, continuous process positive/ negative goal oriented, comples an art, system-oriented different from job satisfaction, internal feeling, willingness to exert effort, system oriented.
- **Need and importance of motivation** – inspires employees, Higher performance, achieving organisational goal, Proper supply, close ties with organisation, utilising resources in optimum manner, Better Industrial relations.
- **Motivation Technique** – Positive Negative, Extrinsic, Intrinsie, Financial and Non-Financial.

ANSWER TO CHECK YOUR PROGRESS:

1. Delegation is the process by which a manager assign his authority to his subordinates to perform certain task or activities assigned to them. It involves shifting of decision making authority from one level to another lower level.
2. **Process of Delegation** – Determining the result expected from a position, Assign task to position, Delegate proper authority, creation of responsibility.
3. Motivation is a process that starts with a physiological or psychological need that activates a behavior or a drive that is aimed at a goal. Every employee is expected to show increased and qualitative productivity by the manager.
4. **Features of motivation** – Act of manager, continuous process positive/ negative goal oriented, comples an art, system-oriented different from job satisfaction, internal feeling, willingness to exert effort, system oriented.

EXERCISE

Answer the following Questions :

1. What is delegation ? Explain its degrees ?
2. Discuss the process of delegation. What are the principles of delegation ?
3. Assess the importance of delegation of authority in an organisation. Also describe the hindrances faced in delegation of authority ?
4. Explain the meaning and importance of motivation ? What sould be the essentials of sound motivation system ?
5. Explain various theories of motivation ?

NOTES

20 Team Building

The Chapter Covers :

Team building

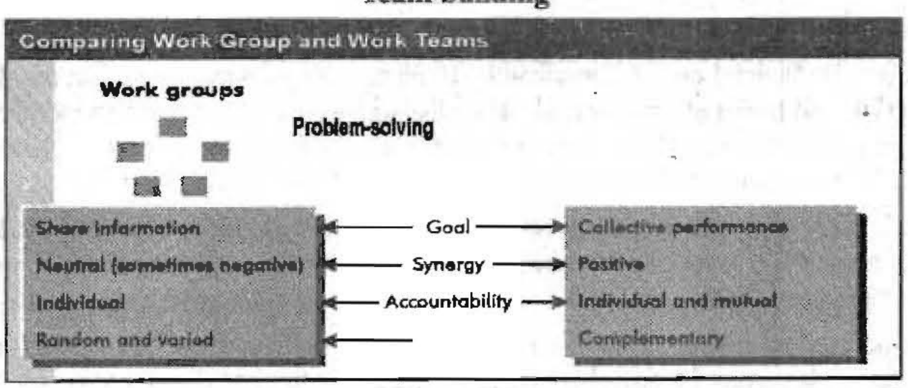

Figure 20.1

Coaches of athletic teams have long understood the importance of building team work. However that hasn't necessarily been true for business firms . One of the reasons, of course is that business organizations have tradition-

ally been organized around individuals. that's no longer true. Teams have increasingly become the primary means for organizing work in contemporary business firms

NOTES

WHY HAVE TEAMS BECOME SO POPULAR!

1. Twenty-five years ago, when companies like W. L. Gore, Volvo, and General Foods introduced teams into their production processes, it made news because no one else was doing it. Today, it's just the opposite. It's the organization that doesn't use teams that has become newsworthy. Currently, 80 percent of Fortune 500 companies have half or more of their employees on teams. And 68 percent of small U.S. manufacturers are using teams in their production areas.
2. How do we explain the current popularity of teams? The evidence suggests that teams typically outperform individuals when the tasks being done require multiple skills, judgment, and experience.
3. As organizations have restructured themselves to compete more effectively and efficiently, they have turned to teams as a way to use employee talents better. Management has found that teams are more flexible and responsive to changing events than are traditional departments or other forms of permanent groupings. Teams have the capability to quickly assemble, deploy, refocus, and disband.

But don't overlook the motivational properties of teams. Consistent with our discussion Earlier of the role of employee involvement as a motivator, teams facilitate employee participation in operating decisions. For instance, some assembly-line workers at John Deere are part of sales teams that call on customers.4 These workers know the products better than any traditional salesperson; and by traveling and speaking with farmers, these hourly workers develop new skills and become more involved in their jobs. So another explanation for the popularity of teams is that they are an effective means for management to democratize their organizations and increase employee motivation.

TEAMS VERSUS GROUPS: WHAT'S TME DIFFERENCE!

Groups and teams are not the same thing. In this section, we want to define and clarify the difference between a work group and a work team. In the previous chapter, we defined a group as two or more individuals, interacting and interdependent, who have come together to achieve particular objectives. A **work group** is a group that interacts primarily to share information and to make decisions to help each member perform within his or her area of responsibility.

Work groups have no need or opportunity to engage in collective work that requires joint effort. So their performance is merely the summation of each group member's individual contribution. There is no positive synergy that would create an overall level of performance that is greater than the sum of the inputs.

A work team generates positive synergy through coordinated effort. Their individual efforts results in a level of performance that is greater than the sum of those individual inputs.

These definitions help clarify why so many organizations have recently restructured work processes around teams. Management is looking for that positive synergy that will allow their organizations to increase performance. The extensive use of teams creates the potential for an organization to generate greater outputs with no increase in inputs. Notice, however, we said "potential." There is nothing inherently magical in the creation teams that ensures the achievement of this positive synergy. Merely calling a group a team doesn't automatically increase its performance. If management hopes to gain increases in organizational performance through the use of teams, it will need to ensure that its teams possess these characteristics.

TEAM BUILDING

Team Building refers to the process establishing and developing a great sense to collaboration and trust between team members. Interactive exercises, team assessment and discussions enable groups to cultivate this greater sense of teamwork. Team Building is forming them into a cohesive group working for the best interest. The team is a group of people who will, complete work on the project, Team members may have some managment responsibilities in addition to responsibilities for implementing the work.

ACQUIRING THE TEAM

1. Know which resources are pre-assigned.
2. Negotiate for the best possible resources.
3. Hire right person at right time at right place with right direction.
4. Give proper training.
5. Understand the possibilities and problems of team.

CHARACTERISTICS OF EFFECTIVE TEAM :

1. High level of **interdependence** among team members.
2. Team leader has good people **skill** and is committed to team approach.
3. Each team member is **willing to contribute** his best part.
4. A **relaxed climate** in the team.
5. Team develops a **easy & free environment** for communication.
6. Team members develop **mutual trust** on each other as well as manager.
7. The **role of each team member** should be clearly defines.
8. Team members know now to **examine team** and individual errors without personal attach.
9. Each team member knows he can **influence** the team agenda.
10. Team should have capacity to **create new ideas** and also **adopt new changes** easily.
11. Team and manager are prepared to **take risks.**
12. Team is **clear about goals** and establishes targets.

EVALUATION OF TEAM EFFECTIVENESS :

When evaluating how will team members are working together, the following statements can be used as a guide :

- **Team goals** are developed through a group process of team interaction and agreement in which each team member is willing to work toward achieving these goals.
- **Participation** is actively shown by all team members and roles are shared to facilitate the accomplishment of tasks and feelings of group togetherness.
- **Feedback** is asked for by members and freely given as a way of evaluating the team's performance and clarifying both feelings and interests of the team members. when feedback is givenit is done with a desire to help the other person.
- **Team decision making** involves a process that encourages active participation by all members. It all depends on managers leadership style.
- **Leadership** is distributed and shared among team members and individuals willingly contribute their resources as needed.

NOTES

- **Problem solving** discussing team issues, and critiquing, team effectiveness are encouraged by all team members.
- **Conflict** is not suppressed. Team members are allowed to express negative feelings and confrontation within the team which is managed and dealt with by team members. Dealing with and managing. Conflict is seen as a way to improve team performance.
- **Team member resources** talents, skills, knowledge and experience are fully identified, recognized and used whenever appropriate.
- **Risk taking and creativity** are encouraged. When mistakes are made, they are treated as a source of learning rather than reasons for punishment.

TYPES OF TEAMS

Teams can do a variety of things. They can make products, provide services, negotiate deals, coordinate projects, offer advice, and make decisions. In this section we'll describe the four most common types of teams you're likely to find in an organization: *problem-solving teams, self-managed work teams, cross-functional teams, and virtual teams.*

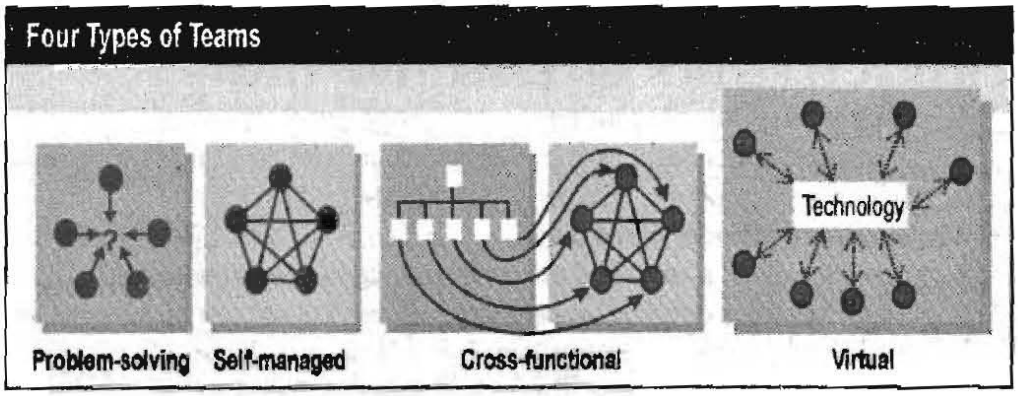

Figure 20.2

Problem-Solving Teams

If we look back 20 years or so, teams were just beginning to grow in popularity, and most of those teams took similar form. These were typically composed of 5 to 12 hourly employees from the same department who met for a few hours each week to discuss ways of improving quality, efficiency, and the work environment. We call these problem-solving teams. In problem-solving teams,. members share ideas or offer suggestions on how work processes and methods can be improved. Rarely, however, are these teams given the authority to unilaterally implement any of their suggested actions.

Self-Managed Work Teams Problem

Solving teams were on the right track but they didn't go far enough in getting employees involved in work-related decisions and processes. This led to experimentation with truly autonomous teams that could not only solve problems but implement solutions and take full responsibility for outcomes. Self-managed work teams are groups of employees (typically 10 to 15 in number) who perform highly related or interdependent jobs and take on many of the responsibilities of their former supervisors. Typically, this includes planning and scheduling of work,. assigning tasks to members, collective control over the pace of work, making operating decisions, taking action on problems, and working with suppliers and customers. Fully self-managed work teams even select their own members and have the members evaluate each other's performance. As a result, supervisory positions take on decreased importance and may even be eliminated.

NOTES

A factory at Eaton Corp's Aeroquip Global Hose Division provides an example of how self- managed teams are being used in industry to Located in the heart of Arkansas' Ozark Mountains, this factory makes hydraulic hose that is used in trucks, tractors, and other heavy equipment. In 1994, to improve quality and productivity, Eaton. ,Aeroquip's management threw out the assembly line and organized the plant's 285 workers into more than SO self-managed teams. Workers were suddenly free to participate in decisions that were previously reserved solely for management for instance, the teams set their own schedules, selected new members, negotiated with suppliers, made calls on customers, and disciplined members who created problems. And the results. Between 1993 and 1999, response time to customer concerns improved 99%; productivity and manufacturing output both increased by more than SO percent; and accident rates dropped by more than half. Xerox, General Motors, Coors Brewing, PepsiCo, Hewlett-Packard, Honeywell, M&M/Mars, Aetna Life, and Industrial Light & Magic are just a few familiar names that have implemented self-managed work teams. Estimates suggest that about 30 percent of U.S. employers now use this form of team; and among large firms, the number is probably closer to SO percent.

Business periodicals have been chock full of articles describing successful applications of self-managed teams. But a word of caution needs to be offered. Some organizations have been disappointed with the results from self-managed teams. For instance, they don't seem to work well during organizational downsizing. Employees often view cooperating with the team concept as an exercise in assisting one's own executioner. The overall research on the effectiveness of self managed work teams has not been uniformly positive. Moreover, although individuals on these teams do tend to report higher levels of job satisfaction, they also sometimes have higher absenteeism and turnover rates. Inconsistency in findings suggests that the effectiveness of self managed teams is situationally dependent. In addition to downsizing, factors such as the strength and make-up of team norms, the type of tasks the team undertakes, and the reward structure can significantly influence how well the team performs. Finally, care needs to be taken when introducing self-managed teams globally. For instance, evidence suggests that these types of teams have not fared well in Mexico largely due to that culture's law tolerance of ambiguity and uncertainty and employees' strong respect for .hierarchical authority.

Cross-Functional Teams

Custom Research Inc., a Minneapolis-based market-research firm, had been historically organized around functional departments, but senior management concluded that these functional departments weren't meeting the changing needs of the firm's clients. So management reorganized Custom Research's 100 employees into account teams. The idea behind the teams was. to have every aspect of a client's work handled within one team rather than by separate departments. The goal was to improve communication and tracking of work, which would lead to increased productivity and more satisfied clients. Custom Research's reorganization illustrates the use of **cross-functional** teams. These are teams made up of employees from about the same hierarchical level, but from different work areas, who come together to accomplish a task. Many organizations have used horizontal, boundary-spanning groups for decades. For example, IBM created a large task force in the 1960s-made up of employees from across departments in the company-to develop its highly successful'

Check Your Progress

1. Define work group.
2. What do you mean by work team?
3. How many types of team?

NOTES

Cross-functional teams are an effective means for allowing people from diverse areas within an organization (or even between organizations) to exchange information, develop new ideas and solve problems, and coordinate complex projects. Of course, cross-functional teams are no picnic to manage. Their early stages of development are often very time consuming as members learn to work with diversity and complexity. It takes time to build trust and teamwork, especially among people from different backgrounds with different experiences and perspectives.

Virtual Teams

The previous types of teams do their work face-to-face. Virtual teams use computer technology to tie together physically dispersed members in order to achieve a common goal. They allow people to collaborate online-using communication links like wide-area networks, video conferencing, or e-mail-whether they're only a room away or continents apart.

Virtual teams can do all the things that other teams do-share information, make decisions, complete tasks. And they can include members from the same organization or link an organization's members with employees from other organizations (Le., suppliers and joint partners). They can convene for a few days to solve a problem, a few months to complete a project, or exist permanently. The three primary factors that differentiate virtual teams from face-to-face teams are: (1) the absence of preverbal and nonverbal cues; (2) limited social context; and (3) the ability to overcome time and space constraints. In face-to-face conversation, people use preverbal tone of voice, inflection, voice volume) and nonverbal (eye movement, facial expression, hand gestures, and other body language) cues. These help clarify communication by providing increased meaning, but aren't available in online interactions. Virtual teams often suffer from less social rapport and less direct interaction among members. They aren't able to duplicate the normal give and take of face-to-face discussion. Especially when members haven't personally met, virtual teams tells to be more task-oriented and exchange less social-emotional information. Not surprisingly, virtual team members report less satisfaction with the group interaction process than do face-to-face teams. Finally, virtual teams are able to do their work even if members are thousands of miles apart and separated by a dozen or more time zones. It allows people to work together who might otherwise never be able to collaborate.

Companies like Hewlett-Packard, Boeing, Ford, VeriFone, and Royal Dutch/Shell have become heavy users of virtual teams. VeriFone, for instance, is a California based maker of computerized swipe machines that read credit card information. Yet the use of virtual teams allows its 3,000 employees, who are located all around the globe, to work together on design projects, marketing plans, and making sales presentations. Moreover, VeriFone has found that virtual teams provide strong recruiting inducements. Says a VeriFone vice president, "We don't put relocation requirements on people. If a person enjoys living in Colorado and can do the job in virtual space, we're not intimidated by that."

BEWARE TEAMS AREN'T ALWAYS THE ANSWER

Teamwork takes more time and often more resources than individual work. Teams, for instance, have increased communication demands, conflicts to be managed, and meetings to be run. So the benefits of using teams have to exceed the costs. And that's not always the case. In the excitement to enjoy the benefits of teams, some managers have introduced them into situations in which they work.

NOTES

SELECTING TEAM MEMBERS

The overview of selection process, followed by the discussion of a number of instruments and techniques. **First,** the selection criteria are established, i.e. present & future job requirements (qualyfication, skill, experience, knowledge etc.). **Second,** the candidate is requested to complete an application form. **Third,** a screening interview is conducted to identify most qualified persons. **Fourth,** testing the candidate's qualification for the position. **Fifth,** a series of formal interviews. **Sixth,** check & verify the information provided by the candidate. **Seventh,** job offer made.

The final decision of selection of a person for a new position should rest the candidates prospective superior. It is also advisable to get the opinions of have working relationships.

Colclusion : It is team which makes a manager successful but a effecting team selection is not easy. It is always suggested that "all the team members should not be Einstein" i.e. some should be leaders and some should be followers.

TRAINING AND DEVELOPMENT

We know that successful candidates placed on the jobs need training to perform their duties effectively. Workers must be trained to operate machines, reduce scrap and avoid accidents. It is not only the workers who need training. Supervisors, managers and executives also need to be developed in order to enable them to grow and acquire maturity of thought and action. Training and development constitute an ongoing process in any organization. This chapter is devoted to a detailed discussion on the nature and process of training and development in a typical industrial establishment.

Training could be compared to this metaphor - if I miss one meal in a day, then I will starve to death. The survival of the organization requires development throughout the ranks in order to survive, while training makes the organization more effective and efficient in its day-to-day operations.

As a brief review of terms, training involves an expert working with learners to transfer to them certain areas of knowledge or skills to improve in their current jobs. Development is a broad, ongoing multi-faceted set of activities (training activities among them) to bring someone or an organization up to another threshold of performance, often to perform some job or new role in the future.

'**Training** is the formal and systematic modification of behaviour through learning which occurs as a result of education, instruction, development and planned experience." (Armstrong, 2001: 543)

"**Development** is any learning activity, which is directed towards future, needs rather than present needs, and which is concerned more with career growth than immediate performance."

Nature of Training and Development:

In simple terms, training and development refer to the imparting of specific skills, abilities and knowledge to an employee. A formal definition of training and development is - it is any attempt to improve current or future employee performance by increasing an employee's ability to perform through learning, usually by changing the employee's attitude or increasing his her skills and knowledge.

The need for training and development is determined by the employee's performance deficiency, computed as follows:

Training and Development Need= Standard Performance – Actual Performance

NOTES

TRAINING, DEVELOPMENT, AND EDUCATION

HRD programs are divided into three main categories: Training, Development, and Education. Although some organizations lump all learning under "Training" or "Training and Development," dividing it into three distinct categories makes the desired goals and objects more meaningful and precise.

Training is the acquisition of technology, which permits employees to perform their present job to standards. It improves human performance on the job the employee is presently doing or is being hired to do. Also, it is given when new technology in introduced into the workplace.

Education is training people to do a different job. It is often given to people who have been identified as being promotable, being considered for a new job either lateral or upward, or to increase their potential. Unlike training, which can be fully evaluated immediately upon the learners returning to work, education can only be completely evaluated when the learners move on to their future jobs or tasks. We can test them on what they learned while in training, but we cannot be fully satisfied with the evaluation until we see how well they perform their new jobs.

Development is training people to acquire new horizons, technologies, or viewpoints. It enables leaders to guide their organizations onto new expectations by being proactive rather than reactive. It enables workers to create better products, faster services, and more competitive organizations. It is learning for growth of the individual, but not related to a specific present or future job. Unlike training and education, which can be completely evaluated, development cannot always be fully evaluated. This does not mean that we should abandon development programs, as helping people to grow and develop is what keeps an organization in the cutting edge of competitive environments. Development can be considered the forefront of what many now call the Learning Organization. Development involves changes in an organism that are systematic, organized, and successive and are thought to serve an adaptive function.

We can make a distinction among training, education and development. Such distinction enables us to acquire a better perspective about the meaning of the terms. Training, as was stated earlier, refers to the process of imparting specific skills. Education, on the other hand, is confined to theoretical learning in classroom.

Though training and education differ in nature and orientation, they are complementary. An employee, for example, who undergoes training, is presumed to have had some formal education. Furthermore, no training program is complete without an element of education. In fact, the distinction between training and education is getting increasingly blurred nowadays. As more and more employees are called upon to exercise judgment and to choose alternative solutions to the job problem, training programmes seek to broaden and develop the individual through education.

Development refers to those learning opportunities designed to help employees grow. Development is not primarily skills-oriented. Instead, it provides general knowledge and attitudes, which will be helpful to employees in higher positions. Efforts towards development often depend on personal drive and ambition. Development activities, such as those supplied by management developmental programmes are generally voluntary.

IMPORTANCE OF TRAINING AND DEVELOPMENT

NOTES

Training and development programmes, as was pointed out earlier, help remove performance deficiencies in employees. This is particularly true when –

I) The deficiency is caused by a lack of ability rather than a lack of motivation to perform,

II) The individuals involved have the aptitude and motivation need to learn to do the job better, and

III) Supervisors and peers are supportive of the desired behaviors.

There is greater stability, flexibility and capacity for growth in an organization. Training contributes to employs contribute to the stay with the organization. Growth renders stability to the workforce. Further, trained employees tend to stay with the organization. They seldom leave the company. Training makes the employees versatile in operations. All rounder can be transferred to any job. Flexibility is therefore ensured. Growth indicates prosperity, which is reflected in increased profits form year to year. Who else but well-trained employees can contribute to the prosperity of an enterprise.

Accidents, scrap and damage to machinery and equipment can be avoided or minimised through training. Even dissatisfaction, complaints, absenteeism, and turnover can be reduced if employees are trained well. Future needs of employees will be met through training and development programmes. Oganisations take fresh diploma holders or graduates as apprentices or management trainees. They are absorbed after course completion. Training serves as an effective source of recruitment. Training is an investment in HR with a promise of better returns in future.

The Purpose of Training

The aim of training is to help the organisation achieve its purpose by adding value to its key resource – the people it employs. The purpose of training is to:

- To increase productivity and quality
- To promote versatility and adaptability to new methods
- To reduce the number of accidents
- To reduce labour turnover
- To increase job satisfaction displaying itself in lower labour turn-over and less absenteeism
- To increase efficiency

Analysing Training Needs

For training to be effective, it is important to not only discern the training needs of the individual/group but also how their needs fit the overall objectives of the organisation.

Many organisations invest considerable resources in training and development but never really examine how training and development can most effectively promote organisational objectives, or how developmental activities should be altered in the light of business plans. (Beardwell et al, 2001: 329)

When does the need for training arise?

- The installation of **new equipment** or techniques
- A change in **working methods** or products produced
- A realisation that **performance** is inadequate

Check Your Progress

4. What do mean virtual teams?
5. Define training.
6. What are the disadvantages of training.
7. What do you mean by Development?

NOTES

- **Labour shortage**, necessitating the upgrading of some employees
- A desire to reduce the amount of scrap and to **improve quality**
- An **increase in the number of accidents**
- Promotion or **transfer of** individual employees.
- **Ensures availability of necessary skills** and there could be a pool of talent from which to promote from.

