Institute of **Open** and **Distance Education**

Management Process and Organizational Behaviour

1MBA1

DR. C.V. RAMAN UNIVERSITY
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1MBA1

Management Process and Organizational Behaviuor

Credit-2

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BLOCK I

UNIT-1

AN INTRODUCTION TO CONCEPTUAL FRAMEWORK OF MANAGEMENT

CONTENTS

1.0 AIMS AND OBJECTIVES

After studying this lesson, you should be able to:

● Explain the concept and importance of management

● Know the nature and characteristics of management

● Understand management as a Science, an Art and a Profession

● Discuss the various functions of management

● Explain managerial skills and responsibilities

● Summarize the various levels of management

1.1 INTRODUCTION

Management is a vital aspect of the economic life of man. It is an organised group activity. Management is a universal phenomenon. It is a very popular and widely used term. A central directing and controlling agency is indispensable for a business concern. The productive resources – material, labour, capital, etc. are entrusted to the organising skill, administrative ability and enterprising initiative of the management. Thus, management provides leadership to a business enterprise. Without capable managers and effective managerial leadership the resources of production remain merely resources and never become production. Under competitive economy and ever-changing environment the quality and performance of managers determine both the survival as well as success of any business enterprise. Management occupies such an important place in the modern world that the welfare of the people and the destiny of a country are very much influenced by it.

The manager plays a very important role in an organisation. He works as the foundation and supports the beam and roof of the house by providing necessary support from the bottom, and also taking care of various aspects, so that the organisation goals could be achieved. The function of coordinating and organising the people and their tasks to achieve the targets of the organisation effectively by proper usage of the available resources efficiently is called management. Thus, the success of an organisation depends on proper management and useful utilisation of resources available. Hence, management is an important function for successful working of an organisation.

1.2 DEFINITIONS OF MANAGEMENT

Management is a skill of having people working together in a coordinated manner to achieve the organisation goals. It is an effective utilisation of resources and creating an environment for people to work in tandem and motivating the workers for getting to the goals of the enterprise. Management is a process which controls and directs people to perform, creating a right environment for them.

Management has been defined by various experts in their own perspective. Hence, it is difficult to give a solitary definition to the term "management". There are different views and interpretations by various scholars and critics. Some officials consider it to be a system of authority, whereas economists think management is a resource, like, capital, land or labour. Sociologists define it as an elite class of society.
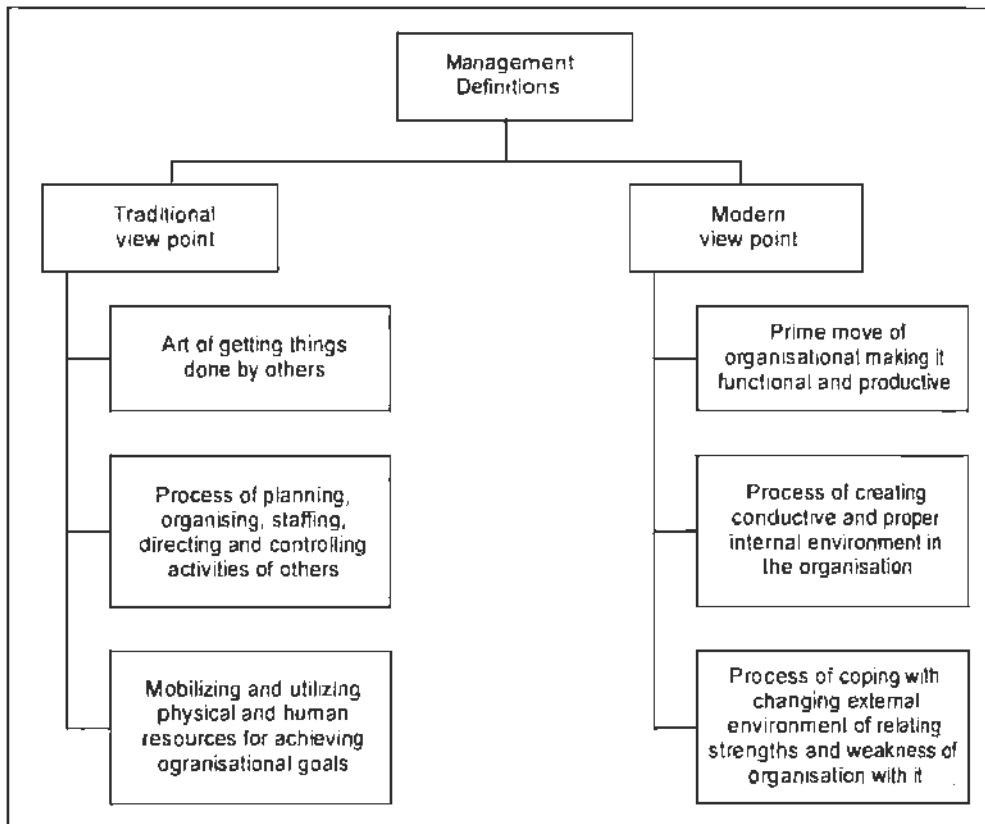
Source: http://upload.wikimedia.org/wikipedia/commons/5/51/Definitions_of_Management.png