Advantages of Training

1. Leads to **improved profitability** and/or more positive attitudes toward profits orientation.
2. Improves the **job knowledge** and skills at all levels of the organization.
3. Improves the **morale** of the workforce force, confidence, commitment & motivation.
4. Helps people identify with **organizational goals.**
5. Helps create a **better corporate image**
6. **Fasters authentically,** openness and trust.
7. Improves the **relationship** between boss and subordinate.
8. Aids in **organizational development.**
9. Learns from the **trainee.**
10. Helps **prepare guidelines** for work.
11. Aids in understanding and carrying out **organizational policies.**
12. Provides **information for future needs** in all areas of the organization.
13. Organization gets more **effective decision-making and problem solving.**
14. Aids in development for **promotion** from within.
15. Aids in **developing leadership skill,** motivation, loyalty, better attitudes, and other aspects that successful workers and mangers usually display.
16. Aids in **increasing productivity** and/or quality of work.
17. Helps keep **costs down** in many areas, e.g. production, personnel. Administration, etc.
18. Develops a **sense of responsibility** to the organization for being competent and knowledgeable.
19. Improves **labour-management relations.**
20. **Reduces outside consulting costs by** utilizing competent internal consulting.

DISADVANTAGES OF TRAINING

1. Can be a financial drain on resources; expensive development and testing, expensive to operate.
2. Often takes people away from their job for varying periods of time;
3. Equips staff to leave for a better job
4. Bad habits passed on
5. Narrow experience

DEVELOPMENT

Hamlin observed development as training of future jobs. According to Nadler: development is concerned with providing learning experiences to employees so that they may be ready to move in new directions that organisational change may require.

A limitation of training needs based solely on needs analysis that it fails to address the development issue

Development is the need to enhance competencies beyond those required by the immediate job, for example:

- Values & ethics of organisation & professional group
- Sources of enthusiasm

CONCLUSION :

Training and development opportunities must meet the dual aim of satisfying and developing the organisation's growth and meeting the individual's needs.

Training programmes should be modified to incorporate the needs of individual disciplines that avail of the training function. It can be argued that training is provided to individuals in an organisation to test and maintain the individual's programming, to ensure cultural norms and expectations of the individual, within the organisation, are still in place and further, that the individual knows their place.

CHAPTER AT A GLANCE

- **Team Building** is forming the team into a cohesive group working for the best interest.
- **Characterstics of effective team** – Interdependence, skill, willing to contribute, related climate, easy & free environment, create new ideas, adopt new changes, take risks, clear about goal.
- **Evaluation of Team effectiveness** – Team goals, participation, feedback, Decision making, leadership, problem solving, conflict, Team members, Risk taking & creativity.
- **Types of team** – problem solving teams, self managed work teams, cross functional team, virtual team.
- Training is the formal and systematic modification of behaviour, through learning which occours as a result of education, instruction, development and planned experience.
- Development is any learning activity, which is directed towards future, need rather than present needs and which is concerned more with career growth than immediate performance.
- **Purpose of training** – increase productivity, promote versatility, reduce accidents, reduce labour turnover, increase job satisfaction, increase effencing.
- **Need of training** – Installation of new equipment, working methods, performance, labour shortage, improve quality, transfer or promotion.
- **Advantages of training** – Improved profitability, improves morale & skills, organizational goals, faster, improves relationships leadership, prepare guideliness, organizational development, prepare guidelines, effective, decision-making, future need, cost down, sense of responsibility, labour management relationship.

NOTES

ANSWER TO CHECK YOUR PROGRESS:

1. A **work group** is a group that interacts primarily to share information and to make decisions to help each member perform within his or her area of responsibility.
2. **A work team** generates positive synergy through coordinated effort. Their individual efforts results in a level of performance that is greater than the sum of those individual inputs.
3. Problem-solving teams, self-managed work teams, cross-functional teams, and virtual teams.
4. Virtual teams use computer technology to tie together physically dispersed members in order to achieve a common. goal. They allow people to collaborate online-using communication links like wide-area networks, video conferencing, or e-mail-whether they're only a room away or continents apart.
5. **Training** is the formal and systematic modification of behaviour through learning which occurs as a result of education, instruction, development and planned experience.
6. 1. Can be a financial drain on resources; expensive development and testing, expensive to operate.
   2. Often takes people away from their job for varying periods of time;
   3. Equips staff to leave for a better job
   4. Bad habits passed on
   5. Narrow experience

EXERCISE

1. What do you understand by team building. Give essential characterstics of effective team ?
2. How do you evaluate team effectiveness ?
3. Short note on :
   (a) Selecting Team Member
   (b) Problem Solving Teams
   (c) Cross Functional Team
4. Define Training, Development and Education ?
5. State the need, importance and disadvantages of training.

NOTES

21 Communication An Introduction

The Chapter Covers :

INTRODUCTION

Research indicates that poor communication is probably the most frequently cited source of interpersonal conflict Because individuals spend nearly 70 percent of their waking hours communicating-writing, reading, speaking, listening-it seems reasonable to conclude that one of the most inhibiting forces to successful group performance is a lack of effective communication. No group can exist without communication: the transference of meaning among its members. It is only through transmitting meaning from one person to another that information and ideas can be conveyed. Communication, however, is more than merely imparting meaning. It must also be understood. In a group in which one member speaks only German and the others do not know German, the individual speaking German will not be fully understood. Therefore, **communication** must include both the transference and the understanding of meaning. An idea, no matter how great, is useless until it is transmitted and understood by others. Perfect communication, if there were such a thing, would exist when a thought or an idea was transmitted so that the mental picture perceived by the receiver was exactly the same as that envisioned by the sender. Although elementary in theory, perfect communication is never achieved in practice, for reasons we shall expand on later in the chapter.

NOTES

Before making too many generalizations concerning communication and problems in communicating effectively, we need to review briefly the functions that communication performs and describe the communication process.

FUNCTIONS OF COMMUNICATION

Communication serves four major functions within a group or organization:

Control, motivation, emotional expression, and information.

Communication acts to control member behavior in several ways. Organizations have authority hierarchies and formal guidelines that employees are required to follow. When employees, for instance, are required to first communicate any job related grievance to their immediate boss, to follow their job description, or to comply with company policies, communication is performing a control function. But informal communication also controls behavior. When work groups tease or harass a member who produces too much (and makes the rest of the group look bad), they are informally communicating with, and controlling, the member's behavior. Communication fosters motivation by clarifying to employees what is to be done, how well they are doing, and what can be done to improve performance if it's subpart.. The formation of specific goals, feedback on progress toward the goals, and reinforcement of desired behavior all stimulate motivation and require communication. For many employees, their work group is primary source for social interaction. The communication that takes place within the group is a fundamental mechanism by which members show their frustrations and feelings of satisfaction. Communication, therefore, provides a release for the emotional expression of feelings and for fulfillment of social needs. The final function that communication performs relates to its role in facilitating decision making. It provides the information that individuals and groups need to .make decisions by transmitting the data to identify and evaluate alternative choices. No one of these four functions should be seen as being more important than the others. For groups to perform effectively, they need to maintain some form of control over members, stimulate members to perform, provide a means for emotional expression, and make decision choices. You can assume that almost every communication interaction that takes place in a group or organization performs one or more of these four functions.

THE COMMUNICATION PROCESS

Before communication can take place, a purpose, expressed as a message to be conveyed, is needed. It passes between a source (the sender) and a receiver. The message is encoded (converted to a symbolic form) and passed by way of some medium (Channel) to the receiver, who retranslates (decodes) the message initiated by the' sender. The result is transference Of meaning from one person to, another.

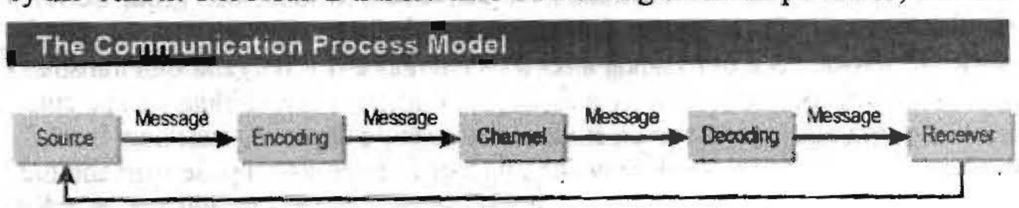

Figure : 21.1

Feedback

Above figure depicts this communication process. This model is made up of seven parts:

(1) The Communication Source, (2) Encoding, (3) The Message, (4). The Channel; (5) Decoding, (6) The Receiver, and (7) Feedback.

The source initiates a message by encoding a thought. The message is the actual physical product from the source encoding.When we speak, the speech is the message. When we write; the writing is the message. When we gesture, the movements of our arms and the expressions on surfaces are the message. The channel is the mediate through which the message travels. It is selected by the source, who must determine whether to use a formal or informal channel. Formal channels are established by the organization and transmit messages that are related to the professional activities .of members. They traditionally follow the authority chain within the organization. Other forms of messages, such as personal or social, follow the informal channels in the organization. The receiver is the object to whom the message is directed. But before the message can be received, the symbols in it must be translated into a form that can be understood by the receiver. This step is the decoding of the message. The timeline in the communication process is a feedback loop. Feedback is the check on how successful we have been in transferring our messages as originally intended. It determines whether understanding has been achieved.

DIRECTION OF COMMUNICATION

Communication can flow vertically or laterally: The vertical dimension can be further divided into downward and upward directions;

Downward

Communication that flows from one level of a group or organization to a lower level is a downward communication. When we think of managers communalizing with, employees, the downward pattern is the one we are usually thinking of. It's used by group leaders and managers to assign goals, provide 'job in striations, inform1 employees of policies and procedure's, point out problems that need attention, and offer feedback about performl lnce. But downward conl munication doesn't have to be oral or face-to-face contact. When management sends letters to employees' homes to advise them of the 9rganization's new sick leave policy, it's using downward communication. So is an e-mail from a team leader to the members of her team, reminding them of an upcoming deadline.

Upward.

Upward communication flows to a higher level in the group or organization. It's used to provide feedback to higher-ups, inform them of progress toward goals, and relay current problems. Upward communication keeps managers aware of how employee's feel about their jobs, coworkers, and the organization in general. Managers also rely on upward communication for ideas on how things can be improved.

Some organizational examples of upward communication ate performance reports prepared by lower management for review by middle and top management, suggestion boxes, employee attitude surveys, grievance procedures, superior-subordinate discussions, and informal "gripe" sessions in which employees have the opportunity.

When communication takes place among members of the same work group, among members of work groups at the same level, among managers at the same level, or among any horizontally equivalent personnel, we describe it as lateral communications.

Why would there be a need for horizontal communications if a group or organization's vertical communications are effective? The answer is that horizontal communications are often necessary to save time and facilitate coordination. In

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some cases, these lateral relationships are formally sanctioned. More often, they are informally created to short-circuit the vertical hierarchy and expedite action. So lateral communications can, from management's. Viewpoint, be good or bad.

Since strict adherence to the formal vertical structure for all communications can impede the efficient and accurate transfer of information, lateral communications can be beneficial. In such cases, they occur with the knowledge and support/of superiors. But they can create dysfunctional conflicts when the formal vertical channels are breached, when members go above or around their superiors to get things done, or when bosses find out that actions have been taken or decision's made without their knowledge. to identify and discuss problems with their boss or representatives of higher management. For example, FedEx prides itself on its computerized upward communication program. All its employees annually complete climate surveys and reviews of management. This program was cited as a key human resources strength by the Malcolm Baldrige National Quality wanted examiners when FedEx won the honor.

INTERPERSONAL COMMUNICATION

How do group members transfer meaning between and among each other? There are three basic methods. People essentially rely on oral, written, and nonverbal communication.

Oral Communication

The chief means of conveying messages is oral communication. Speeches, formal one-on-one and group discussions, and the informal rumor mill or grapevine are popular forms of oral communication. The advantages of oral communication are speed and feedback. A verbal message can be conveyed and a response received in a minimal amount of time. If the receiver is unsure of the message, rapid feedback allows for early detection by the sender and, hence, allows for early correction.

The major disadvantage of oral communication surfaces in organizations or whenever the message has to be passed through a number of people.

The more people a message must pass through, the greater the potential distortion. If you ever played the game "telephone" at a party, you know the problem. Each person interprets the message in his or her own way. The message's content, when it reaches its destination, is often very different from that of the original. In an organization, where decisions and other communtess are verbally passed up and down the authority hierarchy, there are considerable opportunities for messages to become distorted.

What'd He Say?

Larry Kinder, the global chief information officer of Cendant, remembers well the confusion he caused when he addressed some of Cendant's 25 business unit leaders recently to talk about capital expenditures for technology.

"I mentioned that we would be opening up Cendant's technical architecture to wireless platforms," says Kinder. The room fell silent. Architecture? Wireless platform? Instead of asking questions to gain clarity, the business leaders incorrectly interpreted "architecture" to mean "infrastructure," something completely different in technology vernacular. "They thought I was talking about something expensive," says Kinder. But Kinder was using the word "architecture" to refer to developing an overall strategy and design that didn't involve big expenditures on new servers and software. His plan was to actually *lower* the cost of running the company's network.

Misunderstandings such as this are one reason why 30 percent of technology projects begun by companies in the U.S. are canceled before completion, at a cost to the American economy of more than $75 billion a year.

While jargon has always been a problem in organizations, the rise of computer- and network-related technology has unleashed a tidal wave of technobabble that often confuses those who don't live and breathe the terminology. What, for instance, do the following terms mean: asymmetric digital subscriber line, dark fiber, dynamic host configuration protocol, enterprise information portal, ERP, M-commerce, replatforming systems, simple object access protocol, or zettabyte? Most chief information officers and technology executives understand these terms. But for others, it can be overwhelming. How, for instance, can a chief executive decide whether to invest in a "routing-switch platform that has an MPLS-enabled ATM core switch" if he or she doesn't understand those terms?

Source: N. Hutheesing, "It's All Geek to Me," *Forbes*, September 10, 2001, p. 24.

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Written Communication

Written communications include memos, letters, electronic mail, fax transmissions, organizational periodicals, notices. placed on bulletin boards, or any other device that is transmitted via written words or symbols.

Why would a sender choose to use written communications? They're tangible and verifiable. Typically, both the sender and receiver have a record of the communication. The message can be. stored for an indefinite period. If there are questions concerning the content of the message, it is physically available for later reference. This feature is particularly important for complex and lengthy communications. The marketing plan for a new product, for instance, is likely to contain a number of tasks spread out over several months. By putting it in writing, those who have to initiate the plan can readily refer to it over the life of the plan. A final benefit of written communication comes from the process itself. You're usually more careful with the written word than the oral word. You're forced to think more thoroughly about what you want to convey in a written message than in a spoken one. Thus, written communications are more likely to be well thought out, logical, and clear Of course, written messages have their drawbacks. They're time consuming. You could convey far more information to a college instructor in a one-hour oral exam than in a one-hour written exam. In fact, you could probably say these anything in 10 to 15 minutes that it would take you an hour to write. So, although writing may be more precise, it also consumes a great deal of time. The other major disadvantage is feedback, or lack of it.

Oral communication allows the receiver to respond rapidly to what he thinks he hears. Written communication, however, does not have a built-in feedback mechanism. The result is that the mailing of a mambas no assurance it 'has been received, and, if received, there is no guarantee the recipient will interpret it as the sender intended. The litterbin is also relevant in oral communiqués, except it's easy in such cases merely to ask the receiver to summarize what you've said. An accurate summary presents feedback evidence that the message has been received and understood.

Nonverbal Communication

Every time' we verbally' give a message to some one, we also impart a, nonverbal message. In some. instances, the nonverbal component may stand alone. For example, in a singles bar, a glance, a stare, a smile, a frown, and, a prove active body movement all convey meaning. As such, no discussion of communication would be complete without consideration of nonverbal communication-which includes body movements, the intonations or emphasis we give to words, facial expressions, and the physical distance between the sender and receiver.

It can be argued that every body movement has a meaning arid no movement is accidental. For example, through body language we say, "Help me, I'm lonely"; "Take me, I'm available";

"Leave me alone, I'm depressed." And rarely do we send our messages conically. We act out our state of being with nonverbal body language. We lift one eyebrow for disbelief. We rub our noses for puzzlement. We clasp our arms to isolate ourselves or to protect ourselves. We shrug our shoulders for indifference, wink one eye for intimacy, tap our fingers for impatience, slap our forehead for forgetfulness.

The two most important messages that body language conveys are. (1) the extent tent to which an individual likes another and is -interested fn his or her views and (2) the relative perceived status between a sender and receiver. For instance, were more likely to position ourselves closer to people we like and touch them more

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often. Similarly, if you feel that you're higher status than another, you're more likely 'to display body movements-such as crossed legs or a slouched seating position that reflect a casual and relaxed manner.

Body language adds to, and often complicates, verbal communication. A **body position or movement** does not by itself have a precise. or universal meaning, but when it is linked with spoken language, it gives fuller meaning to a sender's message.

If you read the verbatim minutes of a meeting, you wouldn't grasp the impact of what was said in the same way you would if you had been there or saw the meeting on video. Why? There is no record of nonverbal communication. The emphasis given to words or phrases is missing. Figure illustrates how intonations can change the meaning of a message.

Facial expressions also convey meaning. A snarling face says something different from a smile. Facial expressions, along with intonations, can show arrogance, aggressiveness, fear, shyness, and other characteristics that would never be communicated if you read a transcript of what had been said.

The 'way individuals space themselves in terms of **physical distance** also has meaning. What is considered proper spacing is largely dependent on cultural norms. For example, what is considered a businesslike distance in some European countries would be viewed as intimate in many parts of North America. If some one stands closer to you than is considered appropriate, it may indicate aggressiveness.

Intonations: It's the Way You Say It!

Change your tone and you change your meaning:

Placement of the emphasis	What it means
Why don't I take you to dinner tonight?	I was going to take someone else.
Why don't I take you to dinner tonight?	Instead of the guy you were going with.
Why don't I take you to dinner tonight?	I'm trying to find a reason why I shouldn't take you.
Why don't I take you to dinner tonight?	Do you have a problem with me?
Why don't I take you to dinner tonight?	Instead of going on your own.
Why don't I take you to dinner tonight?	Instead of lunch tomorrow.
Why don't I take you to dinner tonight?	Not tomorrow night.

MYTH SCIENCE ?

"It's Not What You Say, It's What You Do"

This statement is mostly true. Actions DO speak louder than words.[8] When faced with inconsistencies between words and actions, people tend to give greater credence to actions. It's behavior that counts. The implications of this is that managers and leaders are role models. Employees will imitate their behaviors and attitudes. They will, for example, watch what their boss does and then imitate or adapt what they do. This conclusion doesn't mean that words fall on deaf ears. Words can influence others.[9] But when words and actions diverge, people focus most on what they see in terms of behavior.

There is an obvious exception to the previous conclusion. An increasing number of leaders (and their associates) have developed the skill of shaping words and putting the proper "spin" on situations so that others focus on the leader's words rather than the behavior. Successful politicians seem particularly adept at this skill. Why people believe these spins when faced with conflicting behavioral evidence is not clear. Do we want to believe that our leaders would not lie to us? Do we want to believe what politicians say, especially when we hold them in high regard? Do we give high-status people, for whom we've previously given our vote, the benefit of the doubt when confronted with their negative behavior? Additional research is necessary to clarify these questions.

Figure : 21.2

Source : Based on M. Kiely.:"When 'No' Means 'Yes in Marketing, October i993. pp. 7-9. Reproduced in A Huczynski and D. Buchanan. Organizational Behaviour, .4th ed. (Essex. England: Pearson Education. 2001). p. 194.

or sexual interest; if farther away than usual, it may mean disinterest or displeasure with what is being said.

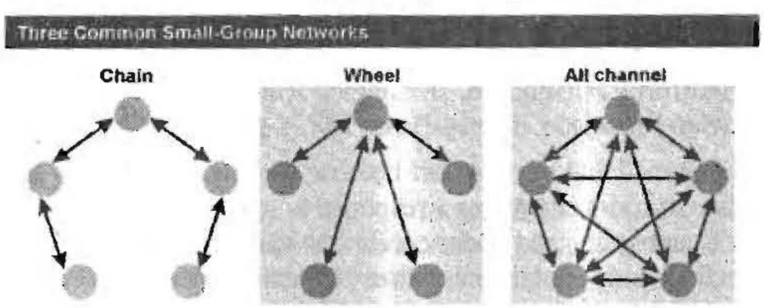
It's important for the receiver to be alert to these nonverbal aspects of communication. You should look for nonverbal cues as well as listen to the literal meaning of a sender's words. You should particularly aware of contradictions between the messages. Your boss may say she is free to talk to you about a pressing' budget problem, but you may see nonverbal signals .suggesting that this is not the time to discuss the subject. Regardless of what is being said, an individual who frequently glances at her wristwatch is giving the message that she would prefer to terminate the conversation. We misinform others when we express one message verbally, such as trust, but nonverbally communicate a contradictory message that reads, "I don't have confidence in you."

In this section we move from interpersonal communication to organizational communication. Our focus here will be on formal networks, the grapevine, and computer-aided mechanisms used by organizations to facilitate communication. Formal Small-Group Networks Formal organizational networks can be very complicated. They can, for instance, include hundreds of people and a half-dozen or more hierarchical levels. To simplify our discussion, we've condensed these networks into three common small groups of five people each. These three networks are the chain, wheel, and all-channel. Although these three networks have been extremely simplified, they do allow us to describe the unique qualities of each.

The chain rigidly follows the formal chain of command. This network approximates the communication channels you might find in a rigid three-level organization. The wheel relies on a central figure to act as the conduit for all the group's communication. It simulates the communication network you would find on a team with a strong leader. The all channel network permits all group members to actively communicate with each other. The all channel network is most often characterized in practice by self-managed teams, in which all group members are free to contribute and no one person takes on a leadership role.

As Figure demonstrates, the effectiveness of each network depends on the dependent variable you're concerned about. For instance, the structure of the wheel facilitates the emergence of a leader, the all-channel network is best if you are concerned with having high member satisfaction, and the chain is best if accuracy is most important. Figure leads us to the conclusion that no single network will be best for all occasions.

The Grapevine : The formal system is not the only communication network in a group or organization. There is also an informal one, which is called the grapevine. And although the grapevine may be informal, this doesn't mean it's not an important source of information. For instance, a survey found that 75% of employees hear about matters first through rumors on the grapevine.The grapevine has three main characteristics, **First,** it is not controlled by management.



Small-Group Networks and Effectiveness Criteria

	Network		
Criteria	Chain	Wheel	All Channel
Speed	Moderate	Fast	Fast
Accuracy	High	High	Moderate
Emergence of a leader	Moderate	High	None
Member satisfaction	Moderate	Low	High

Figure - 21.3

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Second, it is perceived by most employees as being more believable and reliable than formal communiqués issued by top management. And **third**,. it is largely used to serve the self. Interests of the people within it.

One of the most famous studies of the grapevine investigated the communication pattern among 67 managerial personnel in a small manufacturing firm. The basic approach used was to learn from each communication recipient how he or she first received a given-piece of information and then trace it back to its source. It was found that, while the grapevine was an important source of information, only 10 percent of the executives acted as liaison individuals, that is, passed the information on to more than one other person. For example, when one executive decided to resign to enter the insurance business, 81 percent of the executives knew about it, but only 11 percent transmitted this information to others.

Two other conclusions from this study are also worth noting. Information on events of general interest tended to flow between the major functional groups (production, sales) rather than within them. Also, no evidence surfaced to suggest that anyone group consistently acted as liaisons; rather, different types of information passed through different liaison persons. An attempt to replicate this study among employees in a small state government office also found that only 10 percent act as liaison individuals. This finding is interesting, because the replication contained a wider spectrum of employees, including operative as well as managerial personnel. But the flow of information in the government office took place within, rather than between, functional groups. It was proposed that this discrepancy might be due to comparing an executive-only sample against one that also included operative workers. Managers, for example, might feel greater pressure to stay informed and thus cultivate others outside their immediate functional group. Also, in contrast to the findings of the original study; the replication found that a consistent group of individuals acted as liaisons by transmitting information in the government office.

Is the information that flows along the grapevine accurate? The evidence indicates that about 75 percent of what is carried is accurate. But what conditions foster an active grapevine? What gets the rumor mill rolling?

Suggestions for Reducing the Negative Consequences of Rumors

1. Announce timetables for making important decisions.
2. Explain decisions and behaviors that may appear inconsistent or secretive.
3. Emphasize the downside, as well as the upside, of current decisions and future plans.
4. Openly discuss worst-case possibilities—it is almost never as anxiety provoking as the unspoken fantasy.

Source: AdaptedfromL Hirschhorn, "Managing Rumors," in L. Hirschhorn (ed.), Cutting Back (San Francisco: Jossey-Bass, 1983), pp. 54-56. With permission.

It is frequently assumed that rumors start because they- make titillating gossip. This is rarely the case. Rumors emerge as a response to situations that are important to us, when there is ambiguity, and under conditions that arouse anxiety. The fact that work situations frequently contain these three elements explains why rumors flourish in organizations. The secrecy and competition that typically prevail in large organizations-around issues such as the appointment of new bosses, the relocation of offices, downsizing decisions, and the realignment of work assignments-create conditions that encourage and sustain rumors on the grapevine. A rumor will persist either until the wants and expectations creating the uncertainty underlying the rumor are fulfilled or until the anxiety is reduced.

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What can we conclude from the preceding discussion? Certainly the grapevine is an important part of any group or organization's communication network and is well worth understanding. It identifies for managers the confusing issues that employees consider important and that create anxiety. It acts, therefore, as both a filter and a feedback mechanism, picking up the issues that employees ·consider relevant. For ,employees, the grapevine is particularly valuable for translating formal communications into their group's own jargon. Maybe more important, again from a managerial perspective, it seems possible to analyze grapevine information and to predict its flow, given that only a small set of individuals (approximately 10 percent) actively pass on information to more than one other person. By assessing which liaison individuals will consider a given piece of information to be relevant, we can improve our ability to explain and predict the pattern of the grapevine.

-Can management entirely eliminate rumors? No. What management should do, however, is minimize the negative consequences of rumors by limiting their range and impact. Figure offers a few suggestions for minimizing those negative consequences.

COMPUTER-AIDED COMMUNICATION

Communication in today's organizations is enhanced and enriched by compute raided technologies. These "include electronic mail, intranet and extra net links, and videoconferencing. Electronic mail, for instance, has dran l atically reduced the number of memos, letters, and phone calls that employees historically used' to communicate among themselves and with suppliers, customers, or other outside stakeholders.

E-Mail Electronic mail (or e-mail) uses the Internet to transmit and receive computer-generated text and documents. Its growth has been spectacular. Most Electronic mail needn't be emotion free. Over the years, a set of symbols (emotions) has evolved that e-mail users have developed for expressing emotions. For instance, the use of all caps (Le., THIS PROJECT NEEDS YOUR IMMEDIATE ATTENTION!) is the e-mail equivalent of shouting. The following highlights some emotions:

white-collar employees now regularly use e-mail. In fact, a recent study found that the average U.S. employee receives 31 e-mail messages a day. And organizations are recognizing the value of e-mail for all workers. Ford Motor Co., for instance, recently made a computer, modem, printer, and e-mail account available for $5 month to all of its more than 300,000 employees worldwide.

As a communication tool, e-mail has a long list of benefits. E-mail messages can be quickly written, edited, and stored. They can be distributed to one person or thousands with a click of a mouse. They can be read, in their entirety, at the convenience of the recipient. And the cost of sending formal e-mail messages to employees is a fraction of what it would cost to print, duplicate, and distribute a comparable letter or brochure.

E-mail, of course, is not without its drawbacks. At the top of the list is information overload. It's not unusual for employees to get a hundred or more e-mails a day. Reading, absorbing, and responding to such an inflow can literally consume an employee's entire day. In essence, e-mail's ease of use has become its biggest negative. Employees are finding it increasingly difficult to distinguish important e-mails from junk mail and irrelevant messages. Another drawback of e-mails is that they lack emotional content The nonverbal cues in a face-to-face message or the tone of voice from a phone call convey important information that doesn't come across in e-mail, although efforts have been made to create emotional icons. Finally, e-mail tends to be cold and impersonal. As such, it's not the ideal means to convey information like layoffs, plant closings, or other messages that might evoke emotional responses and require empathy or social support.

Intranet and Extranet Links Intranets are private, organization-wide information networks that look and act like a Web site but to which only people in an organization have access. Intranets are rapidly becoming the preferred means for employees within companies to communicate with each other. IBM, as a case in point, recently brought together 52,000 of its employees online. Using the company's intranet, IBMers everywhere swapped ideas on everything from how to retain employees to how to work faster without under mining quality.

In addition, organizations are creating extranet links that connect Internal employees with selected suppliers, customers, and strategic partners. For instance, an extranet allows GM employees to send electronic messages and documents to its steel and rubber suppliers as well as to communicate with its dealers. Similarly, all Wal-Mart vendors are linked into its extra net system, allowing Wal-Marrbuyers to easily communicate with its suppliers and for suppliers to monitor the inventory status of its products at Wal-Mart stores.

Videoconferencing Videoconferellding is an extension of intranet or extranet systems. It permits employees in an organization to have meetings with people at different locations. Live audio and video images of members allow them to see, hear, and talk with each other. Videoconferencing technology, in effect, allows employees to conduct interactive meetings without the necessity of all physically being in the same location.

In the late 1990s, videoconferencing was basically conducted from special rooms equipped with television cameras, located at company facilities. More recently cameras and microphones are being attached to individual computers, allowing people to participate in videoconferences without leaving their desks. As the cost of this technology drops in price videoconferencing is likely to be increasingly seen as an alternative to expensive and time-consuming travel.

Summary Computer-aided communications are reshaping the way we communicate in organizations. Specifically, it's no longer necessary for employees to be at their work station or desk to be available. Pagers, cellular phones and personal communicators allow employees to be reached when they are in a meeting, during a lunch break while visiting a customer across town or during a golf game on Saturday morning. The line between an employees work and non-work life is no longer distinct. In the electronic angel all employees can theoretically be on call 24 hours a day 7 days a week (24×7).

Organizational boundaries become less relevant as a result of computer-aided communications. Networked computers allow employees to jump vertical levels within the organizational work full-time at home or someplace other than an organizationally operated facility and conduct ongoing communications with people in other organizations. The market researcher who wants to discuss an issue with the vice president of marketing (who is three levels up in the hierarchy), can bypass the people in between and send an e-mail message directly. And in so doing, the traditional status hierarchy largely determined by level and access, becomes essentially negated. Or that same market researcher may choose to live in the Cayman Islands and work at home via telecommuting rather than do his or her job in the company's Chieago office. And when an employees computer is linked to suppliers and customers computers, the boundaries separating organizations become further blurred. As a case in point, because Levi Strauss and Wal-Marts computers are linked Levi is able to monitor Wal-Marfs inventory of its jeans and to replace merchandise as needed clouding the distinction between Levi and Wal-Mart employees.

CHOICE OF COMMUNICATION CHANNEL

Neal L. Pattersonl CEO at medical-software maker Cerner Corp. likes e-mail. Maybe too much so. Upset with his staffs work ethical he recently sent a seething e-mail to his firm's 400 managers. Here are some of that e-mail. highlights:

Hell will freeze over before this CEO implements ANOTHER EMPLOYEE benefit in this Culture. . . . We are getting less than 40 hours of work from a large number of our Kansas City- based employees. The parking lot is sparsely used at 8 A.M.; likewise at 5 P.M. As managers- you either do not know what your EMPLOYEES are doing; or YOU do not CARE. . . . You have a problem and you will fix it or I will replace you. . . . What you are doing as managers, with this company makes me SICK."

Patterson's e-mail additionally suggested that managers schedule meetings at 7 A.M., 6 P.M., and Saturday mornings; promised a staff reduction of five percent and institution of a time-clock system, and Patterson's intention to charge unapproved absences to employees' vacation time. Within hours of this e-mail, copies of it hade made its way onto a Yahoo! Web site. And within three days, Comer's stock price had plummeted 22 percent. Although one can argue about whether such harsh criticism should be communicated at all, one thing is certainly clear:

Patterson erred by selecting the wrong channel for his message. Such an emotional and sensitive message would likely have been better received in a face-to-face meeting.

Why do people choose one channel of communication over another-for instance, a phone call instead of a face-to-face talk? Is there any general insight we might be able to provide regarding choice of communication channel? The answer to the latter question is a qualified 'Yes'. A model of media richness has been developed to explain channel selection among managers. Research has found that channels differ in their capacity to convey information. Some are rich in that they have the ability to (1) handle multiple cues simultaneously, (2) facilitate rapid feedback, and (3) be very personal. Others are lean in that they score low on these three factors. As Figure illustrates, face-to-face conversation scores highest in terms of **channel richness** because it provides for the maximum amount of information to be transmitted during a communication episode. That is, it offers multiple information cues (words, postures, facial expressions, gestures, intonations), immediate feedback (both verbal and nonverbal), and the personal touch of "being there. Impersonal written media such as formal reports and bulletins rate lowest in richness.

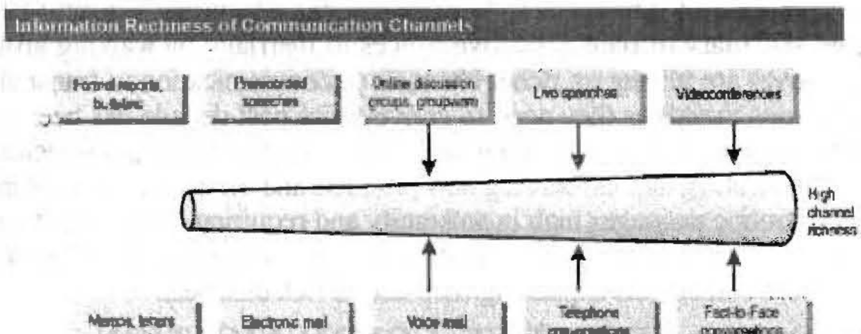

Figure : 21.4

The choice of one channel over another depends on whether the message is routine or no routine. The former types of messages tend to be straightforward and have a minimum of ambiguity. The latter are likely to be complicated and have the potential for misunderstanding. Managers can communicate routine

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Low channel richness

Source: Based on R. H. Lengel and D. L. Daft, "The Selection of Communication Media as an Executive Skill," Academy of Management Executive, August 1988, pp. 225-32; and R. L. Daft and R. H. Lengel, "Organizational Information Requirements, Media Richness, and Structural Design," Managerial Science May 1996, pp. 554-72. Reproduced from R. L. Daft and R. A. Noe, Organizational Behavior (Fort Worth, TX:Harcourt, 2001), p. 311..

OB in the News

Don't Push E-Mail Beyond Its Limits

E-mail is fine for some communications but it has its limitations. And, unfortunately, many people are using it to convey messages that are best expressed in other ways.

Relationships can suffer when people use e-mail as a substitute for face-to-face conversation or a phone call. For instance, one writer tells of communicating with an editor by e-mail about an article he had written. The relationship turned sour because each was taking the other's comments as far more critical than intended. "We had to get offline and apologize," says the writer.

An expert on communication says, "There's a tremendous overreliance on e-mail, which is leading to a lot of confusion, misunderstanding, anger, and frustration." The "overreliance" factor is due to the popularity of the technology—for instance, in the United States, 55 percent of adults now use e-mail. The negative responses to e-mail are due to its inherent limitations and misuse. These include:

Low feedback. Conversation is a give-and-take exchange, but e-mail allows one to "talk" at length without any response.

Reduced social cues. When we talk, we can hear the tone of a joke that might come across as stern on a computer screen. And emoticons can hint that something is meant lightly but can't replace voice or visual cues.

Excess attention. E-mail allows people to create carefully worded messages that can be interpreted as more formal than verbal messages. The same words expressed off-handedly in a verbal conversation often take on greater meaning and importance when read in an e-mail.

Wordiness. E-mail allows the writer to go on forever, often confusing the receiver as to what's important and what isn't. In face-to-face contact, senders get verbal and nonverbal cues—interruptions, quizzical looks, glassy eyes—indicating the message is getting too long.

Source: Based on J. Kornblum, "E-Mail's Limits Create Confusion, Hurt Feelings," *USA Today*, February 5, 2002, p. 4D.

Messages efficiently through channels that are lower in richness. However, they can communicate nonroutine messages effectively only by selecting rich channels. Referring back to our opening example at Cerner Corp., it appears that Neal Patterson's problem was using a channel relatively low in richness (e-mail) to convey a message that, because of its nonroutine nature and complexity, should have been conveyed using a rich communication medium.

Evidence indicates that high-performing managers tend to be more media sensitive than low-performing managers. That is, they're better able to match appropriate media richness with the ambiguity involved in the communication.

The media richness model is consistent with organizational trends and practices during the past decade. It is not just coincidence that more and more. Senior managers have been using meetings to facilitate communication and regularly leaving the isolated sanctuary of their executive offices to marriage by walking around. These executives are relying on richer channels of communication to transmit the more ambiguous messages they need to convey. The past decade has been characterized by organizations closing facilities, imposing large layoffs, restructuring, merging, consolidating, and introducing new products and services at an accelerated pace-all non routine messages high in ambiguity and requiring the use of channels that can convey a large amount of information. It is not surprising, therefore, to see the most effective managers expanding their use of rich channels.

BARRIERS TO EFFECTIVE COMMUNICATION

A number of barriers can retard or distort effective communication. In this section, we highlight the more important of these barriers.

FLITTERING : Filtering refers to a sender's purposely manipulating information so it will be seen more favorably by the receiver. For example, when a manager tells his boss what he feels his boss wants to hear, he is filtering information.

The major determinant of filtering is the number of levels in an organization's structure. The more vertical levels in the organization's hierarchy, the more opportunities there are 'for filtering. But you can expect some filtering to occur wherever there are status differences. Factors such as fear of conveying bad news and the desire to please one's boss often lead employees to tell their superiors what they think these superiors want to. hear, thus distorting upward communications.

SELECTIVE PERCEPTION : We have mentioned selective perception before in this book. It appears again 'here because 'the receivers in the communication process selectively see and hear based on their needs, motivations, experience, background, and other personal characteristics. Receivers also project their interests and expectations into communications as they decode them. The employment interviewer who expects a female job, applicant to put her family ahead of her career is likely to see that in .female applicants, regardless of whether the applicants feel that way or not.

INFORMATION OVERLOAD : Individuals have a finite capacity for processing data. As noted in our previous discussion of e-mail, when the information we have to work with exceeds our processing capacity, the result is **information overload.** And with e-mails, phone calls, faxes,' meetings; and the need to keep current in one's field, more and more managers and professionals are complaining that they're suffering overload.

What happens when individuals have more information than they can sort out and use? They tend to select out, ignore, pass over, or forget information. Or they may put off further processing until the overload situation is over. Regardless, the :result is lost information and less effective communication.

EMOTIONS : How the receiver feels at the time of receipt of. a communication will influence how be or she interprets it. The same message received whet1. You are' angry or distraught is often interpreted differently from when you're happy. Extreme emotions such as jubilation or depression are most likely to hinder effective communication. In such instances, We are most prone to disregard our rational and objective thinking processes and substitute emotional judgments.

LANGUAGE : Words mean different things to different people. Age, education, and cultural background are three of the more obvious variables that influence the language a person uses and the definitions he or she gives to words.

In an organization, employees usually come from diverse backgrounds. Further, the grouping of employees into departments creates specialists who develop their own "buzzwords" or technical jargon. In large organizations, members are also frequently widely dispersed geographically-even operating in different countries and individuals in each locale will use terms and phrases that are unique to their area. The existence of vertical levels can also cause language problems. For instance, differences in meaning with regard to words such as incentives and quotas have been found at different levels in management. Top managers often speak about the need for incentives and quotas, yet these terms imply manipulation and create resentment among many lower managers.

The point is that although you and I probably speak a common language English-our use of that language is far from uniform. If we knew how each of us modified. the language, communication difficulties would be minimized. The problem is that members in an ,organization usually don't know how those with whom they interact have modified the language. Senders tend to assume that the words and terms they use mean the same to the receiver as they do to them. This assumption is often incorrect.

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COMMUNICATION COMPREHENSION

Another major barrier to effective communication is that some people-an estimated 5 to 20 percent of the population suffer frame debilitating **communication apprehension** or anxiety. Although lots of people dread speaking in front of a group, communication apprehension is a more serious problem because it affects a whole category of communication techniques. People who suffer from it experience undue tension and anxiety in oral communication, written communication, or both. For example, oral apprehensive may find it extremely difficult to talk with others face to face or become extremely anxious when they have to use the telephone. As a result, they may rely on memos or faxes to convey messages when a phone call would be not only faster but more appropriate.

Studies demonstrate that oral-communication apprehensive avoid situations that require them to engage in oral communication. We should expect to find some self-selection in jobs so that such individuals don't take positions, such as teacher, for which oral communication is a dominant requirement. But almost all jobs require some oral communication. And of greater concern is the evidence that high-oral-communication apprehensive distort the communication demands of their jobs in order to minimize the need for communication. So we need to be aware that there is a set of people in organizations who severely limit their oral communication and rationalize this practice by telling themselves that more communication isn't necessary for them to do their job effectively.

PRESENTATION SKILLS

Introduction : Management is the art of getting things done. A presentation is a fast and potentially effective method of getting things done through other people. In managing any project, presentations are used as a formal method for bringing people together to plan, monitor and review its progress.

But let us look at this another way: what can a presentation do for you?

Firstly, it puts you on display. Your staff needs to see evidence of decisive planning and leadership so that they are confident in your position as their manager. They need to be motivated and inspired to undertaking the tasks which you are presenting. Project leaders from other sections need to be persuaded of the merits of your project and to provide any necessary support. Senior management should be impressed by your skill and ability so that they provide the resources so that you and your team can get the job done.

Secondly, it allows you to ask questions and to initiate discussion. It may not be suitable within the presentation formats of your company to hold a discussion during the presentation itself but it does allow you to raise the issues, present the problems and at least to establish who amongst the audience could provide valuable input to your decision making.

Finally, presentations can be fun. They are your chance to speak your mind, to strut your stuff and to tell the people what the world is really like. While you hold the stage, the audience is bound by good manners to sit still and watch the performance.

THE OBJECTIVES OF COMMUNICATION

The single most important observation is that the objective of communication is not the transmission but the reception. The whole preparation, presentation and content of a speech must therefore be geared not to the speaker but to the audience. The presentation of a perfect project plan is a failure if the audience does not understand or are not persuaded of its merits. A customers' tour is a waste of time if they leave without realizing the full worth of your product. The objective of communication is to make your message understood and remembered.

The main problem with this objective is, of course, the people to whom you are talking. The average human being has a very short attention span and a million other things to think about. Your job in the presentation is to reach through this mental fog and to hold the attention long enough to make your point.

The Plan

It is difficult to over estimate the importance of careful preparation. Five minutes on the floor in front of senior management could decide the acceptance of a proposal of several months duration for the manager and the whole team. With so much potentially at stake, the presenter must concentrate not only upon the facts being presented but upon the style, pace, tone and ultimately tactics which should be used. As a rule of thumb for an average presentation, no less than 1 hour should be spent in preparation for 5 minutes of talking.

Suppose you have a talk to give, where do you start?

Formulate your Objectives

The starting point in planning any speech is to formulate a precise objective. This should take the form of a simple, concise statement of intent. For example, the purpose of your speech may be to obtain funds, to evaluate a proposal, or to motivate your team. No two objectives will be served equally well by the same presentation; and if you are not sure at the onset what you are trying to do, it is unlikely that your plan will achieve it.

One question is: how many different objectives can you achieve, in say, 30 minutes - and the answer: not many. In the end it is far more productive to achieve one goal than to blunder over several. The best approach is to isolate the essential objective and to list at most two others which can be addressed providing they do not distract from the main one. Focus is key. If you do not focus upon your objective, it is unlikely that the audience will.

Identify the Audience

The next task is to consider the audience to determine how best to achieve your objectives in the context of these people. Essentially this is done by identifying their aims and objectives while attending your presentation. If you can somehow convince them they are achieving those aims while at the same time achieving your own, you will find a helpful and receptive audience. For instance, if you are seeking approval for a new product plan from senior management it is useful to know and understand their main objectives. If they are currently worried that their product range is out of date and old fashioned, you would emphasise the innovative aspects of your new product; if they are fearful about product diversification you would then emphasise how well your new product fits within the existing catalogue.

This principal of matching the audience aims, however, goes beyond the simple salesmanship of an idea - it is the simplest and most effective manner of obtaining their attention at the beginning. If your opening remarks imply that you understand their problem and that you have a solution, then they will be flattered at your attention and attentive to your every word.

Structure

All speeches should have a definite structure or format; a talk without a structure is a woolly mess. If you do not order your thoughts into a structured manner, the audience will not be able to follow them. Having established the aim of your presentation you should choose the most appropriate structure to achieve it.

However, the structure must not get in the way of the main message. If it is too complex, too convoluted or simply too noticeable the audience will be distracted.

If a section is unnecessary to the achievement of your fundamental objectives, pluck it out.

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Sequential Argument

One of the simplest structures is that of sequential argument which consists of a series of linked statements ultimately leading to a conclusion. However, this simplicity can only be achieved by careful and deliberate delineation between each section. One technique is the use of frequent reminders to the audience of the main point which have proceeded and explicit explanation of how the next topic will lead on from this.

Hierarchical Decomposition

In hierarchical decomposition the main topic is broken down into sub-topics and each sub-topics into smaller topics until eventually everything is broken down into very small basic units. In written communication this is a very powerful technique because it allows the reader to re-order the presentation at will, and to return to omitted topics at a later date. In verbal communication the audience is restricted to the order of the presenter and the hierarchy should be kept simple reinforced. As with sequential argument it is useful to summarise each section at its conclusion and to introduce each major new section with a statement of how it lies in the hierarchical order.

Question Orientated

The aim of many presentations given by managers is to either explain a previous decision or to seek approval for a plan of action. In these cases, the format can be question orientated. The format is to introduce the problem and any relevant background, and then to outline the various solutions to that problem listing the advantages and disadvantages of each solution in turn. Finally, all possible options are summarised in terms of their pro's and con's, and either the preferred solution is presented for endorsement by the audience or a discussion is initiated leading to the decision. One trick for obtaining the desired outcome is to establish during the presentation the criteria by which the various options are to be judged; this alone should allow you to obtain your desired outcome.

Pyramid

In a newspaper, the story is introduced in its entirety in a catchy first paragraph. The next few paragraphs repeat the same information only giving further details to each point. The next section repeats the entire story again, but developing certain themes within each of the sub-points and again adding more information. This is repeated until the reporter runs out of story. The editor then simply decides upon the newsworthiness of the report and cuts from the bottom to the appropriate number of column inches.

There are two main advantages to this style for presentations. Firstly, it can increase the audiences receptiveness to the main ideas. Since at every stage of the pyramid they have all ready become familiar with the ideas and indeed know what to expect next. This sense of deja vu can falsely give the impression that what they are hearing are their own ideas. The second advantage is that the duration of the talk can be easily altered by cutting the talk in exactly the same way as the newspaper editor might have done to the news story. This degree of flexibility may be useful if the same presentation is to be used several times in different situations.