Figure 1.1: Definitions of Management

Definitions of 'Management' by various Economists:

According to Henry Fayol, "To manage is to forecast and plan, to organise, to command, to coordinate and to control."

According to Koontz and Weihrich, "Management is the creation and maintenance of an internal environment in an enterprise where individuals, working in groups, can perform efficiently and effectively towards the attainment of organisational goals."

According to Harold Koontz, "Management is the art of getting things done through and with people in formally organised groups."

According to F.W. Taylor, "Management is the art of knowing what you want to do and then seeing that in the best and cheapest way."

George R. Terry defines Management as "a distinct process consisting of planning, organising, actuating, and controlling, performed to determine and accomplish stated objectives with the use of human being and other resources."

According to Theo Haimann, management has three different meanings, viz.

1. Management as a Discipline: denotes to the Subject of Management.

2. Management as a Noun: refers to a Group of Managers.

3. Management as a Process: refers to the Roles of Management i.e., planning, organising, directing, controlling, etc.

Management is a skill for getting the work done by the workers in an enterprise. They use different methods of planning and motivating people and controlling them using the resources effectively for achieving the goals of the enterprise. Hence, it is a coordination of various resources like the people, capital, technology, material and different methods. Proper utilization of these resources leads to profits and market gain and thus leads to successful attainment of the organisation goals.

1.3 NATURE OF MANAGEMENT

There are number of characteristics of management. Different processes contribute to the features of management. They can be classified as follows:

*   *Management is an on-going process:* The process of management requires continuous planning, directing and organizing using different resources of an organisation. So that there is proper utilisation of the resources for the organisation gain. It is an ongoing process and never ending.

*   *Management is result oriented:* Management is all about planning and coordinating tasks, to achieve the required goal. It is target oriented. For the success of any organisation, there has to be a set target which should be attainable with proper planning.

*   *Management works on principles:* Management works with certain set of principles and they cannot be rigid. The techniques and resources cannot be followed blindly. They can be changed according to the situations and environment.

*   *Management works with groups:* The process of management is not an individual activity. It requires groups of people to work together to attain the organisation's goal.

*   *Technology in management:* Management is aided with different technologies. Computers and machines play a very important role in the management process.

*   *Management is dynamic:* An organisation's success depends on management, which is aided with innovative ideas, products and brings in new changes in marketing techniques. It needs to bring in innovative and creative ideas to survive in the market.

*   *Management is a coordinated process:* Management is an art where all the resources are put together for attaining the objective of the organisation. This is done by the process of integrating and combining the human and non-human resources most effectively and efficiently.

*   *Management deals with people:* The ultimate objective of management is to deal with people. It uses the combined effort of people to achieve group objectives. The work is done by directing people in a planned and coordinated way. They are motivated by giving them proper environment to do the work. They work as a team.

- *Management balances efficiency and effectiveness:* Management is very professional in nature. A good management requires all activities to be done in a planned manner for its effectiveness. If the organisation meets its objectives and goal with the minimum use of resources then it is both efficient as well effective.

- *Management cannot be seen:* Management is result oriented. It cannot be seen or felt. It is a planned and efficient way of carrying out procedures. It is a task for attaining organisation goals.

The above characteristics bind together to make management a never ending, goal oriented process which is dynamic in nature, and balances both effectively and with efficiency using human and non-human resources. It requires proper planning and coordination for the achievement of organisation's objectives.

1.4 NEED AND SCOPE OF MANAGEMENT

The need of management is continuous in organisation. It is not possible to hire managers when there is a crisis or a problem and fire them after the same is over. Complexities have entered business life to an extent that there are always some problems, crisis or difficulties. The internal pressure as well as external environment constantly influences an organisation and hence management is always needed.

1.4.1 Need of Management

The need of management can be understood as following:

- *Each organisation has its own objectives:* The achievement of these objectives calls for organised effort in a planned way. Since the resources are limited and the profitability depends upon the cost of production and distribution, the optimum utilisation of resources is needed to secure a good standing in market. Management is needed to allocate resources to the most profitable channels and ensure its rational use.

- *Organisations depend on group efforts:* In large organisations, hundreds of people may work under the same roof. They may assemble to produce certain goods or services. If each individual is left to plan and organise irrespective of what others are doing, there will be nothing but chaos. Management is needed to guide and direct people.

- *Organisation involves activities of varied nature:* In business, the activities may be related to manufacturing, buying and selling, financing, employing and looking after people, etc. Different departments are run by experts whose work should be coordinated. All of them have to go to the same goal which organisation prescribes. Management is needed to coordinate the efforts.

- *People constitute important part of organisation:* When employees attitude is favourable to work and organisation, productivity is high. The attitude of people depends upon various factors. Management is needed to see that there is proper communication in the organisation and people are motivated to give their best to the organisation.

Example: Let us look at the managerial role of a simple housewife and how she uses the managerial techniques in managing the home.

First of all, she appraises her household and its needs. She forecasts the needs of the household for a period of a week or a month or longer. She takes stock of her resources and any constraints on these resources. She plans and organises her resources to obtain maximum benefits out of these resources. She monitors and controls the household budget and expenses and other activities. In large house-hold, she divides the work among other members and coordinates their activities.

She encourages and motivates them to do their best in completing their activities. She is always in search for improvements in goals, resources and in means to attain these goals. These ingredients are the basic functions of management.

1.4.2 Scope of Management

The scope of management is very wide. Basically, it refers to three distinct ideas which are as follows:

Herbison and Myers introduced the three distinct ideas of management i.e., (i) an economic resource, (ii) a system of authority and (iii) a class or elite.

Management as an Economic Resource: Management is one of the factors of production along with land, labour and capital. In modern organisations, the effective use of the five M's of management (money, materials, manpower, machinery and methods or ways of doing things) depends to a great extent on the quality of management. In other words, how effectively and economically the five M's are combined together to produce desired results. According to Newman, management is required to convert the disorganised resources of men, materials, money and machines into a productive, useful, on-going concern.

Management as a System of Authority: According to Herbison and Myers, management is the rule-making and rule-enforcing body. It is bound together by a web of relationships between superiors and subordinates, that is, people are bound by authority relationships. Managers working at top levels enjoy more authority than people working at lower levels. Top management determines objectives and provides direction to enterprise activities. Middle management (departmental heads like work manager, finance manager, personnel manager, etc.) interprets and explains the policies framed by the top management. They transmit orders, instructions and decisions downward and carry the problems and suggestions upward. Lower management (first-line supervisors) is concerned with routine, day-to-day matters.

Example: Compare two managers. One accepts or rejects all ideas generated at lower levels. The other gives the authority for making some decisions to employees at the level where these decisions will most likely affect those employees. How managers use their – power, influence and authority can determine their effectiveness in meeting the goals of the organisation.

Management as a Class or Elite: Sociologists view management as a distinct class in society having its own value system. The managerial class has become very important in modern organisations owing to its contribution to business success. As a separate group, the term management refers to the group of individuals occupying managerial positions. All the managers from the chief executive to the first-line supervisors are collectively addressed as 'Management', which refers to the group.

1.5 IMPORTANCE OF MANAGEMENT

According to Drucker, Management is the dynamic life-giving element in every organisation. It is the activating force that gets things done through people. Without management, an organisation is merely a collection of men, machines, money and material. In its absence, the resources of production remain resources and never become production. The importance of management can be understood from the following points:

- *Optimum use of resources:* Management ensures optimum utilisation of resources by attempting to avoid wastage of all kinds. It helps in putting the resources to the best advantage within the limitations set by organisation and its environment. A right climate is created for workers to put in their best and show superior performance.