The Meaty Sandwich

The simplest and most direct format remains the meaty sandwich. This is the simple beginning-middle-end format in which the main meat of the exposition is contained

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in the middle and is proceeded by an introduction and followed by a summary and conclusion. This is really the appropriate format for all small sub-sections in all the previous structures. If the talk is short enough, or the topic simple enough, it can indeed form the entirety of the presentation.

The Beginning

It is imperative to plan your beginning carefully; there are five main elements:

1. **Get their attention :** Too often in a speech, the first few minutes of the presentation are lost while people adjust their coats, drift in with coffee and finish the conversation they were having with the person next to them. You only have a limited time and every minute is precious to you so, from the beginning, make sure they pay attention.
2. **Establish a theme :** Basically, you need to start the audience thinking about the subject matter of your presentation. This can be done by a statement of your main objective, unless for some reason you wish to keep it hidden. They will each have some experience or opinions on this and at the beginning you must make them bring that experience into their own minds.
3. **Present a structure :** If you explain briefly at the beginning of a talk how it is to proceed, then the audience will know what to expect. This can help to establish the theme and also provide something concrete to hold their attention. Ultimately, it provides a sense of security in the promise that this speech too will end.
4. **Create a rapport :** If you can win the audience over in the first minute, you will keep them for the remainder. You should plan exactly how you wish to appear to them and use the beginning to establish that relationship. You may be presenting yourself as their friend, as an expert, perhaps even as a judge, but whatever role you choose you must establish it at the very beginning.
5. **Administration :** When planning your speech you should make a note to find out if there are any administrative details which need to be announced at the beginning of your speech. This is not simply to make yourself popular with the people organising the session but also because if these details are over looked the audience may become distracted as they wonder what is going to happen next.

The Ending

The final impression you make on the audience is the one they will remember. Thus it is worth planning your last few sentences with extreme care.

As with the beginning, it is necessary first to get their attention, which will have wandered. This requires a change of pace, a new visual aid or perhaps the introduction of one final culminating idea. In some formats the ending will be a summary of the main points of the talk. One of the greatest mistakes is to tell the audience that this is going to be a summary because at that moment they simply switch off. Indeed it is best that the ending comes unexpectedly with that final vital phrase left hanging in the air and ringing round their memories. Alternatively the ending can be a flourish, with the pace and voice leading the audience through the final crescendo to the inevitable conclusion.

Visual Aids

Most people expect visual reinforcement for any verbal message being delivered. While it would be unfair to blame television entirely for this, it is useful to understand what the audience is accustomed to, for two reasons: firstly, you can meet their expectations using the overhead projector, a slide show, or even a video presen-

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tation; secondly, if you depart from the framework of a square picture flashed before their eyes, and use a different format, then that novelty will be most arresting. For instance, if you are describing the four functions of a project manager then display the four "hats" he/she must wear; if you are introducing the techniques of brainstorming then brandish a fishing rod to "fish for" ideas.

With traditional visual aids however, there are a few rules which should be followed to ensure they are used effectively. Most are common sense, and most are commonly ignored. As with all elements of a speech, each different viewfoil should have a distinct purpose - and if it has no purpose it should be removed. With that purpose firmly in mind you should design the viewfoil for that purpose. Some viewfoils are there to reinforce the verbal message and so to assist in recall; others are used to explain information which can be more easily displayed than discussed: and some viewfoils are designed simply for entertainment and thus to pace the presentation.

If your viewfoil is scruffy then your audience will notice that, and not what is written upon it. Do not clutter a viewfoil or it will confuse rather than assist. Do not simply photocopy information if there is more data on the page than you wish to present; in these cases, the data should be extracted before being displayed. Make sure that your writing can be read from the back of the room. Talk to the audience, not the visual aid.

The Delivery

"The human body is truly fascinating - there are some I could watch all day" - Anon

Whatever you say and whatever you show; it is you, yourself which will remain the focus of the audience's attention. If you but strut and fret your hour upon the stage and then are gone, no-one will remember what you said. The presenter has the power both to kill the message and to enhance it a hundred times beyond its worth. Your job as a manager is to use the potential of the presentation to ensure that the audience is motivated and inspired rather than disconcerted or distracted. There are five key facets of the human body which deserve attention in presentation skills: the eyes, the voice, the expression, the appearance, and how you stand.

The Eyes

The eyes are said to be the key to the soul and are therefore the first and most effective weapon in convincing the audience of your honesty, openness and confidence in the objectives of your presentation. This impression may of course be totally false, but here is how to convey it.

Even when in casual conversation, your feelings of friendship and intimacy can be evaluated by the intensity and duration of eye contact. During the presentation you should use this to enhance your rapport with the audience by establishing eye contact with each and every member of the audience as often as possible. For small groups this is clearly possible but it can also be achieved in large auditoriums since the further the audience is away from the presenter the harder it is to tell precisely where he or she is looking. Thus by simply staring at a group of people at the back of a lecture theatre it is possible to convince each of them individually that he or she is the object of your attention. During presentations, try to hold your gaze fixed in specific directions for five or six seconds at a time. Shortly after each change in position, a slight smile will convince each person in that direction that you have seen and acknowledged them.

The Voice

After the eyes comes the voice, and the two most important aspects of the voice for the public speaker are projection and variation. It is important to realise from

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the onset that few people can take their ordinary conversation voice and put it on stage. If you can, then perhaps you should move to Hollywood. The main difference comes in the degree of feedback which you can expect from the person to whom you are talking. In ordinary conversation you can see from the expression, perhaps a subtle movement of the eye, when a word or phrase has been missed or misunderstood. In front of an audience you have to make sure that this never happens. The simple advice is to slow down and to take your time. Remember the audience is constrained by good manners not to interrupt you so there is no need to maintain a constant flow of sound. A safe style is to be slightly louder and slightly slower than a fire-side chat with slightly deaf aunt. As you get used to the sound, you can adjust it by watching the audience.

A monotone speech is both boring and soporific, so it is important to try to vary the pitch and speed of your presentation. At the very least, each new sub-section should be proceeded by a pause and a change in tone to emphasise the delineation. If tonal variation does not come to you naturally try making use of rhetorical questions throughout your speech, since most British accents rise naturally at the end of a question.

Expression

The audience watch your face. If you are looking listless or distracted then they will be listless and distracted; if you are smiling, they will be wondering why and listen to find out. In normal conversation your meaning is enhanced by facial reinforcement. Thus in a speech you must compensate both for stage nerves and for the distance between yourself and the audience. The message is quite simply: make sure that your facial expressions are natural, only more so.

Appearance

There are many guides to management and presentation styles which lay heavy emphasis upon the way you dress and in the last analysis this is a matter of personal choice. That choice should however be deliberately made. When you are giving a presentation you must dress for the audience, not for yourself; if they think you look out of place, then you are.

As an aside, it is my personal opinion that there exists a code of conduct among engineers which emphasizes the scruffy look, and that in many organisations this tends to set the engineer apart, especially from management. It conveys the subliminal message that the engineer and the manager are not part of the same group and so hinders communication.

Stance

When an actor initially learns a new character part, he or she will instinctively adopt a distinct posture or stance to convey that character. It follows therefore that while you are on stage, your stance and posture will convey a great deal about you. The least you must do is make sure your stance does not convey boredom; at best, you can use your whole body as a dynamic tool to reinforce your rapport with the audience.

The perennial problem is what to do with your hands. These must not wave aimlessly through the air, or fiddle constantly with a pen, or (worst of all visually) juggle change in your trouser pockets. The key is to keep your hands still, except when used in unison with your speech. To train them initially, find a safe resting place which is comfortable for you, and aim to return them there when any gesture is completed.

Every speaker has a set of "tricks of the trade" which he or she holds dear - the following are a short selection of such advice taken from various sources.

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- **Make an impression :** The average audience is very busy: they have husbands and wives, schedules and slippages, cars and mortgages; and although they will be trying very hard to concentrate on your speech, their minds will inevitably stray. Your job is to do something, anything, which captures their attention and makes a lasting impression upon them. Once you have planned your speech and honed it down to its few salient points, isolate the most important and devise some method to make it stick.
- **Repeat, Repeat :** The average audience is very busy: they have husbands or wives etc, etc - but repetition makes them hear. The average audience is easily distracted, and their attention will slip during the most important message of your speech - so repeat it. You don't necessarily have to use the resonant tonal sounds of the repeated phrase, but simply make the point again and again and again with different explanations and in different ways. The classic advice of the Sergeant Major is: "First you tell 'em what you are going to tell 'em, then you tell 'em, then you tell 'em what you told 'em!"
- **Draw a Sign :** Research into teaching has yielded the following observation: "We found that students who failed to get the point did so because they were not looking for it". If the audience knows when to listen, they will. So tell them: the important point is .... .
- **Draw a Picture :** The human brain is used to dealing with images, and this ability can be used to make the message more memorable. This means using metaphors or analogies to express your message. Thus a phrase like "we need to increase the market penetration before there will be sufficient profits for a pay related bonus" becomes "we need a bigger slice of the cake before the feast".
- **Jokes :** The set piece joke can work very well, but it can also lead to disaster. You must choose a joke which is apt, and one which will not offend any member of the audience. This advice tends to rule out all racist, sexist or generally rude jokes. If this seems to rule out all the jokes you can think of, then you should avoid jokes in a speech.

  Amusing asides are also useful in maintaining the attention of the audience, and for relieving the tension of the speech. If this comes naturally to you, then it is a useful tool for pacing your delivery to allow periods of relaxation in between your sign-posted major points.
- **Plain Speech :** One way to polish the presentation of the main point of your speech is to consider it thus. The day before your presentation, you are called to to the office of the divisional vice-president; there you are introduced to the managing director and a representative of the company's major share holder; "O.K." says the vice president "we hear you have got something to say, we'll give you 30 seconds, GO". Can you do it?

  If you can crystallise your thoughts and combine your main message with some memorable phrase or imagery, and present them both in 30 seconds then you have either the perfect ending or the basis for a fine presentation.
- **The Narrative :** Everyone loves a story and stories can both instruct and convey a message: Zen Philosophy is recorded in its stories, and Christianity was originally taught in parables. If you can weave your message into a story or a personal annocdote, then you can have them wanting to hear your every word - even if you have to make it up.

- **Rehearsal :** There is no substitute for rehearsal. You can do it in front of a mirror, or to an empty theatre. In both cases, you should accentuate your gestures and vocal projection so that you get used to the sound and sight of yourself. Do not be put off by the mirror - remember: you see a lot less of yourself than your friends do.
- **Relaxation :** If you get nervous just before the show, either concentrate on controlling your breathing or welcome the extra adrenaline. The good news is that the audience will never notice your nerves nearly as much as you think. Similarly, if you dry-up in the middle - smile, look at your notes, and take your time. The silence will seem long to you, but less so to the audience.

Conclusion

Once the speech is over and you have calmed down, you should try to honestly evaluate your performance. Either alone, or with the help of a friend in the audience, decide what was the least successful aspect of your presentation and resolve to concentrate on that point in the next talk you give. If it is a problem associated with the preparation, then deal with it there; if it is a problem with your delivery, write yourself a reminder note and put it in front of you at the next talk.

Practice is only productive when you make a positive effort to improve - try it.

SOME PRACTICAL GUIDELINES

PHYSICAL

Appearance

a. Dress neatly and tidily - first impressions are important.
b. Carry yourself in a confident and professional manner.

Eye Contact

Keep eye contact. This will:

a. keep them alert.
b. make them feel that they are being directly spoken to.
c. make them feel part of the class.
d. give them confidence in you as the instructor/presenter.

Do not:

a. stare (intimidate).
b. move your eyes from side to side (distraction).
c. look out the window or at the clock (indicates boredom).
d. look only at the training aids or chalk board (this can be perceived as impolite).
e. look at your feet or at the ceiling (indication of nervousness or timidity).

Body Movements

Be natural - don't move around too much or too little.

Do not:

a. stand rigid.
b. march.
c. slouch.

Do:

a. move forward for emphasis (e.g. when standing at a podium).
b. relax when talking from behind a desk -this creates some intimacy with a group.

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Check Your Progress

1. What are the major functions of communication?
2. What do you understand by oral communication?
3. What operations perform in written communication?

c. slowly and on occasion move from side to side to engage all part of the class.

Gestures

Do:

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a. use meaningful and appropriate gestures to make a point.

Do not, or at least avoid:

a. play with keys or coins in your pocket.
b. use your hands too much, touching your nose or ears and excessive coughing.
c. use gestures that indicate you are washing your hand of a situation or wringing your hands because of frustration.
d. use a praying gesture as some may find this offensive or foot tap as this may be perceived as patronizing.
e. use a pointer, pen, pencil or chalk to point at an individual may be perceived as offensive.

VOICE

Volume

Speak loudly enough to be heard.

Pitch

- Use effectively to convey meaning.

Rate

- Speak more quickly to convey enthusiasm.
- Speak more slowly to emphasize key points or issues.

Do not:

a. speak so quickly that no one can understand.
b. speak so quickly that materials are glossed over rather than well explained so that they are understood.
c. speak so slowly that people become bored or drowsy.

Articulation

- Speak clearly, pronouncing words carefully -don't mumble. Control your lips, teeth and tongue to assist you.

LANGUAGE

- Avoid "pet" expressions (e.g."O.K.","Like", "You know").
- Do not use profanity.

Tip : Write down your pet expressions on an index card and have a colleague mate point out when you use those or others which you should add to your list.

HUMOUR

Use humour but only appropriately.

METHODS TO PLAN IMPROMPTU TALKS

METHOD I - PREP

P = Point
R = Reason
E = Example
P = Point

Point
- Personal viewpoint.
- Something strong.

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- Attention getter

Reason • Explain why you feel this way.

Example • Real life examples which clearly illustrate your viewpoint.
- Support material.

Point • Go back and re-state the point.

METHOD II - PAST / PRESENT / FUTURE

- **Past** - What happened in past?
- **Present** - What is present situation?
- **Future** - Where are we going in the future?

METHOD III - RELATED INCIDENT METHOD

- Use the subject as a reminder of a previous incident.
- Relate the incident or an experience using lots of detail. (e.g. asked to speak on m.v. safety, tell story of your first accident or first investigation of m.v. fatality and the effects it had on you.)

METHOD IV - 5 "W's" AND ONE "H"

What • What happened?
- What was the cause?

Who • Whom did it happen to?
- Who is involved?

Where • Where did it happen?

When • When did it happen?

Why • Why did it happen?
- Why are you involved?

How • How did it happen?
- Are you involved?

Be brief. If you are asked to speak on an impromptu basis keep it brief and to the point.

GUIDELINES FOR DEVELOPING A FORMAL PRESENTATION

INTRODUCTION

Purpose: The purpose of the introduction is to define the objective of your presentation, motivate your audience and outline what is to be covered.

O = Objective (State what you hope to achieve in your presentation)
M = Motivate (Get people involved at the outset)
O = Outline (What is to be covered)

BODY

Purpose: The body is the most important part of the presentation. The body should cover the essential information, provide examples, and allow for discussion and clarification. What should the body include?

- teaching points
- examples
- exercises, if appropriate
- periodic reviews
- opportunities for discussion or questions for discussion

Considerations in Designing a Presentation

- **Time :** The length of the presentation may vary depending on information to be covered, time available, and the interest and attention span of the target group

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- **Time Blocks** : The length of time you plan to spend on each part of you presentation should be noted on your document to keep you on track.
- **Content Coverage** : The extent and level of content coverage will vary by target group (clients).
- **Target Group Level :** The level of language used and complexity of content coverage should be adapted to the target group. (clients) i.e. cadets, staff, school children, etc.
- **Method of Instruction** : Typically presentations are done through lecture. However, the methods you can use are only restricted by your imagination. Again, the methods you choose should be consistent with the nature of the target group and the amount of time you have.

Methods for Planning Effective Presentations

- **Methods :** Lecture, demonstration/performance, role plays, videos, slides, group work.
- **Training Aids :** You should note where the aids you will use are located in your presentation on your document to keep you on track. e.g. cartoons, graphs, quotes, actual equipment, examples, films, samples, charts, manuals, books, newspapers, statistics, audio/visual equipment.
- **References** : If the presentation is geared toward motivating interest in the subject matter covered, you may wish to provide a list or a bibliography of additional readings, materials, experts (partners), which or who can enhance understanding of the issue.

DISCUSSION LEADING

Advantages of discussion leading :

- Gets participants involved in their own learning.
- Lets an instructor know what participants know about a subject and how they feel about it.
- Taps into the knowledge and experience of a learning group, thus making good use of them as a resource.
- Helps an instructor avoid lecturing participants on subjects they already know about.
- Helps participants retain knowledge better than a lecture would .

Disadvantages of discussion leading :

- Requires more skill from an instructor than straight lecturing.
- Takes more time than a lecture to cover the same amount of material.

Best uses:

- When you need to cover material that participants have some previous experience in or knowledge of.

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What an instructor must do before the discussion:

- Set the stage for a good discussion.
- The discussion group should consist of no more than 25. If it is larger, consider establishing sub-groups for discussion.
- Participants should be seated in a manner that will promote discussion. Ideally, they should all see one another easily. Avoid having people sitting in rows, if possible.
- Consider the level of knowledge of the group. In order to discuss, members of the group need to have some knowledge of the topic.
- Consider when this discussion period occurs. Is it early in the morning or late in the afternoon? This may affect their energy level.
- Consider the previous experience of this group. If this is the first time they are asked to discuss something, they may need some prompting. If they have participated in many discussions very recently, they may have become bored with the technique and not wish to participate.
- Consider how comfortable the members are with the group. If the group is new, members will need some time to get used to one another and may feel uncomfortable discussing certain sensitive topics. If the group is well established and cohesive, discussing any topic should not be a problem.

Know what training objective you are trying to accomplish.

- Plan your discussion session by preparing questions to cover key points you want participants to consider during the discussion period.

What an instructor must do during the discussion:

- Begin the discussion by stating your objective and expectations and explaining how you wish the discussion process to occur. Include the time frame if time is tight.

Use questioning techniques effectively:

- Open the discussion with a well phrased, clear, open-ended question.
- Allow silence following a question. Participants need time to think, to decide to answer, to formulate their answer, to get up the courage to give it. Take a drink of water or simply smile and look around the room to show you're willing to wait them out. If the silence goes on too long, reformulate your question. Avoid answering your own question either before anyone else does or after (to give the "correct" answer).

Check Your Progress

4. Write 5 elements of begenning.
5. Write the techniques of speech.

Use a variety of questions to involve participants:

- **Open-ended:** To redirect the discussion to a new topic when needed, make participants think of another aspect, keep things moving along.
- **Closed:** To clarify a point, solicit particular information, remind participants of an important point (use very few closed questions since they don't promote discussion).

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- **Overhead:** To involve everyone in the group. This should be the most often used question in leading discussions.
- **Directed:** To involve a quiet participant, seek out a point of view from someone with particular experience.
- **Reversed:** If any participants try to draw you into the discussion by asking you a question, reverse their question to them by asking what they think.
- **Relayed:** Again, if a participant tries to draw you into the discussion, you may relay the question to the group by asking the group in general what they think of the issue.
- **Restricted:** If one or a few participants monopolise the discussion, you may give others a chance to speak by restricting a question to another part of the group or room.

Guide the discussion:

- Generate multiple responses. Don't simply accept the first correct answer and move on. Encourage other responses ("Good, what else?" "Good, another example?" "How about this side of the room?").
- Be flexible. Use only those prepared questions that you need to move the discussion to each key topic. You may not need them all if the discussion moves in that direction naturally. Accept that the order in which they come up may be different from the sequence you had envisaged.
- Observe participants' non-verbals. When you see confusion, disagreement or attempts to break in, use a directed question ("John, do you have a question?") or an observation ("Mary, I think you disagree") to give that person the opportunity to intervene.
- Use paraphrases to ensure you and participants understand a long statement, to encourage shy participants to continue.
- Use recaps to close off discussion of one topic or from one individual, follow it immediately with a question on another topic or to another participant (directed) or part of the group (restricted: "We haven't heard much from this side of the room. I'd like to hear your opinions about...").
- Avoid expressing your opinion or asking leading questions that might bias opinions or make participants feel manipulated. Remember, if they don't bring out every point, you can add it later.
- Be prepared to intervene with thought-provoking questions or take a challenging position, however, to stimulate thinking.
- If one participant interrupts others frequently or interrupts someone who has been very quiet up until then, interrupt the interrupter to allow the first speaker to continue ("Excuse me, Joe, I don't think Susan had finished.").
- During the discussion, try to sit down. This position will allow greater discussion amongst the participants.

Manage time effectively:

- Anticipate how long the discussion should last and determine whether you have enough time to meet the objective.
- If the discussion seems to be going off on a tangent, ask the speaker to relate what she or he is saying to the objective.

Announce to the group that there is five to ten minutes left until the end of the discussion period. Be sure to leave yourself enough time for the conclusion.

CHAPTER AT A GLANCE

- Communication must include both the transference and understanding of meaning.
- **Four major function** – control, motivation, emotional expression and information.
- Communication process = Source –> encoding –> Message –> channel –> decoding –> receiver –> feedback.
- **Direction of communication** = Downward, upward.
- **Method of communication** – oral, written, non verbal communication (Body language, facial expressions, physical distance etc.)
- **Grapevine** – not controlled by management, more reliable, used to serve the interest of the people.
- **Computer-Aided communication** – E-mail, Intranet and Extranet links, video conferencing.
- **Barriers of effctive communication** – Flittering selective perception, Information overload, Emotion, language, comprehension.
- Presentation can put us on display. It allows us to ask questions & to initiate discussions.
- **5 elements of beginning** – Get their attention, Establish a theme, Present a structure, create a report, Administration.
- **Techniques of speech** – Make an impression repeat, Rehearsal, Relaxation.
- **Practical guidelines** – Appearance, Eye contact, Body movements, guestures.
- Voice-Volume pitch rate language
- **Method of Plan :**

  (1) PREP = Point, Reason, Example, Point

  (2) PPF = Past, Present, Future

  (3) Related incidents methods

  (4) 5W&H = What, Who, Where, When, Why & How.

NOTES

- **Guideines of journal presentation :**
  - (a) Introduction
  - (b) Body
- **Designing presentation** – Time, Time Block, content coverage, Target group level, Instructions.

ANSWER TO CHECK YOUR PROGRESS

1. Communication serves four major functions within a group or organization:

   Control, motivation, emotional expression, and information.

2. The chief means of conveying messages is oral communication. Speeches, formal one-on-one and group discussions, and the informal rumor mill or grapevine are popular forms of oral communication.

3. Written communications include memos, letters, electronic mail, fax transmissions, organizational periodicals, notices. placed on bulletin boards, or any other device that is transmitted via written words or symbols.

4. **5 elements of beginning** – Get their attention, Establish a theme, Present a structure, create a report, Administration.

5. Videoconferell dng is an extension of intranet or extranet systems. It permits employees in an organization to have meetings with people at different locations. Live audio and video images of members allow them to see, hear, and talk with each other.

   (a) Make on impression

   (b) Repeat

   (c) Draw a sign

   (d) Draw a picture

   (e) Jokes

   (f) Plan speach

   (g) The narrative

   Tehearsal, → Relaxation

EXERCISE

1. What is communication. Explain communication process ?
2. Give short note on :
   - (a) Presentation
   - (b) Formal presentation
   - (c) Barriers of presentation.

22 Time Management

NOTES

The Chapter Covers :

INTRODUCTION

It is always a surprise as to how a simple homemaker is able to manage a myriad of different activities without any formal training whereas a manager is not able to do it even with all his/her fancy degrees. How do they do it?

The homemaker knows a simple technique – **time management.** Managers can manage people, budgets, etc but when it comes to time they are not very good at managing it. Management training programs and management training courses can help you learn the skill of time management.

As any management training manual will tell you, time is a very precious resource. The reason why it is so precious is because it is a limited resource. Once spent you cannot get it back. That is why it is very important to use it as judiciously as possible. Unfortunately one thing that the management training manual will not tell you is that managing time is not that difficult if it were not for one factor - people. For example you go into a meeting thinking it will last only ten minutes and come out an hour later. All your planning goes haywire. So, how can you manage your time effectively?

Attend any management training program or management training course and the first tip that they will give you is – Planning. **'If you fail to plan, you plan to fail'**, goes an old saying. That is very much true in time management. Planning involves setting time limits to your tasks. It can be a minor one or a major one.

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This is specially needed if you are a procrastinator. You cannot afford to be one if you are going to be a manager. Prioritize your tasks. Obviously, you can't do everything at once so decide on which task is most important and needs to be completed fastest. Also, set it right. For instance sometimes your personal tasks may coincide with your professional. It is up to you to decide as to which is more important; personal or professional. Or if both cannot be avoided, you can at least decide as to which can be postponed. Delegation of work is something that most of us avoid doing.

Ask anyone running a management training program or management training course, it is just a sheer waste of time to try and do everything yourself. You have subordinates to whom you can delegate work. They are there so that you can delegate work to them. Nobody expects or wants you to do all the work yourself.

That is only going to harm your productivity. Helping others is great but as anyone who has attended a management training program or management training course will tell you it is a waste of time if you have not finished your work. You have to learn to say no. You can help others provided you have the time for it. You cannot do it at the cost of your work suffering. And, what about the waste of time when you are making calls to your friends or taking an extended break at the coffee machine. Everyone needs a break but it should be a break and not become a session by itself.

You may have seen people managing time effectively by other people and you too can be successful. Management training will teach you that time management is different for different people and so is it for different projects. You cannot drive a car like you ride a bicycle or a bike. Similarly you cannot use the same time management strategies that you use for small projects in large projects.

The inadequacies that can be ignored in a smaller project will appear bigger in a larger one and cannot be ignored. So it is imperative to use different strategies for different projects. Long term objectives cannot be ignored just because you have some immediate task to be finished. Your time management strategy should be such that you can allot some time for achieving your long term objective as well. If you feel that you are not able to manage your time effectively then it is a better idea to take help from a professional. Sign up for management training programs or courses which will help you in devising strategies for time management. **Time management** teaches a number of techniques that aim to increase the effectiveness of a person in getting the things done that need to be done.

TIME MANAGEMENT

Time management is a misnomer as time passes without regard to what we do. The only thing we *can* manage is our self. **Time management should be called self management.**

In 2001 interview, **David Allen** observed:

You can't manage time, it just is. So "time management" is a mislabeled problem, which has little chance of being an effective approach. What you really manage is your activity during time, and defining outcomes and physical actions required is the core process required to manage what you do.

Time management can refer to all of the practices that individuals follow to make better use of their time, but such a definition could range over such

diverse areas as the selection and use of personal electronic devices, time and motion study, self-awareness, and indeed a great deal of self-help. As narrowly defined, it refers to principles and systems that individuals use to make conscious decisions about the activities that occupy their time.

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Generally, time management refers to the development of processes and tools that increase efficiency and productivity. In business, time management has morphed into everything from methodologies such as Enterprise Resource Planning through consultant services such as Professional Organizers. When we think of time management, however, we tend to think of personal time management, loosely defined as managing our time to waste less time on doing the things we have to do so we have more time to do the things we want to do.

Therefore, time management is often thought of or presented as a set of time management skills; the theory is that once we master the time management skills, we'll be more organized, efficient, and happier.

Personal time management skills include:

- goal setting;
- planning;
- prioritizing;
- decision-making;
- delegating;
- scheduling.

Many people find that time management tools, such as PIM software and PDAs, help them manage their time more effectively. For instance, a PDA can make it easier to schedule and keep track of events and appointments.

Whether you use technological time management tools or plain old pen and paper, however, the first step in effective time management is analyzing how you currently spend your time and deciding how you want to change how you spend your time.

Don't Just Track Your Time; Manage It!

Many people mistake time tracking for time management. They religiously keep track of everything they do each day, for weeks or even months. And then they stop doing it because they haven't realized any positive changes.

But keeping track of how you spend your time isn't time management. Time management is about making changes to the way you spend your time. For effective time management, you have to apply a time management system that will help you see where changes can and should be made.

Keeping track of your many daily activities is just a preliminary step to effective time management. The first step of time management is to analyze how you actually spend your time so you can determine what changes you want to make.

This is where many people's attempts at time management fail. They look at a specific day in their Day-Timer or Outlook calendar or on their Palm which is packed with activities from 7 a.m. to 10 p.m. and don't know what to do with it. So they fall back on the tried and true techniques and eliminate a few events and prioritize others. But they haven't really managed anything; they've just rearranged it. All the perceived problems and frustrations of the day's activities are still there – and at the end of their day they're still frazzled and frustrated.

MANAGE YOUR TIME WITH TIME MANAGEMENT CATEGORIES

How do you actually manage time? The secret is in the categories. Look at your calendar for tomorrow. It's probably already full of events and activities that you're hoping to accomplish. As you work or afterward, you'll be filling in the blank spaces.

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Now look at the list and categorize it. How much time during your working day did you actually spend:

1) **Putting out fires.** An unexpected phone call. A report that's necessary for a meeting that should have been printed yesterday. A missing file that should be on your desk. How much of your day was actually spent in crisis mode? For most people, this is a negative category that drains their energy and interferes with their productivity.
2) **Dealing with interruptions.** Phone calls and people dropping by your office will probably top the list when you're assigning events to this category. Once again, for most people, this is a negative category because it interferes with (and sometimes kills) productivity.
3) **Doing planned tasks.** This is the most positive use of time during your work day. You are in control and accomplishing what you intended to accomplish. Planned tasks can include phone calls, meetings with staff, even answering email – if these are tasks that you have put on your agenda.
4) **Working uninterrupted.** You may not be working on a task you had planned to do, but you are getting to accomplish something, and for most people, this is a very productive, positive work mode.
5) **Uninterrupted downtime.** Those times during the work day that are used to re-energize and regroup. Lunch or a mid-morning break may count IF they're uninterrupted. If you're lucky enough to work with a company that offers on-site work-out facilities or nap rooms, that would count, too. Everyone needs a certain amount of uninterrupted downtime built into their day to be productive during their work time.

WHY IS TIME MANAGEMENT IMPORTANT?

Here are the top reasons why time management is of great importance to your personal and career success:

1. **Time is limited.** Time is a very special resource in that you cannot store it or save it for later. Everyone gets the exact same amount of time each and every day. If you don't use your time wisely, you can never get it back.
2. **Time is scarce.** Most people feel like they have too much to do and not enough time. Lack of time is blamed for everything from not getting enough exercise, poor finances, unachieved goals, too much stress, bad relationships, and even an unfulfilled life. Time management helps you use the time that you do have in better ways.
3. **You need time to get what you want out of life.** You need time to do almost anything worthwhile in life. Waiting for more free time is a loosing game that almost never results in getting time for what you want. You need to learn how to make time for the things that are important to you. Even if you can only afford to give a small amount of time each week to your goals, you'd be surprised at how much progress you can make.
4. **You can accomplish more with less effort.** When you become more productive using improved time management skills and tools, you can accomplish more with less effort. Reducing wasted time and effort gives you even more productive time throughout the day. Both of these allow you to make time for a wide range of activities that bring more balance and fulfillment to your life.
5. **Too many choices.** In this day and age, there are so many ways you can spend your time, that you need some sort of plan to make intelligent choices.

Time management helps you make conscious choices so you can spend *more* of your time doing things that are important and valuable to you. Many people who are aware of the fact that work has to be done on time. In fact, if you can't finish the tasks that require to be accomplished in a day, you presumably require a time management solution. It's not unusual. Many people don't have a satisfactory time management solution, but they should. Having a goal is quite critical.

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The time management importance is this next statement: Those twenty things you need to do have to be prioritized. What does this mean? This means you need to put the things you want to do into a list and then decide which ones are more important, and which ones can wait. The things that can be done later are still put on the list, but we know there are other areas to take care of first. We now have to decide how long we are giving ourselves to do each of those different tasks. We need to be realistic. If it is an event that requires travel, the actual traveling needs to be put in the plan as well. If you know you have to stop for gas when on the road, you will need to add that into the plan as well. This is to show you where all of the time is being used up. This can also help you with a time wasting strategy.

Put some priority into your daily activities. If you have followed your list and you still don't have enough time in a day to do anything, look at your information to see where time is wasted. Wasted time is not good in any body's life. To be able to fit everything into your day you need to eliminate those time wasting activities. By doing, so you will be able to get more work done and still have time left to enjoy with yourself and your family.

The importance of time management can be gauge from the truth that by following its simple principles we can go from breathing day to day to living a full, successful live in which we work actively towards our life goals. No other skill or information set lets us achieve that.

THE IMPORTANCE OF TIME MANAGEMENT IN YOUR LIFE

Time is something that you can never take back. What's done is done. Nothing in history can be changed. The most we can do about anything that has already been done is to take counter measures to prevent the damage from spreading. However, there is one more effective way to stop the damage and that is to prevent it. You must have heard it said that "Prevention is better than cure." This quote is most often used in terms of illness; however, this can also be done for future mistakes. Time management is a form of prevention. Why is time management so important? Time is the most important commodity. Time never comes back. It never rewinds like videotape.

You can get more money but you cannot get more time!

Here are the most common reasons why time is so important:

1. **Time cannot be stored** Everyone no matter how rich or poor spends time the same way, it doesn't speed up for the rich and slow down for the poor. Time management is equal to wise usage of time. This may be the difference between fame and failure.

2. **Time is rare** Yes, everybody has the same number of hours, but haven't you noticed that people are complaining that they don't have enough of it? There is just "so little time and so much to do" that people go out of focus. Time management means giving importance to priorities and nearer deadlines and these give you enough for the crucial activities in life.

3. **Time is needed for everything** Everything takes time; everything needs time to materialize. With time management, each task is given enough time to be finished. By giving a sliver of time for each of your goals and accounting for it

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wisely, you will be able to achieve them, plus make time for rest. Truth is, ever little time produces work. If distributed wisely throughout the day or week, you would be surprised to how much you can accomplish.

4. **Time management helps you finish more jobs with less effort** By allotting a certain amount of time for each activity, you don't have to worry about the next thing that you will do. With time management, you become more organized and the things you do become more habitual than panic-driven. By making it a habit, you become more productive. As Aristotle said, "We are what we repeatedly do. Excellence, then, is not an act, but a habit."

In modern times, each product, place, or gadget has minute differences that make it very hard for you to choose. There are so many opportunities to choose from as to what to do with your time. By having a plan, you will be able to make intelligent choices. By becoming more conscious of the available time and the choices you've made so far, you focus more on your priorities rather than useless work.

Time management is indeed a gem. Once it becomes a habit, it will be more beneficial than time-consuming. We've all heard the saying, "time is money" and to a certain degree, that is true. However, today I want to challenge you by saying that time is MORE IMPORTANT than money.

DIFFERENT USES OF THE TERM

The label "time management" cannot predate the widespread use of the word "management" in our sense at the beginning of the 20th century. Concerns about the wise use of time have a longer history, reflected in the large number of proverbs concerning time and its utilization.

As Part of Project Management :

Time Management is one of nine knowledge areas identified by the Project Management Body of Knowledge, produced by the Project Management Institute. The "Guide to the PMBOK" defines project management as entailing management of scope, cost, time, human resources,risk, procurement, etc. Time Management, as a project management subset, is more commonly known as project planning and/or project scheduling.

Contemporary Time Management :

Stephen R. Covey and his co-authors offered a categorization scheme for the hundreds of time management approaches that they reviewed:

First generation: reminders (based on clocks and watches, but with computer implementation possible) can be used to alert of the time when a task is to be done.

Second generation: planning and preparation (based on calendar and appointment books) includes setting goals.

Third generation: planning, prioritizing, controlling (using a personal organizer, other paper-based objects, or computer- or PDA-based systems) activities on a daily basis. This approach implies spending some time in clarifying values and priorities.

Fourth generation: being efficient and proactive (using any tools above) places goals and roles as the controlling element of the system and favors importance over urgency.

Time management literature paraphrased:

"Get Organized" - paperwork and task triage

"Protect Your Time" - insulate, isolate, delegate

"Achieve through Goal Focus" - motivational emphasis

"Work in Priority Order" - set goals and prioritize

"Use Magical Tools to Get More Out of Your Time" - depends on when written

"Master the Skills of Time Management"

"Go with the Flow" - natural rhythms, Eastern philosophy

"Recover from Bad Time Habits" - recovery from psychological problems underlying, e.g. procrastination

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But in contrast, some of the recent general arguments related to "time" and "management" point out that the term "time management" is misleading and that the concept should actually imply that it is "the management of our own activities, to make sure that they are accomplished within the available or allocated time, which is an unmanageable continuous resource".

Personal Time Management :

Time management strategies are often associated with the recommendation to set goals. These goals are recorded and may be broken down into a project, an action plan, or a simple task list. For individual tasks or for goals, an importance rating may be established, deadlines may be set, and priorities assigned. This process results in a plan with a task list or a schedule or calendar of activities. Authors may recommend a daily, weekly, monthly or other planning periods, usually fixed, but sometimes variable. Different planning periods may be associated with different scope of planning or review. Authors may or may not emphasize reviews of performance against plan. Routine and recurring tasks may or may not be integrated into the time management plan and, if integrated, the integration can be accomplished in various ways.

Task list :

A task list (also to-do list) is a list of tasks to be completed, such as chores or steps toward completing a project. It is an inventory tool which serves as an alternative or supplement to memory.

Task lists are used in self-management, grocery lists, business management, project management, and software development. It may involve more than one list.

When you accomplish one of the items on a task list, you check it off or cross it off. The traditional method is to write these on a piece of paper with a pen or pencil, usually on a note pad or clip-board. Numerous digital equivalents are now available, including PIM applications and most PDAs. There are also several web-based task list applications, many of which are free.

Task list organization :

Task lists are often tiered. The simplest tiered system includes a general to-do list (or task-holding file) to record all the tasks the person needs to accomplish, and a daily to-do list which is created each day by transferring tasks from the general to-do list.

Task lists are often prioritized :

An early advocate of "ABC" prioritization was Alan Lakein. In his system "A" items were the most important ("A-1" the most important within that group), "B" next most important, "C" least important.

A particular method of applying the ABC method assigns "A" to tasks to be done within a day, "B" a week, and "C" a month.

To prioritize a daily task list, one either records the tasks in the order of highest priority, or assigns them a number after they are listed ("1" for highest priority, "2" for second highest priority, etc.) which indicates in which order to execute the tasks. The latter method is generally faster, allowing the tasks to be recorded more quickly.

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Alternatives to Prioritizing :

A completely different approach which argues against prioritizing altogether was put forward by British author Mark Forster in his book "Do It Tomorrow and Other Secrets of Time Management". This is based on the idea of operating "closed" to-do lists, instead of the traditional "open" to-do list. He argues that the traditional never-ending to-do lists virtually guarantees that some of your work will be left undone. His approach advocates getting all your work done, every day, and if you are unable to achieve it helps you diagnose where you are going wrong and what needs to change.

Software applications :

Modern task list applications may have built-in task hierarchy (tasks are composed of subtasks which again may contain subtasks), may support multiple methods of filtering and ordering the list of tasks, and may allow one to associate arbitrarily long notes for each task.

In contrast to the concept of allowing the person to use multiple filtering methods, at least one new software product additionally contains a mode where the software will attempt to dynamically determine the best tasks for any given moment.

Task list applications may be thought of as lightweight personal information manager or project management software.

Resistors :

Fear of change: Change can be daunting and one may be afraid to change what's proven to work in the past.

Uncertainty: Even with the change being inevitable, one may be hesitant as being not sure where to start. Uncertainty about when or how to begin making a change can be significant.

Time pressure: To save time, one has to invest time, and this time investment may be a cause of concern. Fearing that changing may involve more work at the start — and thus, in the very short term, make things worse — is a common resistor.

Lack of will power: Why change if one really does not need to? The greatest problem is a lack of will.

Drivers

Increased effectiveness: One may feel the need to make more time so as to be more effective in performing the job and carrying out responsibilities.

Performance improvement: Time management is an issue that often arises during performance appraisals or review meetings.

Personal development: One may view changing the approach to time management as a personal development issue and reap the benefit of handling time differently at work and at home.

Increased responsibilities: A change in time-management approach may become necessary as a result of a promotion or additional responsibilities. Since there is more work to do, and still the same amount of time to do it in, the approach must change.

Caveats

Dwelling on the lists According to Sandberg, task lists "aren't the key to productivity [that] they're cracked up to be". He reports an estimated "30% of listers spend more time managing their lists than [they do] completing what's on them".

This could be caused by procrastination by prolonging the planning activity. This is akin to analysis paralysis. As with any activity, there's a point of diminishing returns.

Rigid adherence

Hendrickson asserts that rigid adherence to task lists can create a "tyranny of the to-do list" that forces one to "waste time on unimportant activities".

Again, the point of diminishing returns applies here too, but toward the size of the task. Some level of detail must be taken for granted for a task system to work. Rather than put "clean the kitchen", "clean the bedroom", and "clean the bathroom", it is more efficient to put "housekeeping" and save time spent writing and reduce the system's administrative load (each task entered into the system generates a cost in time and effort to manage it, aside from the execution of the task). The risk of consolidating tasks, however, is that "housekeeping" in this example may prove overwhelming or nebulously defined, which will either increase the risk of procrastination, or a mismanaged project.

Listing routine tasks wastes time. If you are in the habit of brushing your teeth every day, then there is no reason to put it down on the task list. The same goes for getting out of bed, fixing meals, etc. If you need to track routine tasks, then a standard list or chart may be useful, to avoid the procedure of manually listing these items over and over.

To remain flexible, a task system must allow adaptation, in the form of rescheduling in the face of unexpected problems and opportunities, to save time spent on irrelevant or less than optimal tasks.

To avoid getting stuck in a wasteful pattern, the task system should also include regular (monthly, semi-annual, and annual) planning and system-evaluation sessions, to weed out inefficiencies and ensure the user is headed in the direction he or she truly desires.

If some time is not regularly spent on achieving long-range goals, the individual may get stuck in a perpetual holding pattern on short-term plans, like staying at a particular job much longer than originally planned.

Set goals for one and work on achieving these goals. Some people study in different ways so you are to find out how you are able to study and put that into action. Some people are able to understand their work if they can see it. Some need to touch and feel whatever is being spoken about in the book. Some people need to see what they are studying in order to understand what is coming out of the book.

TECHNIQUES FOR SETTING PRIORITIES

ABC analysis

A technique that has been used in business management for a long time is the categorization of large data into groups. These groups are often marked A, B, and C—hence the name. Activities that are perceived as having highest priority are assigned an A, those with lowest priority are labeled C. ABC analysis can incorporate more than three groups. ABC analysis is frequently combined with Pareto analysis.

Pareto analysis

This is the idea that 80% of tasks can be completed in 20% of the disposable time. The remaining 20% of tasks will take up 80% of the time. This principle is used to sort tasks into two parts. According to this form of Pareto analysis it is recommended that tasks that fall into the first category be assigned a higher priority.

The 80-20-rule can also be applied to increase productivity: it is assumed that 80% of the productivity can be achieved by doing 20% of the tasks. If productivity is the aim of time management, then these tasks should be prioritized higher.

Fit

Essentially, fit is the congruence of the requirements of a task (location, financial

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Check Your Progress

1. Define time management.
2. Mange your time with, time management categories, How?

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investment, time, etc.) with the available resources at the time. Often people are constrained by externally controlled schedules, locations, etc., and "fit" allows us to maximize our productivity given those constraints. For example, if one encounters a gap of 15 minutes in their schedule, it is typically more efficient to complete a task that would require 15 minutes, than to complete a task that can be done in 5 minutes, or to start a task that would take 4 weeks. This concept also applies to time of the day: free time at 7am is probably less usefully applied to the goal of learning the drums, and more productively a time to read a book. Lastly, fit can be applied to location: free time at home would be used differently from free time at work, in town, etc.

POSEC method

POSEC is an acronym for Prioritize by Organizing, Streamlining, Economizing and Contributing.

The method dictates a template which emphasizes an average individual's immediate sense of emotional and monetary security. It suggests that by attending to one's personal responsibilities first, an individual is better positioned to shoulder collective responsibilities.

Inherent in the acronym is a hierarchy of self-realization which mirrors Abraham Maslow's "Hierarchy of needs".

PRIORITIZE-Your time and define your life by goals.

ORGANIZING-Things you have to accomplish regularly to be successful. (Family and Finances)

STREAMLINING-Things you may not like to do, but must do. (Work and Chores)

ECONOMIZING-Things you should do or may even like to do, but they're not pressingly urgent. (Pastimes and Socializing)

CONTRIBUTING-By paying attention to the few remaining things that make a difference. (Social Obligations)

The Eisenhower Method

All tasks are evaluated using the criteria important/unimportant and urgent/not urgent and put in according quadrants. Tasks in unimportant/not urgent are dropped, tasks in important/urgent are done immediately and personally, tasks in unimportant/urgent are delegated and tasks in important/not urgent get an end date and are done personally. This method is said to have been used by US President Dwight D. Eisenhower, and is outlined in a quote attributed to him: What is important is seldom urgent and what is urgent is seldom important.

HOW TO USE TIME BOXING FOR GETTING RESULTS

Time boxing is a time management technique common in software development projects to plan out a project, for example the creation of a new IT system, by splitting the project up in a number of separate time periods (normally two to six weeks long). Each part has its own deadline and its own budget. By incrementally finishing one part at a time, a project can be successfully delivered.

The important thing about time boxing is that the dates are not flexible, but the deliverables are. Without time boxing, when the deliverables cannot be delivered, the deadline slips. With time boxing, the deadline is fixed, and the deliverables are adjusted (hopefully in agreement with the customer/user). This goes hand-in-hand with MoSCoW prioritization of deliverables. Time Boxing is a core element of the rapid application development software development process and of DSDM.

Time boxing and agile software development techniques go hand-in-hand: With time boxing regular delivery of working software is ensured, and agile software development ensures the delivery of the highest priority value as defined by the stakeholders.

PERSONAL TIMEBOXING

Individuals can use timeboxing for personal tasks, as well. This technique utilizes a reduced scale of time (e.g., thirty minutes instead of a week) and deliverables (e.g., chores instead of a component of a business project). Personal timeboxing also works to curb perfectionist tendencies by setting a firm time and not overcommit to a task. This method can also be used to overcome procrastination (delaying activities or tasks) Time boxing is a way to chunk up time and get results. If you continously miss windows of opportunity or spend all of your time in one area of your life at the expense of others, time boxing can be one of your best tools. A time box is simply a limited set of time to accomplish a result. Think of it as how much work can you get done in a given block of time. I use it to organize my day, drive project results, make incremental progress on problems and spend time on the right buckets in my life.

WHY USE TIME BOXING ?