- *Effective leadership and motivation:* In the absence of management, the working of an enterprise will become random and haphazard in nature. Employees feel a sense of security when they find a body of individuals' working day and night for the continued growth of an organisation. Management makes group effort more effective. It enables employees to move cooperatively and achieve goals in a coordinated manner. Management creates teamwork and motivates employees to work harder and better by providing necessary guidance, counselling and effective leadership.

- *Sound industrial relations:* Management minimises industrial disputes and contributes to sound industrial relations in an undertaking. Industrial peace is an essential requirement for increasing productivity. To this end, managers try to strike a happy balance between the demands of employees and organisational requirements. They initiate prompt actions whenever workers express dissatisfaction over organisational rules, methods, procedures and regard systems.

- *Achievement of goals:* Management plays an important role in the achievement of objectives of an organisation. Objectives can be achieved only when the human and non-human resources are combined in a proper way. Management is goal-oriented. With a view to realise the pre-determined goals – managers plan carefully, organise the resources properly, hire competent people and provide necessary guidance. They try to put everything on the right track. Thus, unnecessary deviations, overlapping efforts and waste motions are avoided. In the final analysis, all these help in realising goals with maximum efficiency.

- *Change and growth:* A business concern operates in a constantly changing environment. Factors such as changes in technology, government policy, competition, etc., often threaten the survival of a firm. Failure to take note of customer's needs regarding fuel efficiency has spelt doom for 'Ideal Jawa' in the two-wheeler market in India. An enterprise has to take note of these changes and adapt itself quickly. Managers help an organisation by anticipating these changes (careful planning, forecasting combined with efficient use of resources) and taking appropriate steps. Employers today are hiring managers who can take unfamiliar situations in their stride.

  Example: At AT&T, people remark, "If you are hiring people who do not like surprises, you are probably not hiring the right people."

- *Improvement in standard of living:* Management improves the standard of living of people by (a) using scarce resources efficiently and turning out profits; (b) ensuring the survival of the firm in the face of continued changes; (c) exploiting new ideas for the benefit of the society as a whole; and (d) developing employee talents and capabilities.

1.6 FUNCTIONS OF MANAGEMENT

Effective management requires a considerable amount of planning, creativity and motivating skills for the organisation goals. They deal with groups of people who contribute to the goal of the organisation. They are controlled and directed efficiently using the resources effectively for achieving the objectives set for the organisation. The entire process contains number of processes and actions. They are not the same as the operational functions like marketing, purchasing and selling. The important functions of management are as follows:

- Making plans
- Organizing
- Employment

- Coordinating
- Controlling

These functions differentiate the management function from the other functions of the organisation. Different management scholars have categorised functions of management. According to George and Jerry, "There are four vital functions of management i.e., planning, organizing, actuating and controlling".

According to Henry Fayol, "To manage is to forecast and plan, to organize, to command and to control".

Luther Gulick has given a catchword 'POSDCORB' where,

P is for Planning.

O for Organizing.

S for Staffing.

D for Directing.

Co for Co-ordination.

R for Reporting and

B for Budgeting.

But the most commonly accepted are management functions given by Koontz and O' Donnell i.e., planning, organising, staffing, directing and controlling.

Therefore, it is very difficult to remove any of these functions since they are all inter related, and cannot be separated from each other. They are dependent on each other, and the performance of the others is affected by them.
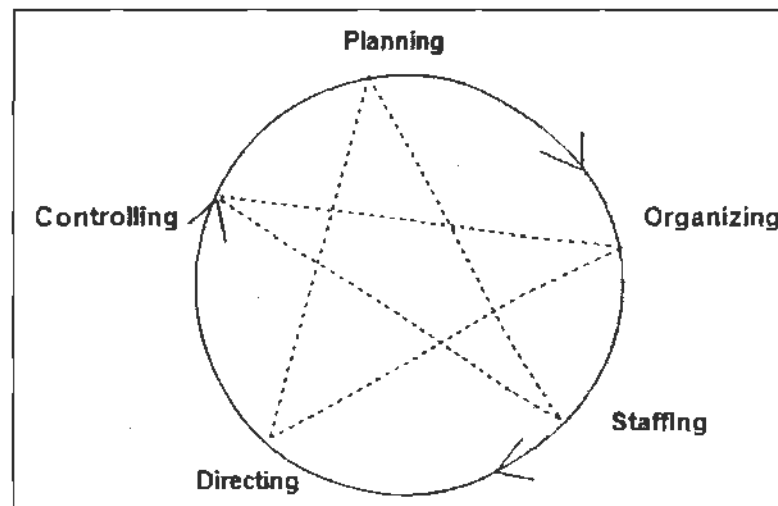
Figure 1.2: Functions of Management