Using time as a constraint and forcing function for results is extremely effective:

- **To avoid missing windows of opportunity**. Time's a limited resource. If you don't treat it this way, you end up blowing project schedules, missing windows of opportunity, or doing too little, too late.
- **To spread your results across key areas**. If you spend all of your time in one area of your life at the expense of another, you can use time boxes to allocate time for important areas (such as career, mind, body, social, spiritual ... etc.)
- **To prioritize more effectively**. If you know you only have three months for that project, you can be smarter about what you bite off that you can actually finish.
- **To chunk up a problem**. Use time boxes to slice a problem down to size. This works well if you have a daunting problem that seems too big to take on. Timeboxes are also a more realistic way to deal with problems that spread over time. If you can't solve a problem in a single session, then figure out the right-size time chunks to throw at the problem. How do you eat an Elephant? One timebox at at time ;)
- **deliver incremental results**. You can use a time box to show progressive results. For example, rather than all-or-nothing thinking, use time boxing to make incremental progress on a problem.
- **To increase focus**. Giving yourself dedicated time boxes to focus on a problem help you avoid task switching, and help you stay engaged on the problem. If you find yourself wandering too much, then chunk your timebox down even further. See
- **To increase motivation**. Make a game of it. For example, how many sit ups can you do in 60 seconds? Between splitting problems down to size, staying engaged on the problem and making a game of it, time boxing is a sure-fire way to build momentum and results.
- **To improve your effectiveness and efficiency**. use time boxing to tune your results. Using a time box can help you identify areas to improve as well as refine your approach. If you're not getting enough done within your

timebox, experiment with different approaches, while you tune your effectiveness and efficiency.

- **To version your results**. It can be very liberating if you think in terms of revisiting a problem over a period of time, versus trying to get it all right up front.
- **To defeat analysis paralysis**. Analysis paralysis can be the worst enemy of results. Use a time box to switch gears from think mode to execution.

Steps of Time Boxing

Here's some prescriptive guidance for creating and using time boxing effectively:

- Step 1. Identify candidate areas for time boxing.
- Step 2. Identify your objectives.
- Step 3. Identify the appropriate time box.
- Step 4. Execute results within your time box.
- Step 5. Evaluate and adapt.

Step 1. Identify candidate areas for time boxing.

Identify candidates for time boxing. This could be anything from work projects to personal projects. Personally, I've found it the most effective to start with something small, such as starting a new exercise program. I've also found it effective to use it to tackle my worst time bandits (any area where I lose a bunch of time, with either little ROI or at the expense of another area.)

Step 2. Identify your objectives.

In this step, ask yourself what you need to accomplish with time boxing. Examples include:

- Meet a deadline.
- Show incremental results.
- Make incremental progress on a tough problem.
- Build momentum.

Step 3. Identify the appropriate time box.

In this step, figure out what a right-sized time box would be. For example, you might have a project due in three weeks. Within that three week time box, you might decide that if you allocate 2 hours a day, you'll produce effective results.

The right-sized time box largely depends on what you determined in Step 1. You might need to grow or shrink your time box depending on whether you're trying to build momentum, show results or just make progress on a problem.

Step 4. Execute results within your time box.

Execute within your timebox and stop when you run out of time. This can be tough at first because you might be on a roll. This can be really tough if you are used to doing things until they are done. What you're learning at this step is how to stay completely focused, how to treat time as a limited resource, and how to tune your results. You're also learning how to make time boxes effective for you.

Start with your time box as a baseline so you can evaluate your results. The worst mistake is to give yourself an hour for results, spend two hours, and then say what a great job you did in your one hour timebox. Instead, do the hour, then figure out whether you need longer time boxes or if your approach needs to change.

Step 5. Evaluate and adapt.

If it's not working, change your approach. Using time boxing is one of the most effective ways to experiment with different techniques to find the most efficient.

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Examples of Effective Timeboxing

Here's some examples of putting timeboxes into practice:

- **Software development**. Because our teams within patterns & practices do iterative and incremental development, we make heavy use of time boxing. For example, within a two-week iteration, how much value can we deliver?
- **Feed reading**. Give yourself a 10 minute window and see how many useful feeds you can read. See how you tune your feed reading skills, including choice of reader, how you prioritize, and how you choose posts to read, as well as what links to follow. You might choose to factor your exploratory, pleasure feed reading from your personal and professional development feed reading.
- **Email**. Use time to help you outsmart your inbox. For example, if you allocate 30 minutes for your email, but you're falling behind, instead of throwing more time at the problem, experiment with different approaches.
- **Time bandits**. Set limits on how much time you'll throw at your worst time sinks. For example, do you spend too much time in meetings? Do you spend too much time stuck in analysis paralysis and not enough time in execution? Tackle your time-bandits with some hard limits.

Do you often feel like you have more things to do than you have time to do them? Here are tips to help you improve your time management skills both at work and at home.

- **Keep Prioritized "to do" Lists:** List tasks you must complete in order of priority (most important to least important). Cross off items as you complete them.
- **Schedule Breaks:** Schedule breaks at regular times. You'll be less likely to goof off when you should be working.
- **Learn to Delegate:** Don't try to do it all yourself. Assign jobs to others.
- **Get Organized:** It's much easier to accomplish tasks if your work area is organized.
- **Learn to Say "No" to Your Boss:** What can you do when your boss gives you more work than you can complete on time? It's better to turn down an assignment than fail to complete it.
- **Stop Procratinating:** Procrastination can ruin your career if it results in completing projects late or not at all.
- **Get Enough Sleep:** Although it's tempting to work long hours, in the end you're actually less efficient when you're tired.

Your time is your life, so, you want to spend your time on the goals and tasks that enable and enrich your life. Time management will increase your productivity and give you more time for life's more important moments. Time management and productivity tools boost your self-image because you accomplish more and feel better about your achievements. Spend your time where it counts most for you.

TIME MANAGEMENT PERSONALITY TYPES

The key to time management is knowing ourselves, as we can't actually "manage" time; all we can manage is our own behavior.

For many of us this is more than enough of a challenge. While we claim that effective time management is a top priority and that we just have to get more organized, our actions don't match our stated desires. I've invented these time management personality "types" to describe patterns of behavior that sabotage many people's attempts at time management.

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Which of the following time management "types" are you? While intended as fun, this time management exercise may provide you with some clues for more effective time management.

The Fireman - For you, every event is a crisis. You're so busy putting out fires that you have no time to deal with anything else - especially the boring, mundane things such as time management. Tasks pile up around you while you rush from fire to fire all day.

Typically seen - Running to car.

The Over-Committer - Your problem is you can't say 'No'. All anyone has to do is ask, and you'll chair another committee, take on another project, or organize yet another community event. You're so busy you don't even have time to write down all the things you do!

Typically seen - Hiding in rest room.

The Aquarian - There is such as thing as being too "laid-back" - especially when it starts interfering with your ability to finish tasks or bother to return phone calls. Getting to things when you get to them isn't time management; it's simple task avoidance.

Typically seen - Hanging out with feet on desk.

The Chatty Kathy - Born to socialize, you have astounding oral communication skills and can't resist exercising them at every opportunity. Every interaction becomes a long drawn out conversation - especially if there's an unpleasant task dawning that you'd like to put off.

Typically seen - Talking on cell phone.

The Perfectionist - You have a compulsion to cross all the "t's" and dot all the "i's", preferably with elaborate whorls and curlicues. Exactitude is your watchword, and you feel that no rushed job can be a good job. Finishing tasks to your satisfaction is such a problem you need more time zones, not just more time.

Typically seen - Hunched over latest project.

Hopefully none of these time management personality profiles is a photograph of you! But perhaps these descriptions will provoke some thought about the different ways we manage or mismanage time, and some clues about how we might change our behaviors to make our time management efforts more successful.

A WEEK OF YOUR PAST IS THE KEY TO THE FUTURE

Now that you understand the time management categories, it's time to use them to analyze your "typical" work week. Using whatever calendar system you use for listing appointments and activities in your daily life, go back and select a recent typical week. Go through the entries of each working day and categorize them according to the time management categories above. Keeping a running total at the bottom of each day will make it easy to see just how you've spent your working time each day.

Now you have the data you need to make changes to the way you spend your time at work. Are you spending too much time putting out fires? Then you need to make the organizational or physical changes to prevent or defer these constant crises. Clean up and reorganize your desk, for example, so you can find the files you need easily, and establish a routine of putting the files you need for the next day out on your desk before you leave for the day. Not getting enough uninterrupted downtime during your working day? Then you need to build it in. For instance, stop eating lunch at your desk and physically leave the building for your stipulated lunch time.

By applying my work categories of time management, and making the changes you need to make to spend more of your time during your working day in the *positive categories and less time in the negative categories, you'll truly be able to effectively manage your time at work – and accomplish the true goal of time management, to feel better.*

TIME MANAGEMENT TIPS

NOTES

Do you feel the need to be more organized and/or more productive? Do you spend your day in a frenzy of activity and then wonder why you haven't accomplished much?

Time management skills are especially important for small business people, who often find themselves performing many different jobs during the course of a single day. These time management tips will help you increase your productivity and stay cool and collected.

1) **Realize that time management is a myth :** No matter how organized we are, there are always only 24 hours in a day. Time doesn't change. All we can actually manage is ourselves and what we do with the time that we have.
2) **Find out where you're wasting time :** Many of us are prey to time-wasters that steal time we could be using much more productively. What are your time-bandits? Do you spend too much time 'Net surfing, reading email, or making personal calls? "Tracking Daily Activities" explains how to track your activities so you can form a accurate picture of what you actually do.
3) **Create time management goals :** Remember, the focus of time management is actually changing your behaviors, not changing time. A good place to start is by eliminating your personal time-wasters. For one week, for example, set a goal that you're not going to take personal phone calls while you're working. See "Set Specific Goals" for help with goal setting. For a fun look at behaviors that can interfere with successful time management, see my article "Time Management Personality Types". Find out if you're a Fireman, an Aquarian or a Chatty Kathy!
4) **Implement a time management plan :** Think of this as an extension of time management tip # 3. The objective is to change your behaviors over time to achieve whatever general goal you've set for yourself, such as increasing your productivity or decreasing your stress. So you need to not only set your specific goals, but track them over time to see whether or not you're accomplishing them.
5) **Use time management tools :** Whether it's a day-timer or a software program, manage. Your time physically. Managing physically mean to review present use of time and plan how you're going to spend your time in the future. In outlook (a software program) you can schedule events easily and setreminders for easy time management.
6) **Prioritize systematically** – You should daily prioritize the task for the day and setting the performance benchmarks.
7) **Delegate/outsource** – For effective management, you need to let other people carry some of the load. Determine your personal RUI and explains two ways to pinpoint while tasks you'd be better off delegating or outsourcing, while delegate provide. tips for actually getting on with the job of delegating.
8) Establish routine – Make your routine for a day as much as possible. While crisis will arise, you'll be much more productive if you can follow routines most of the time.
9) **Setting time limit for tasks** – Always try to set time for each task & set time in such a way that task will be over with full effeciency & give optimum productivity.

Check Your Progress

3. What is Time Boxing.
4. What are the steps of Time Boxing.

NOTES

10) **Organize systems stop wasting time** – Organize your management system by using technology and stop wasting time on non-sense activity. Rather than trying on mistakes. Follow the task and try to avoid mistakes & wastages.

TIME MANAGEMENT TOOLS

By applying time management tools you can optimize your efforts to ensure that you concentrate as much of your time and energy as possible on the high pay off tasks. This ensures you to achieve the greatest benefit possible with the limited amount of time available.

Goal setting – It is a powerful way of time management as well as motivating people. It helps in setting SMART goals – specific, measurable, attainable, relevena and time bound.

It's important to strike an appropriate balance between a challenging goal and a realistic goal. Setting a goal that you'll fail to achieve is possibly more de-otivating than setting a goal that's too easy. The need for success and achievement is strong, therefore people are best motivated by challenging, but realistic, goals. Ensuring that goals are Achievable or Attainable is one of the elements of SMART.

The factor of Goal setting :

(1) Clarity, (2) Challenge, (3) Commitment, (4) Feedback and (5) Task complexity.

(1) **Clarity** – A goal should be clear, measurable, umambiguous and behavioural. When a goal is clear and specific, with a definite time set for completion, there is less misunderstanding about what behaviours will be rewarderd. To improve your team's performance, set clear goals that use specific and measurable standards.

(2) **Challenge** – when setting goals, make each goal a challenge. If an assignment is easy and not viewed as very important and if your employee doesn't expect the accmplishment to be significant then the effort may not be impressive.

(3) **Commitment** – Goal commitment and difficulty often work together. The harder the goal, the more commitment is required it done. When you're working on a difficult assignment, source of inspiration and incentives.

(4) **Feedback** – In addition to selecting the right type of goal, an effective goal program must also include feedback. Feedback provides opportunities to clarify expectation, adjust goal difficulty, and gain recognition.

(5) **Task complexity** – The last factor in goal setting introduces two more requirement for success. It's therefore important to do :

   a. Give the person sufficient time to meet the goal.

   b. Provide enough time for the person to practice what is expected and required for success.

   Use clear, challenging goals and commit yourself to achieving them. Provide feedback on goal performance. Take into consideration the complexity of the task. If you follow these simple rules, your performance will improve.

Conclusion :

The key to successful time management is planning and then protecting the planned time. People who say that they have no time donot plan, or fail to protect planned time. If you plan what to do and when, and then stick on its then you will have time. This involves conditioning, or re-conditioning your environment. For people who have demands placed on them by others, particularly other departments, managers, customer, etc. time management requires diplomatically managing the expectation of others. Time management is chiefly about conditioning your environment, rather than allowing your environment to condition you. If you tolerate, and accept without question the interruptions and demands of others then you effectively encourage these time management pressures to continue.

CHAPTER AT A GLANCE

NOTES

- Time management teaches a number of techniques that aims to increase the effectiveness of a person in getting the thing done that need to be done.
- Time management should be called self management.
- Personal time management skills include goal setting, planning, prioritizing, decision-making, delegating & scheduling.
- Don't just Track your Time : Manage It !
- Manage your time with time management categories-
  - (1) Putting out fires
  - (2) Dealing with interruptions
  - (3) Doint planned tasks
  - (4) Working uniterrupted
  - (5) Uniterrupted downtime
- Time management Important –
  - (1) Time is limited
  - (2) Time is scare
  - (3) You need to get what you want out of life
  - (4) You can accomplish more with less effort
  - (5) Too many choices
- Reasons of time management in your life -
  - (1) Time cannot be used
  - (2) Time is rare
  - (3) Time is needed for everything
  - (4) It helps you finish more jobs with less effort
- Time management is indeed a gem.
- Different uses of term as a part of Project management; Contemprary time management, personal time management, Task list, Task list organization, Task list are often, prioritized, Alternatives to prioritizing, Software applications, Resistors, Drivers Caveats, Rigit adherence.
- Techniques for setting priorities – ABC analysis, Pareto analysis, Fit, POSEC Method, T-isenhower method.
- Time Boxing is a time management technique common in software. For e.g., the creation of new IT system, by splitting the project up in a number of separate time periods.
- Why use time boxing – To avoid missing windows of opportunity, To spread your result across key areas, To prioritize more effectively, To chunk up a problem, To deliver incremental results, To increase focus, To increase motivation, To improve effectiveness and efficiency, To version your results, To defeat analysis paralysis.
- Steps of Time Boxing –
  - (a) Identify candidate areas for time boxing.
  - (b) Identify your objectives.
  - (c) Identify the appropriate timebox.
  - (d) Execute results within your time box.
  - (e) Evaluate and adopt.
- Time management personality types– Fireman, Over committer, Aquarian, Chattykathy, perfectionist.
- Time Management Tips –
  1. Realize that time management is a myth.
  2. Find out where you're wasting time
  3. Create the management goals
  4. Implement a time management plan.
  5. Use time management tools

NOTES

6. Prioritize ruthlessly
7. Delegate/outonce
8. Make routine
9. Get in the habit of setting time limit for a task
10. Be organized and Don't waste time.

- Time Management Tools – Goal setting – It's important to strike an appropriate balance between a challenging goals a realistic goal.

ANSWER TO CHECK YOUR PROGRESS:

1. Time management teaches a number of techniques that aims to increase the effectiveness of a person in getting the thing done that need to be done. Time management should be called self management.
2. Manage your time with time management categories-
   (1) Putting out fires
   (2) Dealing with interruptions
   (3) Doint planned tasks
   (4) Working uniterrupted
   (5) Uniterrupted downtime
3. Time boxing is a time management technique common in software development projects to plan out a project, for example the creation of a new IT system, by splitting the project up in a number of separate time periods (normally two to six weeks long). Each part has its own deadline and its own budget. By incrementally finishing one part at a time, a project can be successfully delivered.
4. Steps of Time Boxing –
   (a) Identify candidate areas for time boxing.
   (b) Identify your objectives.
   (c) Identify the appropriate timebox.
   (d) Execute results within your time box.
   (e) Evaluate and adopt.

EXERCISE

1. Define Time Management and How will you manage your time ?
2. "Time management is important for our personal success ? Discuss the statement ?
3. Short note on :
   (a) Contemporary time management
   (b) Task List
   (c) Rigit adherence
   (d) Time management Personality Tips
4. What are various techniques to priorities time ?
5. Write a short note on time boxing and its uses ?
6. What are the tips of time management ?
7. Define Goal setting and give its principles ?

23 Entrepreneurship

NOTES

The Chapter Covers :

INTRODUCTION

Entrepreneurship is the practice of starting new organizations or revitalizing mature organizations, particularly new businesses generally in response to identified opportunities. Entrepreneurship is often a difficult undertaking, as a vast majority of new businesses fail. Entrepreneurial activities are substantially different depending on the type of organization that is being started. Entrepreneurship ranges in scale from solo projects (even involving the entrepreneur only part-time) to major undertakings creating many job opportunities. Many "high-profile" entrepreneurial ventures seek venture capital or angel funding in order to raise capital to build the business. Angel investors generally seek returns of 20-30% and more extensive involvement in the business. Many kinds of organizations now exist to support would-be entrepreneurs, including specialized government agencies, business incubators, science parks, and some NGOs.

HISTORY

NOTES

The understanding of entrepreneurship owes much to the work of economist Joseph Schumpeter and the Austrian economists such as Ludwig von Mises and Friedrich von Hayek. In Schumpeter (1950), an entrepreneur is a person who is willing and able to convert a new idea or invention into a successful innovation. Entrepreneurship forces "creative destruction" across markets and industries, simultaneously creating new products and business models. In this way, creative destruction is largely responsible for the dynamism of industries and long-run economic growth. Despite Schumpeter's early 20th-century contributions, the traditional microeconomic theory of economics has had little room for entrepreneurs in its theoretical frameworks (instead assuming that resources would find each other through a price system).

Conceptual and theoretic developments in entrepreneurship history. Adapted from Murphy, Liao, & Welsch (2006)

Some notable persons and their works in entrepreneurship history.

For Frank H. Knight (1967) and Peter Drucker (1970) entrepreneurship is about taking risk. The behavior of the entrepreneur reflects a kind of person willing to put his or her career and financial security on the line and take risks in the name of an idea, spending much time as well as capital on an uncertain venture. Knight classified three types of uncertainty.

- **Risk,** which is measurable statistically (such as the probability of drawing a red colour ball from a jar containing 5 red balls and 5 white balls).
- **Ambiguity,** which is hard to measure statistically (such as the probability of drawing a red ball from a jar containing 5 red balls but with an unknown number of white balls).
- **True Uncertainty** or Knightian Uncertainty, which is impossible to estimate or predict statistically (such as the probability of drawing a red ball from a jar whose number of red balls is unknown as well as the number of other coloured balls).

The acts of entrepreneurship is often associated with true uncertainty, particularly when it involves bringing something really novel to the world, whose market never exists. Before the Internet, nobody knew the market for Internet related businesses such as Amazon, Google, YouTube, Yahoo etc. Only after the Internet emerged did people begin to see opportunities and market in that technology. However, even if a market already exists, let's say the market for cola drinks (which has been created by Coca Cola), there is no guarantee that a market exists for a particular new player in the cola category. The question is: whether a market exists and if it exists for you.

The place of the disharmony-creating and idiosyncratic entrepreneur in traditional economic theory (which describes many efficiency-based ratios assuming uniform outputs) presents theoretic quandaries. William Baumol has added greatly to this area of economic theory and was recently honored for it at the 2006 annual meeting of the American Economic Association.

Entrepreneurship is widely regarded as an integral player in the business culture of American life, and particularly as an engine for job creation and economic growth. Robert Sobel published *The Entrepreneurs: Explorations Within the American Business Tradition* in 1974. Zoltan Acs and David B. Audrestch have produced an edited volume surveying Entrepreneurship as an academic field of research in the *Handbook of Entrepreneurship Research: An Interdisciplinary Survey and Introduction.*

THE ENTREPRENEUR

Entrepreneurs have many of the same character traits as leaders, similar to the early great man theories of leadership; however trait-based theories of entrepreneurship are increasingly being called into question. Entrepreneurs are often contrasted with managers and administrators who are said to be more methodical and less prone to risk-taking. Such person-centric models of entrepreneurship have shown to be of questionable validity, not least as many real-life entrepreneurs operate in teams rather than as single individuals. Still, a vast but now clearly dated literature studying the entrepreneurial personality found that certain traits seem to be associated with entrepreneurs:

- **David McClelland** (1961) described the entrepreneur as primarily motivated by an overwhelming need for achievement and strong urge to build.
- **Collins and Moore** (1970) studied 150 entrepreneurs and concluded that they are tough, pragmatic people driven by needs of independence and achievement. They seldom are willing to submit to authority.
- **Bird** (1992) sees entrepreneurs as mercurial, that is, prone to insights, brainstorms, deceptions, ingeniousness and resourcefulness. they are cunning, opportunistic, creative, and unsentimental.
- **Cooper, Woo, & Dunkelberg** (1988) argue that entrepreneurs exhibit extreme optimism in their decision-making processes. In a study of 2004 entrepreneurs they report that 81% indicate their personal odds of success as greater than 70% and a remarkable 33% seeing odds of success of 10 out of 10.
- **Busenitz and Barney** (1997) claim entrepreneurs are prone to overconfidence and over generalisations.
- **Cole** (1959) found there are four types of entrepreneur: the innovator, the calculating inventor, the over-optimistic promoter, and the organization builder. These types are not related to the personality but to the type of opportunity the entrepreneur faces.

Characteristics of an Entrepreneur

- The entrepreneur has an **enthusiastic vision,** the driving force of an enterprise.
- The entrepreneur's vision is usually supported by **an interlocked collection** of specific ideas not available to the marketplace.
- The **overall blueprint** to realize the vision is clear, however details may be incomplete, flexible, and evolving.
- The entrepreneur promotes the vision with **enthusiastic passion.**
- With persistence and **determination**, the entrepreneur develops strategies to change the vision into reality.
- The entrepreneur takes the **initial responsibility to** cause a vision to become a success.
- Entrepreneurs take **prudent risks.** They assess costs, market/customer needs and persuade others to join and help.
- An entrepreneur is usually a **positive thinker** and a **decision maker.**

CONTRIBUTIONS OF ENTREPRENEURS

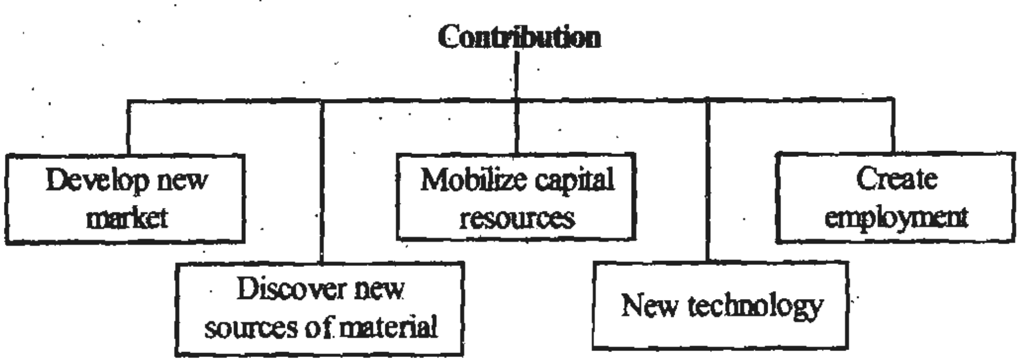

Figure 23.1

NOTES

1. **Develop new markets.** Under the modern concept of marketing, markets are people who are willing and able to satisfy their needs. In Economics, this is called effective demand. Entrepreneurs are resourceful and creative. They can create customers or buyers. This makes entrepreneurs different from ordinary businessmen who only perform traditional functions of management like planning, organization, and coordination.
2. **Discover new sources of materials.** Entrepreneurs are never satisfied with traditional or existing sources of materials. Due to their innovative nature, they persist on discovering new sources of materials to improve their enterprises. In business, those who can develop new sources of materials enjoy a comparative advantage in terms of supply, cost and quality.
3. **Mobilize capital resources.** Entrepreneurs are the organizers and coordinators of the major factors of production, such as land labor and capital. They properly mix these factors of production to create goods and service. Capital resources, from a layman's view, refer to money. However, in economics, capital resources represent machines, buildings, and other physical productive resources. Entrepreneurs have initiative and self-confidence in accumulating and mobilizing capital resources for new business or business expansion.
4. **Introduce new technologies,** new industries and new products. Aside from being innovators and reasonable risk-takers, entrepreneurs take advantage of business opportunities, and transform these into profits. So, they introduce something new or something different. Such entrepreneurial spirit has greatly contributed to the modernization of economies. Every year, there are new technologies and new products. All of these are intended to satisfy human needs in a more convenient and pleasant way.
5. **Create employment.** The biggest employer is the private business sector. Millions of jobs are provided by the factories, service industries, agricultural enterprises, and the numerous small-scale businesses. For instance, the super department stores like SM, Uniwide, Robinson and others employ thousands of workers. Likewise giant corporations like SMC, Ayala and Soriano group of companies are great job creators. Such massive employment has multiplier and accelerator effects in the whole economy. More jobs mean more incomes. This increases demand for goods and services. This stimulates production. Again, more production requires more employment. have ability to gather resources and initiate action. are calculated risk takers

ADVANTAGES OF ENTREPRENEURSHIP

Every successful entrepreneur brings about benefits not only for himself/ herself but for the municipality, region or country as a whole. The benefits that can be derived from entrepreneurial activities are as follows:

1. Enormous personal **financial gain.**
2. **Self-employment,** offering more job satisfaction and flexibility of the work force.
3. **Employment for others,** often in better jobs.
4. Development of **more industries,** especially in rural areas or regions disadvantaged by economic changes, for example due to globalisation effects.
5. Encouragement of the processing of local materials into finished goods for domestic consumption as well as for export.
6. **Income generation** and increased economic growth.
7. **Healthy competition** thus encourages higher quality products.
8. **More goods and services** available.
9. Development of **new markets.**
10. Promotion of the use of **modern technology** in small-scale manufacturing to enhance higher productivity.

11. Encouragement of **more researches/ studies** and development of modern machines and equipment for domestic consumption.
12. Development of entrepreneurial qualities and attitudes among potential entrepreneurs to bring about significant **changes in the rural areas.**
13. **Freedom from the dependency** on the jobs offered by others
14. The **ability to have great accomplishments**
15. **Reduction** of the informal economy
16. **Emigration of talent** may be stopped by a better domestic entrepreneurship climate.

MORE ABOUT ENTREPRENEURS

An entrepreneur is a person who has possession over a company, enterprise, or venture, and assumes significant accountability for the inherent risks and the outcome. **The term is a loanword from French and was first defined by the Irish economist Richard Cantillon.** Entrepreneur in English is a term applied to the type of personality who is willing to take upon herself or himself a new venture or enterprise and accepts full responsibility for the outcome. In common understanding it is taken as describing a dynamic personality. The modern myths about entrepreneurs include the idea that they assume the risks involved to undertake a business venture, but that interpretation now appears to be based on a false translation of Cantillon's and Say's ideas. The research data indicate that successful entrepreneurs are actually risk averse. They are successful because their passion for an outcome leads them to organize available resources in new and more valuable ways. In doing so, they are said to efficiently and effectively use the factors of production. Those factors are now deemed to include at least the following elements: land (natural resources), labour (human input into production using available resources), capital (any type of equipment used in production i.e. machinery), intelligence, knowledge, and creativity. A person who can efficiently manage these factors in pursuit of an opportunity to add value, may expand (future prospects of larger firms and businesses), and become successful.

An enterpreneur is a person who is willing and able to convert a new idea or invention into a successful innovation.

Entrepreneurship is often difficult and tricky, as many new ventures fail. Entrepreneur is often synonymous with *founder*. Most commonly, the term entrepreneur applies to someone who creates value by offering a product or service. Entrepreneurs often have strong beliefs about a market opportunity and organize their resources effectively to accomplish an outcome that changes existing interactions.

Some observers see them as being willing to accept a high level of personal, professional or financial risk to pursue that opportunity, but the emerging evidence indicates they are more passionate experts than gamblers.

Business entrepreneurs are viewed as fundamentally important in the capitalistic society. Some distinguish business entrepreneurs as either "political entrepreneurs" or "market entrepreneurs," while social entrepreneurs' principal objectives include the creation of a social and/or environmental benefit.

DEFINITION AND TERMINOLOGY

An entrepreneur is someone who attempts to organize resources in new and more valuable ways and accepts full responsibility for the outcome.

Etymology

The word "entrepreneur" is a loanword from French. In French the verb "entreprendre" means "to undertake", with "entre" coming from the Latin word meaning "between", and "prendre" meaning "to take". In French a person who performs a verb, has the ending of the verb changed to "eur", comparable to the "er" ending in English.

Enterprise is similar to and has roots in, the French word "entrepris", which is the past participle of "entreprendre". Entrepreneuse is simply the French feminine counterpart of "entrepreneur".

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According to Miller – "it is one who is able to begin, sustain, and when necessary, effectively and efficiently dissolve a business entity."

Entrepreneur as a leader

Scholar Robert. B. Reich considers leadership, management ability, and team-building as essential qualities of an entrepreneur. This concept has its origins in the work of Richard Cantillon in his *Essai sur la Nature du Commerce en Général* (1755) and Jean-Baptiste Say (1803) in his *Treatise on Political Economy*.

A more generally held theory is that entrepreneurs emerge from the population on demand, from the combination of opportunities and people well-positioned to take advantage of them. An entrepreneur may perceive that s/he is among the few to recognize or be able to solve a problem. In this view, one studies on one side the distribution of information available to would-be entrepreneurs (see Austrian School economics) and on the other, how environmental factors (access to capital, competition, etc.) change the rate of a society's production of entrepreneurs.

A prominent theorist of the Austrian School in this regard is Joseph Schumpeter, who saw the entrepreneur as innovators and popularized the uses of the phrase creative destruction to describe his view of role of entrepreneurs in changing business norms.

Social entrepreneurship is the work of a **social entrepreneur**. A social entrepreneur is someone who recognizes a social problem and uses entrepreneurial principles to organize, create, and manage a venture to make social change. Whereas a business entrepreneur typically measures performance in profit and return, a social entrepreneur assesses success in terms of the impact s/he has on society. While social entrepreneurs often work through nonprofits and citizen groups, many work in the private and governmental sectors.

The terms *social entrepreneur* and *social entrepreneurship* were first used in the literature on social change in the 1960s and 1970s. It came into widespread use in the 1980s and 1990s, promoted by Bill Drayton the founder of Ashoka: Innovators for the Public, , and others such as Charles Leadbeater. From the 1950s to the 1990s Michael Young was a leading promoter of social enterprise and in the 1980s was described by Professor Daniel Bell at Harvard as 'the world's most successful entrepreneur of social enterprises' because of his role in creating over 60 new organizations worldwide, including a series of Schools for Social Entrepreneurs in the UK.

Although the terms are relatively new, social entrepreneurs and social entrepreneurship can be found throughout history. A list of a few historically noteworthy people whose work exemplifies classic "social entrepreneurship" might include Florence Nightingale (founder of the first nursing school and developer of modern nursing practices), Robert Owen (founder of the cooperative movement) and Vinoba Bhave (founder of India's Land Gift Movement). During the 19th and 20th centuries some of the most successful social entrepreneurs successfully straddled the civic, governmental and business worlds - promoting ideas that were taken up by mainstream public services in welfare, schools and healthcare. One well known contemporary social entrepreneur is Muhammad Yunus, founder and manager of Grameen Bank and its growing family of social venture businesses, who was awarded a Nobel Peace Prize in 2006. The work of Yunus and Grameen echoes a theme among modern day social entrepreneurs that emphasizes the enormous synergies and benefits when business principles are unified with social ventures. In some countries -

including Bangladesh and to a lesser extent the USA - social entrepreneurs have filled the spaces left by a relatively small state. In other countries - particularly in Europe and South America - they have tended to work more closely with public organizations at both the national and local level.

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The George Foundation's Women's Empowerment program empowers women by providing education, cooperative farming, vocational training, savings plan, and business development. In 2006 the cooperative farming program, Baldev Farms, was the second largest banana grower in South India with 250 acres under cultivation. Profits from the farm are used for improving the economic status of the workers and for running the other charitable activities of the foundation.

Today, nonprofits and non-governmental organizations, foundations, governments and individuals promote, fund, and advise social entrepreneurs around the planet. A growing number of colleges and universities are establishing programs focused on educating and training social entrepreneurs.

Organizations such as Ashoka: Innovators for the Public, the Skoll Foundation, the Omidyar Network, the Schwab Foundation for Social Entrepreneurship, the Canadian Social Entrepreneurship Foundation, New Profit Inc. and Echoing Green among others, focus on highlighting these hidden change-makers who are scattered across the globe. Ashoka's Changemakers "open sourcing social solutions" initiative *Changemakers* uses an online platform for what it calls collaborative competitions to build communities of practice around pressing issues. The North American organizations tend to have a strongly individualistic stance focused on a handful of exceptional leaders, while others in Asia and Europe emphasize more how social entrepreneurs work within teams, networks and movements for change.

Youth social entrepreneurship is an increasingly common approach to engaging youth voice in solving social problems. Youth organizations and programs promote these efforts through a variety of incentives to young people.

Fast Company Magazine annually publishes a list of the 25 best social entrepreneurs, which the magazine defines as organizations "using the disciplines of the corporate world to tackle daunting social problems."

The International Business Leaders Forum, an NGO that promotes responsible business practices, has shown how multinational companies can support social entrepreneurship - either through in their businesses, engaging in public policy debate or creating better internal climates within their organisations.

Entrepreneurial economics

The accumulation of factors of production per se – be they knowledge, physical or human capital – cannot alone explain economic development. They are necessary inputs in production, but they are not in themselves sufficient for economic growth to occur.

Human creativity and productive entrepreneurship are needed to combine these inputs in profitable ways, and hence an institutional environment that encourages free entrepreneurship becomes the ultimate determinant of economic growth.

Thus, the entrepreneur and entrepreneurship should take center stage in any effort to explain long-term economic development. The Economic theory, however did not lay proper attention to the entrepreneur and to the entrepreneurship.

"The theoretical firm is entrepreneurless – the Prince of Denmark has been expunged from the discussion of Hamlet". This oft-quoted observation was made by William J. Baumoll exactly five decades ago in the American Economic Review. The article was an urge to the economics profession to start paying serious attention to the role of entrepreneurship in economic development.

If entrepreneurship remains as important to the economy as ever, then the continuing failure of mainstream economics to adequately account for entrepreneurship indicates that fundamental principles require re-evaluation. *Entrepreneurial Economics* is the study of the entrepreneur and entrepreneurship within the economy. The characteristics of entrepreneurial economy (regional or national level) are high level of innovation combined with high level of entrepreneurship which result in the creation of new ventures as well as new sectors and industries.

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Mainstream economics does not include much disscussion on entrepreneurship though it assigns an important role to the entrepreneur. This is not by chance, but because entrepreneurship is difficult to analyse using the traditional tools of economics e.g. calculas and general equilibrium model. Entrepreneurship is reffered to in the mainstream theory; different economists assign different important roles to the entrepreneurs but the coverage is much less as compared to the important role entrepreneurs play in th eecomomy and in t he economic theory. In fact mainstream theory makes the entrepreneur an invisible man. The reason for that is that the construct of equilibrium models, which is central to mainstream economics, is exactly what by definition excludes entrepreneurship. Joseph Schumpeter and Israel Kirzner have argued in their writings, that entrepreneur does not tolerate equilibrium. According to Baumol, mainstream theory has ignored entrepreneurship not because it does not fit here, but because the tools available to the economists, the general equilibrium model etc. cannot ensure a comprehensive analysis of the entrepreneur without adding more tools to the toolkit the economists are at ease with.

EDI Ahmedabad, India conducted a study under the guidance of Prof. David C. McClelland a renowned behavioral scientist to find out a set of competencies or characteristics of successful entrepreneurs in three countries India, Malawi & Ecuador and found that certain characteristics are cross culturally valid, and concluded that it is necessary to possess these competencies in varying measures by all entrepreneurs in all the cultures and countries and linked these with the nature of socialization in the society.

A group of thinkers emphasized the existence of economic entrepreneurship. The economists assume that the factors of production possess a high degree of mobility; that inputs and outputs are homogenous, and that producers; consumers and resource owners have knowledge of all the possibilities open to them. As is well known, in an underdeveloped country such ideal conditions do not exist. As such, the entrepreneurship envisaged by economists cannot be developed in such a country by considering the economic dimensions alone.

The fourth school of thought attached importance to the managerial aspects. They emphasized perception of market opportunities as well as operational skills, required to run a business or an industry.

A critical evaluation of these four major currents of thought however, brings to surface certain common characteristics. These include the identification and perception of economic opportunity, technical, organizational and behavioral skills, managerial competence, and motivation to achieve results.

The various concepts and theories propounded by researchers seem to indicate that the developing entrepreneurs in a society depend upon closely interlinked economic, social, religious, cultural and psychological variables.

Prof. Frank Knight, (Risk Uncertainty & profits, 1921) Hawley, A C Pigou and others opine that the entrepreneurs bear the uncertainty & risk of production. The theory alone is unable to explain the occupational choice question. Thus, in order to build a development model of entrepreneurship it is necessary to look at some of the other characteristics that help explain why some people are entrepreneurs; risk may be a factor, but it is not the only one.

Schumpeter's concept is a synthesis of three different notions of entrepreneur i.e. a risk bearer, innovator and a coordinator cum manager. He assigned the role of an innovator to the entrepreneur and not to the capitalist. Capitalists supply capital and entrepreneurs constantly innovate and are usually the large-scale businesspersons. He (1934, p. 78) stated that 'whatever the type, everyone is entrepreneur only when he actually carries out a new combination and loses that character as soon as he has built up his business, when he settles to running it as other people run their business'. The focus here is not on a category of person, but on a function.He was perhaps influenced by his family history.

Entrepreneur has been perceived as some one who breaks an existing equilibrium, maybe by innovations, a chaotic, unpredictable economic process, which cannot be modeled using the equilibrium based analytical methods used in mainstream economic theory. It seems no longer possible to expect that only theoretical refinements and extending known principles can provide for a theory of entrepreneurship. Challenging 'fundamental principles' like equilibrium models, rational agent, maximization paradigm, the traditional production function, by applying insight from other disciplines like theoretical physics (thermodynamics, entropy) might be the way forward in the study of entrepreneurial economics. There are two types of theories termed as gap filling theories; the sociological approach, which suggests that as a result of withdrawal of status, some social classes will work to fill the void and be more entrepreneurial. The other is an economic approach which implies entrepreneurs fill up the gaps in the market. The proposal concentrates on the later approach, explained below.

Following the Schumpeterian line of thought (entrepreneur as an innovator), Leibenstein postulates that the entrepreneurs are gap-fillers i.e. they have the ability to perceive where the market fails and to develop new goods or processes that the market demands but which are not currently being supplied. This can be regarded as a special kind of innovation. He postulates that entrepreneurs have the special ability to connect different markets and make up for market failures and deficiencies. Additionally, drawing from the early theories of **J.B. Say and Cantillon,** Leibenstein suggests that entrepreneurs have the ability to combine various inputs into new innovations in order to satisfy unfulfilled market demand (Leibenstein, 1995).

Peter F. Drucker (1985) defines an entrepreneur as a person who looks out for any changes, responds to it and exploits the opportunity generated by the change. It may mean provision of a new business, new product or a new service. He feels that a resource becomes an economic resource only when somebody finds a use for it. Some thinkers suggest that the entrepreneurs are to be found in the social sectors e.g. NGOs as well, and are called Social entrepreneurs. They are an agent of change and help increase the standard of living. Some other thinkers have identified Intrapreneurs, who perform all the functions of entrepreneurs, but are not the risk bearers as they are employed in some organizations. These people innovate, go through all the labor pains of creating new divisions within existing organizations, they do not bear the risk, or uncertainty, and also may not get any reward in proportion of the success of the new venture/ division but they certainly are agents of change in the organization.

Check Your Progress

1. Define entre premiership.
2. What are the contributions of entre pureness.

Coase surveys the field of economics and believes it has become a "theory-driven" subject that has moved into a paradigm in which conclusions take precedence over problems. "If you look at a page of a scientific journal like Nature," he said, "every few weeks you have statements such as, 'We'll have to think it out again. These results aren't going the way we thought they would.' Well, in economics, the results always go the way we thought they would because we approach the problems in the same way, only asking certain questions. Entrepreneurial Economics challenges fundamental principles, using insights from models and theories in the natural sciences.

BUSINESS INCUBATOR

Business incubators are programs designed to accelerate the successful development of entrepreneurial companies through an array of business

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support resources and services, developed and orchestrated by incubator management and offered both in the incubator and through its network of contacts. Incubators vary in the way they deliver their services, in their organizational structure, and in the types of clients they serve. Successful completion of a business incubation program increases the likelihood that a start-up company will stay in business for the long term: Historically, 87% of incubator graduates stay in business.

Incubators differ from research and technology parks in their dedication to start-up and early-stage companies. Research and technology parks, on the other hand, tend to be large-scale projects that house everything from corporate, government or university labs to very small companies. Most research and technology parks do not offer business assistance services, which are the hallmark of a business incubation program. However, many research and technology parks house incubation programs.

Incubators also differ from the U.S. Small Business Administration's Small Business Development Centers (and similar business support programs) in that they serve only selected clients. SBDCs are required by law to offer general business assistance to any company that contacts them for help. In addition, SBDCs do not target start-up and early-stage companies; they work with any small business at any stage of development. Many business incubation programs partner with their local SBDC to create a "one-stop shop" for entrepreneurial support.

In 2005 alone, North American incubation programs assisted more than 27,000 companies that provided employment for more than 100,000 workers and generated annual revenues of $17 billion.

THE INCUBATION SERVICES & PROCESS

Most common incubator services
Help with business basics
Networking activities
Marketing assistance
High-speed Internet access
Help with accounting/financial management
Access to bank loans, loan funds and guarantee programs
Help with presentation skills
Links to higher education resources
Links to strategic partners
Access to angel investors or venture capital
Comprehensive business training programs
Advisory boards and mentors
Management team identification
Help with business etiquette
Technology commercialization assistance
Help with regulatory compliance
Intellectual property management

Unlike many business assistance programs, business incubators do not serve any and all companies. Entrepreneurs who wish to enter a business incubation program must apply for admission. Acceptance criteria vary from program to program, but in general only those with feasible business ideas and a workable business plan are admitted. It is this factor that makes it difficult to compare the success rates of incubated companies against general business survival statistics.

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Although most incubators offer their clients office space and shared administrative services, the heart of a true business incubation program is the services it provides to start-up companies. More than half of incubation programs surveyed by the National Business Incubation Association in 2006 reported that they also served affiliate or virtual clients. These companies do not reside in the incubator facility. Affiliate clients may be home-based businesses or early-stage companies that have their own premises but can benefit from incubator services. Virtual clients may be too remote from an incubation facility to participate on site, and so receive counseling and other assistance electronically.

The amount of time a company spends in an incubation program can vary widely depending on a number of factors, including the type of business and the entrepreneur's level of business expertise. Life science and other firms with long research and development cycles require more time in an incubation program than manufacturing or service companies that can immediately produce and bring a product or service to market. On average, incubator clients spend 33 months in a program. Many incubation programs set graduation requirements by development benchmarks, such as company revenues or staffing levels, rather than time in the program.

INCUBATOR TYPES, GOALS, AND SPONSORS

Industry sectors intentionally supported by incubation programs
technology
Computer software
Services/professional
Manufacturing
Internet
Biosciences/life sciences
Electronics/microelectronics
Telecommunications
Computer hardware
Medical devices
Wireless technology
Healthcare technology
Advanced materials
Defense/homeland security
Energy Environment/clean technologies
Media
Nanotechnology
Construction
Arts
Aerospace
Kitchen/food
Retail
Fashion
Wood/forestry
Tourism

More than half of all business incubation programs are "mixed-use" projects; that is, they work with clients from a variety of industries. Technology incubators account for 39% of incubation programs.

Business incubation has been identified as a means of meeting a variety of economic and socioeconomic policy needs, which may include

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- Creating jobs and wealth
- Fostering a community's entrepreneurial climate
- Technology commercialization
- Diversifying local economies
- Building or accelerating growth of local industry clusters
- Business creation and retention
- Encouraging women or minority entrepreneurship
- Identifying potential spin-in or spin-out business opportunities
- Community revitalization

About one-third of business incubation programs are sponsored by economic development organizations. Government entities (such as cities or counties) account for 21% of program sponsors. Another 20% are sponsored by academic institutions, including two- and four-year colleges, universities, and technical colleges.

In many countries, incubation programs are funded by regional or national governments as part of an overall economic development strategy. In the United States, however, most incubation programs are independent, community-based and resourced projects. The U.S. Economic Development Administration is a frequent source of funds for developing incubation programs, but once a program is open and operational it typically receives no federal funding; few states offer centralized incubator funding. Rents and/or client fees account for 59% of incubator revenues, followed by service contracts or grants (18%) and cash operating subsidies (15%).

Many for-profit or "private" incubation programs were launched in the late 1990s by investors and other for-profit seeking to hatch businesses quickly and bring in big payoffs. At the time, NBIA estimated that nearly 30% of all incubation programs were for-profit ventures. In the wake of the dot-com bust, however, many of those programs closed. In NBIA's 2002 State of the Business Incubation survey, only 16% of responding incubators were for-profit programs. By the 2006 SOI, just 6% of respondents were for-profit.

Although some incubation programs (regardless of nonprofit or for-profit status) take equity in client companies, most do not. Only 25% of incubation programs report that they take equity in some or all of their clients.

INTRAPRENEURSHIP

Intrapreneurship is the practice of using entrepreneurial skills without taking on the risks or accountability associated with entrepreneurial activities. It is practiced by employees within an established organization using a systemised business model. Employees, perhaps engaged in a special project within a larger firm are supposed to behave as entrepreneurs, even though they have the resources and capabilities of the larger firm to draw upon. Capturing the dynamic nature of entrepreneurial management (trying things until successful, learning from failures, attempting to conserve resources, etc.) adds to the potential of an otherwise static organizations without exposing those employees or self employed people to the risks or accountability normally associated with entrepreneurial failure.