The functions of management are discussed below:

Planning

To plan is an important managerial function. It requires in defining a goal and finding an efficient and effective course of action to reach that objective. It lays down steps that are involved to attain the goal. Planning is a process which takes care of avoiding risks and wastages with proper utilisation of resources. It lays out steps on how to go about the goals in a systematic way. It is coordinating with different levels of

management and having sound knowledge of resources and the business objectives. It tells us about how and when a particular task should be carried out.

Thus, the need to plan is to minimize the consequence and at the same time take full advantage of the available opportunities. It bridges the gap from our present position to future position. Good planning is flexible in nature, as it can adjust to changes in business conditions. It covers both short term and long term periods.

Planning involves the following steps:

- Making the objectives

- Forecasting of future environment

- Search for future environment

- Assessment of various alternatives and devising the plan

- Preparation of strategies, policies, procedures and method

- Preparation of different schedules programmes and budgets

Organising

The organizing function is a significant function of management. The organisational structure is the foundation of a company which carries out the daily working of the business. This function is performed when two or more persons are involved in an activity. Organizing involves designating tasks and responsibilities to employees with the specific skill sets needed to complete the tasks. The process of organisation involves the determination of authority and responsibility in the organisation. A significant job of every supervisor is to find the nature of the activities required to attain the group goals. It creates a process where people are given tasks to do well and this outcome of each individual contributes to the success of achieving the goal of the organisation.

Different processes of organising are:

- Coordinating authority and accountability

- Fixing of objectives

- Distribution of jobs

- Making activity groups

- Giving of duties

- Assigning of responsibility

Staffing

Staffing take care the requirements of the organisation at various parts in the enterprise. The important purpose of staffing is to hire the correct staff for the correct jobs at the correct time to achieve the goals of the organisation. Staffing is the process of management which controls the manpower. It involves not only recruitment, but also training and development, performance appraisals, promotions and transfers. If function of staffing is not being performed in an organisation, the business would be a failure because the business would not be properly managed to meet its goals. Hence, it is a process of management which is concerned with hiring the right people for the right kind of jobs. With the coming of new technologies staffing has acquired a lot of importance. It is a continuous and ongoing process. Therefore, staffing includes the task of determining the requirements with regard to number and types of people for

the job to be done, and also laying down qualifications for various jobs and recruiting, selecting and training people to perform those jobs efficiently.

Staffing involves the following activities:

- Promoting and shifting
- Manpower planning
- Staffing
- To select
- To place
- To develop and train
- Paying the staff
- Judging the performance

Directing

It is the important function of management which shows a direction and leads the people in the organisation to work for the success of the organisation. It guides the people by motivating, influencing and supervising their work in a way that is important for the enterprise. The manager shows the right path by leading his sub-ordinates to attain the objective of the company. He creates a feeling of belonging, faith and loyalty among the workers.

Directing has the following functions:

- In this process, knowledge and information is shared for guiding and showing the way to the subordinates. It is a way for them to understand the task well.

- To supervise and look into the work done by the people working under them. This would in turn increase the output of the company and also teach the people the methods and ways for the tasks to be done.

- To encourage and boost the people to work in the best possible way. This can be done in many ways with help of monetary and non-monetary rewards. This would want the subordinates to work with a positive energy.

- Guiding the people in the right direction and showing them the way the task has to be carried out for attaining the goals of the company.

Controlling

This function monitors the performance of the employees so that one can determine whether it is according to the standards laid out as a benchmark. It is an important function of the organisation which ensures that work and other functions are in place for a proper working of the enterprise. This process leads to identifying problems and deviations which need to be rectified by taking corrective actions. This level of performance would benefit the successful working of the organisation.

For an efficient working of the system, it is very important to have the function of control in place. This makes sure that the functions are carried out according to bench mark and standards of the company. This helps in overcoming problems that may arise during the working process.