History

The term itself dates to the 1983 PhD dissertation by Burgelman and later defined in a 1985 book by Gifford Pinchot III, "Intrapreneuring"; a revised edition, entitled "Intrapreneuring in Action" is currently published. The concept apparently dates back to 1976.

The term was later applied to the self-employed worker by Ed Ludbrook in his 2008 book '100% Confidence' to describe the self-employed people who operated a systemised business opportunity, such as franchising or a Network Marketing/MLM business. The use of this term helps name the differences in entrepreneurial activity and the theory that most business opportunity seekers are not just risk-adverse, they will not accept high levels of risk that entrepreneurs will.

Employee Intrapreneur

An employee *Intrapreneur* is the person who focuses on innovation and creativity and who transforms a dream or an idea into a profitable venture, by operating within the organizational environment. Thus, Intrapreneurs are *Inside entrepreneurs* who follow the goal of the organization.

Employees, perhaps engaged in a special project within a larger firm are supposed to behave as entrepreneurs, even though they have the resources, capabilities and security of the larger firm to draw upon. Capturing a little of the dynamic nature of entrepreneurial management (trying things until successful, learning from failures, attempting to conserve resources, etc.) adds to the potential of an otherwise static organizations without exposing those employees to the risks or accountability normally associated with entrepreneurial failure.

Employee Examples

Many companies are famous for trying to setup internal organizations that promote innovation within their ranks. One of the most well known is the "Skunk Works" group at Lockheed Martin. The group was originally named after a reference in a cartoon, and was first brought together in 1943 to build the P-80 fighter jet. Because the project was to eventually become a part of the war effort, the project was internally protected and secretive. Kelly Johnson, later famous for Kelly's 14 rules of intrapreneurship, was the director of this group.

Another example could be 3M, in which they encourage many projects within the company. They give certain freedom to employees to create their own projects and they even give them fund to use for these projects.

SELF-EMPLOYED INTRAPRENEUR

A self-employed Intrapreneur is the person who builds a business based on a business format or system sold by another company. They operate within set policies and procedures. This business offers a low risk alternative to creating your own business. Self-employed Intrapreneurs are estimated to be the majority of people investigating business opportunities as few people have the acceptance of risk necessary to be an entrepreneur [link entrepreneur].

Examples

Franchising The $2trillion global franchise industry has been built on appealing to Intrapreneurs. This industry was pioneered appealing to entrepreneurs and its failure rate produced widespread condemnation by 1970s and was called Pyramid Selling. The industry then evolved their franchisee systems to a competence basis which ensure minimum skill levels and performance. It reduced the failure rate to such a low level that failure in franchising is considered unusual. The most famous franchise is McDonalds that requires new franchisees to attend their Hamburger University and study for a minimum of 9 months full-time to prove their competence in their business system. This has ensured that McDonalds franchisees effectively never fail.

Direct Sales

Over 95% of companies in the $100bn Direct Sales industry now offer a leadership business opportunity. The opportunity is to earn commissions on the sales network you built. This is why it is known as a Network Marketing or MLM opportunity. The business opportunity is claimed to be a systemised business like a franchise system. Direct Sales industry also seeks to attract Intrapreneurs yet has pioneered its industry like the Franchise industry with entrepreneurs and thus has produced unacceptably low success rates.

KNOWLEDGE ENTREPRENEURSHIP

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Knowledge entrepreneurship describes the ability to recognize or create an opportunity and take action aimed at realizing the innovative knowledge practice or product. Knowledge entrepreneurship is different from 'traditional' economic entrepreneurship in that it does not aim at the realization of monetary profit, but focuses on opportunities with the goal to improve the production (research) and throughput of knowledge (as in personal transformation (Harvey & Knight, 1996)), rather than to maximize monetary profit. It has been argued that knowledge entrepreneurship is the most suitable form of entrepreneurship for not-for-profit educators, researchers and educational institutions.

The Knowledge Entrepreneurship Model

Following Clark, (1998, , 2004) "entrepreneurial" can be used as a characteristic not only applied to individuals, but to organizations as social systems, as well as to projects. However, in contrast to Clark, the dynamic process of vision, and change aspects of entrepreneurship (Kuratko, 2006; Schumpeter & Opie, 1934), also known as entrepreneuring are stressed. Thus entrepreneurship is the act of pursuing new ways of doing thing in a real context, or more concretely "the essential act of entrepreneurship is new entry" (Lumpkin & Dess, 1996). Or as Brown put it: "Entrepreneurship is a process of exploiting opportunities that exist in the environment or that are created through innovation in an attempt to create value" (Brown & Ulijn, 2004, p. 5)

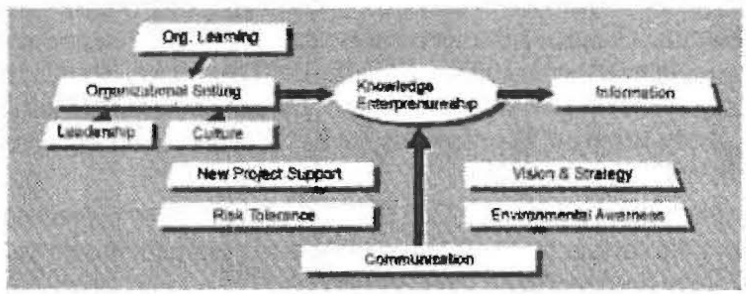

Figure : 23.2

Model of knowledge entrepreneurship. Used in Senges 2007 and adapted from McDonald 2002

This forward looking notion is nicely depicted by Kanter (1983). According to her, entrepreneurs and entrepreneurial organizations "always operate at the edge of their competence, focusing more of the resources and attention on what they do not yet know (e.g. investment on R&D) than controlling what they already know. They measure themselves not by the standards of the past (how far they have come) but by visions of the future (how far they have yet to go). And they do not allow the past to serve as a restraint on the future; the mere fact that something has not worked in the past does not mean that it cannot be made to work in the future. And the mere fact that something has worked in the past does not mean that it should remain." (Kanter as in (Cornwall & Perlman, 1990, pp. 27-28).

Using McDonald (2002, pp. 12-33), the following specific set of attractors have been proposed by Senges (2007) to directly influence the knowledge entrepreneurship ability. **Environmental awareness** describes with what practices and with what intensity the organization gathers information about its external and internal environment. The importance of this practice for the establishment of an entrepreneurial organization was also recognized by Cornwall and Perlman (1990). They write: "Scanning should be a fundamental part of every manager's job, not something that is done by top management in conjunction with the annual update of the strategic plan"(ibid p.46). As such the concept includes activities like internal needs analysis, benchmarking and inter-organizational networking. The organizations **attitude towards the risk** inherent in the pursuit of all innovation is captured under the concept of risk tolerance. A factor which has not been part of McDonald's model (and which replaces the variable named analytical diligence) covers the organizations vision in the sense of **entrepreneuring** (Kuratko, 2006). This ability is strongly related to strategic thinking and planning, describes its culture of envisioning and scouting new developments. **New project support** refers to the degree to which new initiatives are institutionalized as a means of institutional development. Thereby the monetary means, as well as managerial attention given to experimental projects is looked at. **Communication** is the last variable taken into consideration as a major influence for knowledge entrepreneurship. The organizational style of communication and the richness of communication channels are evaluated here.

Furthermore the **organizational condition**, described through its setting and its current **leadership** and its **organizational culture** are set to determine the general possibilities for knowledge entrepreneurship to occur. Thereby the organizational setting represents the basic factual being of the organization; its size, type of institution, business model, history and historic approach to innovation. Under leadership the style and values embraced by the current top decision makers, as well as the governance structure itself is evaluated. The concept of organizational culture is central to the understanding of the enabling or discouraging condition of the organization, as it adapts its attitude towards organizational learning and whether values like innovativeness, competitiveness, entrepreneurship etc. are embraced or rejected.

On the output side, knowledge entrepreneurship is set to improve **innovativeness** and thereby indirectly improve performance. But "the most important outcome of organisational entrepreneurship is long term: an organisation that is better able to adapt and survive." (Cornwall & Perlman, 1990, p. 29)

Literature Review Knowledge Entrepreneurship

A variety of authors have dealt with topics related to knowledge entrepreneurship, but in this section, only the few works that have been identified to have used the concrete term 'knowledge entrepreneur' (and derivates) are reviewed. Most of them have only a broad understanding of the concept and are thus only cited to give a context. The Ph.D. research conducted by McDonald (2002) seems to be the first to have proposed and tested a conceptualization of the term as defined here. In the following paragraphs it is reviewed what has been published in books and then the journal papers:

The Demos Think-Tank has published a report entitled: "Surfing the long wave: Knowledge entrepreneurship in Britain" (Leadbetter & Oakley, 2001), Colin Coulson-Thomas a Professor and Consultant has been promoting his version of the concept in various articles and workshops as well as in the book "The knowledge entrepreneur" (Coulson-Thomas, 2003), and lastly the librarian Stan Skrzeszewski (2006) wrote about knowledge entrepreneurship in the librarian context.

The Demos report is meant to influence policy planning in the UK. It starts with an overview section on entrepreneurship and why it is important to have an entrepreneurial society. It then goes on to present a collection of case studies from the UK creative IT services (gaming and animation). Even though there is no specific definition of the term given, they use knowledge entrepreneurship to indicate that the entrepreneur is starting an enterprise that is based on knowledge work.

With "The knowledge entrepreneur" Coulson-Thomas has written an interesting management consultant book. Having years of experience as business professor and board member, he brings reams of advice he has to give to the table. "The knowledge entrepreneur", has many general chapters (such as 'contemporary information problems', or 'requirements of different stakeholders'). In general this is not an academic but a practitioner oriented book; however some original concepts are worth noting. He describes knowledge-based opportunities as distinct from (classical) resource based opportunities; unfortunately there is no clear definition of a

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knowledge based opportunity which makes it difficult to demarcate, as all opportunities except for purely spontaneous action or intuition based opportunities are somehow knowledge based. He also puts forward a list of eleven things a knowledge entrepreneur needs to understand. It is a very extensive list starting with the ability to acquire, develop, share, manage and exploit information, knowledge and understanding, and related support tools, and it ends with the ability to lead and manage knowledge workers, network organizations and virtual teams. In between you have all the whole range of skills today's great leader should have. As said, it is a book for practitioners listing proposing an ideal entrepreneurial manager who is aware of the importance of knowledge.

The third book 'The Knowledge Entrepreneur' by Stan Skrzeszewski (2006) was originally meant to be entitled "The Entrepreneurial Librarian" (ibid p. v), it describes practical hands-on advise for how to embrace the entrepreneurship paradigm in the librarian profession. He defines: "A knowledge entrepreneur is someone who is skilled at creating and using intellectual assets for the development of new ventures or services that will lead to personal and community wealth creation or to improved and enhanced services. The knowledge entrepreneur must have sufficient personal knowledge capital to be able to create value and/or wealth through the use of that knowledge capital" (ibid p.3). The definition is rather complementary with the wikipedia conceptualization, only the dependence on existing intellectual capital and the result of 'wealth creation and/or improved services' actually alludes to a different objective than knowledge product or service per se. He continues: "The knowledge entrepreneur must know more about the subject at hand than his or her client of boss. It does not always have to be a great deal more, and sometimes the difference is based on the ability to communicate, present, or more importantly, apply the knowledge asset" (ibid). Now this argument is not convincing as true knowledge entrepreneurship, as for the knowledge entrepreneur identifying and realizing an opportunity, rather than exploiting existing intellectual capital is the motivating factor. Later, when Skrzeszewski elaborates on how information technology is a key trend to be exploited by knowledge entrepreneurs, his librarian perspective shows through again: "There is a growing need and expectation for relevant and usable digital information products and services. At the same time, there is a growing problem of information overload. Therefore, there is an attendant need to organize and package information for users, to put the information in context, to provide information intermediaries and facilitators, and to digitize all forms and formats of information – all major entrepreneurial opportunities" (ibid 31). Overall Skrzeszewski presents an interesting and valuable book with the aim to foment entrepreneurship among librarians and his general understanding of knowledge entrepreneurship is assessed to be compatible with the wikipedia definition.

The forth author, McDonald (2002), has conducted his PhD research entitled "Knowledge entrepreneurship: Linking organizational learning and innovation" about a comparison of the conditions at hospitals regarding their approaches to knowledge sharing and exploration and the entry of innovations. The work is assessed as the first to develop the distinct characteristics of knowledge entrepreneurship.

Another Author that has used the theme is Jennifer Rowley. In her paper "From learning organization to knowledge entrepreneur" (Rowley, 2000) she deals with how organizational learning can be meaningfully conceptualized. Thereby she stresses learning and the usefulness of the knowledge codified. In this context she elaborates on the concept of the knowledge entrepreneur. In her understanding "an organization that is a knowledge entrepreneur recognizes the multi-faceted nature of knowledge, and the implication that this has for organization learning. Specifically, a knowledge entrepreneur understands how to interface organizational learning and systems evolution in such a way as to optimize and capitalize on its knowledge resources in pursuit of its vision" (ibid p.14). This understanding expresses the role of knowledge entrepreneurship in a different way but interesting. She writes knowledge entrepreneurship serves to "build bridges between people and systems". She then goes on to list what is in her eyes important to achieve the co-evolution of system and organizational learning in tandem. These are: allow for diversity, allow for historicity and a knowledge culture, as well as appropriate systems for storage and dissemination.

Lastly a short paper entitled "It's difficult to innovate: The death of the tenured professor and the birth of the knowledge entrepreneur" (Bouchikhi & Kimberly, 2001) has been published in the Human Relations journal. The paper describes a near future where knowledge entrepreneurs are "working under a diversity of employment contracts and attachments" (ibid p. 82). Therefore "knowledge entrepreneurs will be hired and compensated based on their ability to imagine, execute, and use of the results of research to develop original educational products". The authors are dealing specifically with business and management education, for which they are painting a profoundly transformed scenario as they are "break[in] out of their institutional straight jackets and redefine their roles in the production of knowledge". According to their vision, there will be "an almost medieval hierarchy" amongst professors, with the super-star academics performing more the role of a "CEO of a firm than like the traditional professor, managing their work and their careers with extraordinary autonomy from customary university constraints" (ibid p. 82).

CHARACTERISTICS OF THE SUCCESSFUL ENTREPRENEUR

Every entrepreneur is unique. Every entrepreneur has his or her own set of strengths, weaknesses, talents and abilities. However, entrepreneurs who have stood the test of time and have made a difference in their communities and industries do share common characteristics.

Optimism : Taking risks and paving new paths can only be accomplished with optimism. Optimism is a belief in the future, a view of what is possible rather then what is impossible. The ability to envision possibilities not yet proven. When you are optimistic you look for solutions rather then reasons for problems. You strive for ways to get things done rather then excuses to explain why it wasn't possible.

Tenacity and courage : Sticking to the goal, even when it means doing things differently, is tenacity. Many entrepreneurs speak of break-throughs which came only when they were told it couldn't be done. "Dare me" is the underlining theme of many successful entrepreneurs. Facing opposition, and those who believe it couldn't be done, only drives the successful entrepreneur to try harder. Risking your ideas, as well as your money requires courage and determination.

Well defined ethics and values : The successful entrepreneurs know what they stand for. They have a strong sense of values and business ethics which are guiding forces in their decisions. They know being true to themselves is more then just a cliché - its a way of operating. It will be important for you to determine what values you will stand behind in your business. What values you will use to make decisions and set direction.

Ability to listen and learn : Whether from customers, employees, advisors or the public, the successful entrepreneur is hungry to learn. Learn more about their product, marketplace, possible innovations and trends which will affect their business. They are quick to admit what they do not know and even quicker to seek the information needed to stay on track.

Self-control and discipline : Staying focused on the vision and managing the details means self-control and discipline. Principles of time management and positive work habits are important to the long term success of your business. Setting objectives and action plans which are essential to accomplishing important goals and insuring the accomplishment of those targets by yourself and others in the organization takes discipline and focus.

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Check Your Progress

3. What is Business Incubator?
4. What do you know about employee entrepreneur.
5. What are characteristics of the successful entrepreneur.

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Self-confidence : A key characteristic of any high performer, including the successful entrepreneur, is a positive sense of self-confidence. It's confidence that enables people to try new things and effectively manage risk. It's confidence that will be needed to sell your plan to the bank or investors. It's confidence that will give your sales presentations the power of influence. Confidence is the result of programming your mind with positive and optimistic thoughts and plans. The support of friends and family can add to that sense of self-confidence.

Drive to succeed : Enterepreneurs are driven to succed and expand their business. They set massive goals for themselves and stay committed to achieving them.

Strong personality : Successful enterpreneurs have a healthy opinion of themselves. They have a strong personality. They are focused and determined to achieve their goals and believe completely in their ability to achieve them. Entrepreneurs are just too focused to spend too much time thinking about unconstructive critisim.

Innovative : All entrepreneurs have a passionate desire to do things better and to improve their product/service. They are creative, innovative andresource.

Motivative : Entrepreneur are always on the move, full of energy and highly mobivated. The high standard and ambition of many entrepreneurs demands that they have to be motivated.

Ready to accept change : Entrepreneur are uptodate with the latest technology or service techniques and are always ready to change. If they new opportunity arise. They know the importance of accepting change as it is the key to keep oneself on the top of the industry.

Competitive : Successful entrepreneur are competitive by nature. The only way to reach the goal is competition i.e. to be on top of all competitors.

STEPS OF HOW TO BECOME AN ENTERPRENEUR ?

Think of a Great Idea → Business plan → Funding → Sell → Hang out

Figure 23.3

1. **Think of a Great Idea** – The first step is to identify opportunity and think of a great idea. Now, evaluate the realistic of idea. Think of cost, time and commonness. It needs both creative and analytical skill. Each idea/opportunity should be assessed to, among others, determine its likelihood of success and the financial and human resources required to execute upon it.
2. **Business Plan** – Next step to become entrepreneur is to makebusiness plan. It include details and description and plan out realistically. A business plan include product description, Market Analysis, Competitors, Advertisement & Manufacturing and finance.

   Plan just enough to make your first sale. The main thing is to make at least one customer happy, and complete the entire. Cycle of "make & sell product." Then you will have a business, and then you might be in a possible to understand some problem of the sort a that extensive planning can help solve.
3. **Funding** – Next step is to collect money (fund) to start business. You can either bell your idea to capilalists to get money or take loan from banks. It all depends on type of project and selection method.
4. **Sell** – Sell and distribute your product. If you're getting revenue, then you're in business. You're testing your theories. You're finding out what really works and what doesn't and canfuel more ideas as well as improvement.
5. **Hang out** – By meeting entrepreneur socially, you can hear about new opportunities, ideas as well as suggestion. You can explore their ideas and can achieve a new position in business.

Understand the steps, enables entrepreneurs to understand the path of success. It is a path filled with potential pitfalls, but also filled with tremendous exitement and satisfaction.

CONCLUSION

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In this section you have become aware of the important factors necessary to launch and successful business venture and become an entrepreneur. Owning your own business is an adventure. As with any life's adventures it is also an opportunity to learn and grow. Growth means different things to different people. Financial growth, independence, the opportunity to work in an industry of your passion and taking the risks to build a dream, can all be measures of growth for you. Whatever your measures of success will be, it will be important to dedicate yourself to learning new skills and gain increased knowledge to help your business succeed.

Above all else, belief in yourself, optimism and self-confidence are key elements to building your dream. In the words of the accomplished entrepreneur, Henry Ford, "Those who believe they can, and those who believe they can't, are both right."

Entrepreneurs are often contrasted with managers and administrators who care said to be more methodical and less prone to risk-taking. Entrepreneurs operate in teams rather than as single individual. The real challenge and skill of the entrepreneur is to recognize what to do well and what to be delegated loutsourced.

CHAPTER AT A GLANCE

- Entrepreneurship is the practice of starting new organizations or revitalizing mature organizations.
- Joseph schumpeter understands the entrepreneurship.
- Frank H. Knight clsssified 3 types of uncertainity- Risk, Ambiguity and true uncertainity.
- The who are engaged in process of entrepreneurship are entrepreneur. According to Coal there are 4 types of entrepreneurs – innovator, calculating inventor, over-optimistic promoter & the organization builder.
- Characteristics of an Entrepreneur – enthusiastic vision, enthusiastic, pussion, determination initial responsibility, prudent risks, positive thinker and decision maker.
- Eontribution of entrepreneurs – Develop new market, Discover new sources of materials, mobilize. Capital resources, Introduce new technologies and create employment.
- Advantages of entrepreneurship – financial gain, self employment, employment for others, processing of local materials, income generation, healthy competition, more goods & services, development of new market and modern technology, rural area development freedom from the dependency, emigration of talent stopped.
- "Entrepreneur" term is a loan word from French and was first defined by the Irish economist Rechard Cantillon.
- An Entrepreneur is a person who is willing and able to convert a new idea or invention into a successful innovation.
- A social entrepreneur is someone who recognizes a social problem and entrepreneurial principles to organize create and manage a venture to make a social change.
- Entrepreneur and entreprencurship should take center stage in any effort to explain long term economic development.
- The characteristics of entrepreneurial economy are high level of innovation combind with high level of entrepreneurship which results in the creation of new ventures as well as new sector and industries.
- Business Incubator are the programs designed to accelerate the successful development of entrepreneurial companies through an array of support-resources and

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services, developed and orchestrated by incubator management and offered both in incubator and through it network of contact.

- Common incubator services- networking activities internet access, education resources, investors, team identification and property management.
- Industry sectors- Computer software & hardware manufacturing, Biossiences, microelectronics, Art, Retail Fashion etc.
- Intrapreneurship is the practice of using entrepreneurial skills without taking on the risk or accontability associated with entrepreneurial activities.
- Knowledge entrepreneurship describes the ability to recognize or create an opportunity and take action aimed at realizing the innovative knowledge practice or product.
- Characteristics of the successful entreprencur-optimism, Tenacity & courage, well designed ethics & values, good listener, sely control and discipline and confidence, Drive to succed, strong personality, Innovative, Motivative, Ready to accept change and competitive.
- Steps of How to become an entrepreneur- Think of a Great Idea, Business plan, Funding, Sell and Hang out.

ANSWER TO CHECK YOUR PROGRESS:

1. Entrepreneurship is the practice of starting new organizations or revitalizing mature organizations, particularly new businesses generally in response to identified opportunities. Entrepreneurship is often a difficult undertaking, as a vast majority of new businesses fail.
2. (i) Develop new market
   (ii) Discover new sources of matrials
   (iii) Mobilize capital resources
   (iv) Introduce new technologies
   (v) Create employment
3. Business incubators are programs designed to accelerate the successful development of entrepreneurial companies through an array of business support resources and services, developed and orchestrated by incubator management and offered both in the incubator and through its network of contacts.
4. An employee *Intrapreneur* is the person who focuses on innovation and creativity and who transforms a dream or an idea into a profitable venture, by operating within the organizational environment. Thus, Intrapreneurs are *Inside entrepreneurs* who follow the goal of the organization.
5. Characteristics of the successful entreprencur-optimism, Tenacity & courage, well designed ethics & values, good listener, sely control and discipline and confidence, Drive to succed, strong personality, Innovative, Motivative, Ready to accept change and competitive.

EXERCISE

1. Define entrepreneurship ?
2. Who is an entrepreneur ? Give its characteristics.
3. What are the essential characteristics of an successful entreference ?
4. State the steps to become an entrepreneur ?
5. Give short note on :
   (a) Social Entrepreneur (b) Intrapreneur
   (c) Business Incubator (d) Knowledge Entrepreneur