Therefore, according to Koontz & O'Donnell, "Controlling is the measurement and correction of the performance activities of subordinates in order to make sure that the enterprise objectives and plans desired to obtain them as being accomplished."

For running an organisation. the functions of planning and control go hand in hand. Planning shows the direction and sets goals and controlling helps in making sure that they move according to the set plan. A successful manager cannot avoid the past but he makes sure to avoid the problems in future he needs to use his experience of the past and takes actions accordingly for a successful accomplishment of the goals.

Control function has the following steps:

- Having the performance standard and benchmark in place

- Monitoring the performance

- Identifying problems

- Taking corrective measures

- Setting up of standard of working

- Performance related measurements

- Relating the performance with the set standards

1.7 MANAGEMENT VERSUS ADMINISTRATION

There has been a controversy over the meaning of the terms 'management' and 'administration'. Some take management and administration as one. Some consider administration broader than management and some hold a view that management and administration are different.

In this section, you will study the relation between management and administration. There has been a controversy over the meaning of the terms 'management' and 'administration'. Some take management and administration as one. Some consider administration broader than management and some hold a view that management and administration are different.

Management and administration are at times used in an interchangeable manner; nevertheless, they are two distinct levels of an organisation. The administration is the top level of the organisation with the authoritative operations. They are in authority for specifying the policies and objectives of the organisation or the firm. Management, on the contrary, is the middle-level executive function. They execute the policies and goals as decided by the administration.

On the contrary, administration involves the people who are either owners or partners of the firm. They generally support to the firm's capital and be worthy of profits or returns on their investment. The chief administrative function deals with the business facets of the firm, such as finance. Other administrative functions generally involve planning, organising, staffing, directing, controlling and budgeting. Administration must incorporate leadership and vision, to organise the people and resources, so as to attain common goals and objectives for the organisation.

Management normally integrates the employees of the firm who utilise their skills for the firm in return for compensation. Management is accountable for implementing the strategies of the administration. Motivation is the key aspect of a management. Management must encourage and cope with the employees. It can be said that management is directly under the authority of administration.

Further the comparison between management and administration are shown in Table 1.1.

Table 1.1: Distinction between Management and Administration

Basis	Management	Administration
Nature of work	It puts into action the policies and plans laid down by the administration.	It is concerned about the determination of objectives and major policies of an organisation.
Type of function	It is an executive function.	It is a determinative function.
Scope	It takes decisions within the framework set by the administration.	It takes major decisions of an enterprise as a whole.
Level of authority	It is a middle-level activity.	It is a top-level activity.
Nature of status	It is a group of managerial personnel who use their specialised knowledge to fulfil the objectives of an enterprise.	It consists of owners who invest capital in and receive profits from an enterprise.
Decision making	Its decisions are influenced by the values, opinions and beliefs of the managers.	Its decisions are influenced by public opinion, government policies, social and religious factors.
Main functions	Motivating and controlling functions are involved in it.	Planning and organising functions are involved in it.
Abilities	It requires technical activities.	It needs administrative rather than technical abilities.
Skills needed	Conceptual and Human skills.	Technical and human skills.

Example: The following demonstrate the difference between management and administration:

1. A manager decides to impose a sales quota on the company's sales force. The administrator is responsible for seeing to it that the quota is met through the maintenance of records.

2. A manager decides that there will be a "no tolerance" policy for tardiness. It will be up to the administrator to monitor the compliance of the policy through observation or through the review of records.

So, the general idea is that an administrator is not a primary policy or decision-maker, while a manager is. An administrator might make some decisions to implement the manager's policies and decisions, but his or her authority is limited.

However, from a practical point of view, the above categorisation seems to be a futile exercise. Managers or administrators have to perform the thinking and doing functions simultaneously. They have to wear both the hats gracefully in order to be effective and successful.

1.8 MANAGEMENT: SCIENCE OR ART OR PROFESSION

Now let's examine whether management is a science or art or a profession.

1.8.1 Management as a Science

Management is a science because it has all the following characteristics of a science.

1. *Systematised body of knowledge:* Management is a distinct discipline. It has a number of principles which can be studied and put to application. Management offers principles that could be put to good use while solving problems.

2. *Management is a social science:* Management is a social science as it deals with human behaviour about which, little is known at present. As we all know, it is not possible to study human behaviour under controlled laboratory conditions.

Human behaviour is unpredictable and, therefore, defies experimentation. As a result, the principles of management cannot be accepted as absolute truths. They are still in a developing stage and evolutionary in nature. Management, at best, can be called as a soft science.

3. *Management is an inexact science:* Management is not an exact science like Physics, Chemistry or Biology. It does not offer absolute principles. It can offer only flexible guidelines that would be of use in solving problems. Management can never be an exact science because business is highly dynamic and business conditions change continually.

4. *Manager vs Scientist:* A scientist can afford to wait until all the information (about a thing) is available. He can indulge in a series of experiments till the truth emerges clearly. However, a manager cannot afford to do that. He must take decisions based on inadequate information, insufficient knowledge and resources. He must make decisions today in order to survive in future.

5. *Scientific management:* When Taylor used the term 'scientific management', he was aware of the fact that experimentation and verification of facts is not possible in managing human resources. He used the term 'scientific' as an organised body of knowledge as opposed to 'traditional rules and empirical dexterity'. Over the years, the traditional hit-or-miss methods have yielded place to several systematic methods based on principles. No wonder, management is known as a 'sophisticated behavioural science' these days.

6. *Properties of art:* Art is the application of knowledge and personal skills to achieve results. It is a way of living. Art is based on the knowledge of principles offered by science. A surgeon or a physician without the knowledge of medical science becomes a witch doctor; with the knowledge of science, he becomes an artful surgeon. Art is basically concerned with the application of knowledge, how to do things creatively and skilfully. It can be improved through constant practice only.

Example: If a manager has a problem with an employee's poor work performance, the manager will look to specific means of performance improvement, expecting that certain principles will work in most situations. He or she may rely on concepts learned in business school or through a company training program when determining a course of action, perhaps paying less attention to political and social factors involved in the situation.

1.8.2 Management as an Art

Management is basically an art as it involves the use of know-how and skills like any other art such as music, painting, sculpture, etc. The practical knowledge acquired in the areas of planning, decision-making and motivation certainly helps managers to tackle problems in a better way. The arguments in favour of management as an art run thus:

1. *Use of knowledge:* Just as a doctor uses the science of medicine while diagnosing and treating the patients, a manager uses the knowledge of management theory while performing his managerial functions. He, thus, uses sound knowledge in place of hit-or-miss methods, with a view to achieve results effectively.

2. *Creative art:* Management is creative like any other art. It combines human and non-human resources in a useful way so as to achieve results. It tries to produce sweet music by combining the chords in an effective manner. It makes things happen by changing the behaviour of human beings.

3. *Personalised:* Like any other art, management is a personalised activity. Every manager has his own way of managing things and people, based on his knowledge and experience. There is no one way of doing things. As years roll by, managers learn the art of managing through a process of trial and error.

4. *Constant practice:* Managers learn from mistakes. The application of managerial principles over a period of time enables them to tackle difficult problems with confidence. In other words, they develop their skills through constant practice. Just as artistic skills can be developed through training, so can managerial skills.

Example: A manager who has a problem with an employee's poor work performance is likely to rely on his or her own experiences and judgment when addressing this issue. Rather than having a standard response to such a problem, this manager is likely to consider a broad range of social and political factors, and is likely to take different actions depending on the context of the problem.

1.8.3 Management: Science as well as Art

Management is thus, an art as well as a science. The art of management is as old as civilisation. The science of management is young and developing. Both are complementary and mutually supportive. Managers need to acquire the knowledge of management principles and practice in order to be successful. They need to sharpen this knowledge through constant practice. The theoretical knowledge in management must be put to good use in a skilful way, while achieving results. As Drucker has pointed out, every organisation has the same resources to work with. It is the quality of management that spells the difference between success and failure. Managers need to acquire knowledge systematically and put the same to good use, using intuition, judgement and experience. A successful manager is one who is able to visualise problems before they turn into emergencies. The ability to meet the problems head-on does not come by chance. It requires sound knowledge and constant practice. Managers, therefore, have to fruitfully combine their scientific knowledge with artistic skills in order to emerge as the "winners' in a competitive environment.

1.8.4 Management as a Profession

A profession requires specialised knowledge and often long intensive academic preparation. The essential features of profession are as follows:

1. *Well-defined body of knowledge:* Management has a well-defined body of knowledge that is generally valid in a variety of organisations and situations. Management literature has been continually growing. Many tools and techniques have been perfected over the years. Research and consultancy firms aid managerial thinking as practised nowadays. They produce a lot of data, aimed at improving managerial decision-making.

2. *Formal education and training:* Acquiring management education through training is possible now. A number of management institutes have been set up in recent years, to turn out a good crop of managers throughout the globe. The old saying that managers are born not made stands discounted and depreciated now. Business houses also prefer only properly educated and trained managers while filling their vacancies.

3. *Representative body:* As things stand now, there is no organisation or body of professionals whose membership is essential to become a manager. There is no organisation whose authority is recognised as final.

   Example: In the case of lawyers, it is necessary to become a member of the Bar Council of India, in the case of doctors, it is the Medical Council of India.

However, such entry requirements do not exist in the field of management. Further, no minimum qualification has so far been laid down for managers. There is also no licensing of managers. There are several management associations, however, offering training and research support to managerial work. But no such association enjoys the legal sanction to regulate the activities of managers throughout India.

4. *Code of conduct:* There is no universal code of conduct. Although, certain trade associations and management associations (All India Management Association, for example) have formulated ethical codes for managers working in particular industries, these have not been accepted totally.

5. *Service motto:* In the absence of a regulating body and code of conduct, managers often indulge in practices aimed at maximising their personal wealth. The service motto stands thoroughly neglected. In recent years, however, this view of management is progressively changing. To survive in a competitive world, management has to reconcile the conflicting interests of the shareholders and workers, on the one hand and meet the social obligations of business, on the other hand. They have to balance these conflicting interests while making profit.

Example: A doctor earns his living from his medical practice. But he does not treat his patients only for the sake of money. He has a concern for the suffering of others and a desire to help the community. Therefore, a profession enjoys high community sanction or respect. Similar is the case with managers. A manager of a factory is responsible not only to its owners, but he is also expected to produce quality goods at a reasonable cost and to contribute to the well-being of the community.

1.9 MANAGERIAL FUNCTIONS

Managers are known by the work they do, the functions they perform. According to the functional approach, originated by Henry Fayol, in every organisation managers perform certain basic functions in order to achieve results. These functions may be broadly classified into five categories: planning, organising, directing, staffing and controlling. Managers perform these functions within the limits established by the external environment and must consider the interests of such diverse groups as government, employees, unions, customers, shareholders, competitors and the public.

1.9.1 Planning

Planning is the process of making decisions about future. It is the process of determining enterprise objectives and selecting future courses of actions necessary for their accomplishment. It is the process of deciding in advance what is to be done, when and where it is to be done, how it is to be done and by whom. Planning provides direction to enterprise activities. It helps managers cope with change. It enables managers to measure progress towards the objectives so that corrective action can be taken if progress is not satisfactory. Planning is a fundamental function of management and all other functions of management are influenced by the planning process.

Example: **Planning in Practice**

The launch of Persil Tablets, one of the great success stories in product innovation, Persil Tablets, took Lever Brothers to leadership of the detergent market. Public Relations (PR) was crucial in explaining the concept to consumers. As part of the planning process research was conducted that indicated a need to segment the target audience into young mums, empty nesters (older people whose families have grown up and flown the nest) and group who were defined as 'bungers' – younger, single, professionals, particularly males, who can only be bothered to 'bung' their laundry and detergent into the washing machine without measuring it out! As a consequence,

the PR campaign – and the media choice – was tailored to the specific audience segments. That included activity in men's style magazines like FHM that, until then, would not have been an obvious choice for PR communications relating to laundry detergent. It was planning that identified this approach.

1.9.2 Organising

Organising is concerned with the arrangement of an organisation's resources – people, materials, technology and finance in order to achieve enterprise objectives. It involves decisions about the division of work, allocation of authority and responsibility and the coordination of tasks. The function increases in importance as a firm grows. Organised effort is essential for success of any enterprise. The process of organising consists of dividing activities, assigning duties and delegating authority for effective operation and achievement of goals. Bigger the organisation, more complex will be the job of organising people and their work as face-to-face communication becomes difficult.

Example: A construction business has to do a great deal of organising to ensure a project goes well. The construction manager must organise each of the subcontractors and receipt of building materials. Scheduling a carpenter before the framing materials arrive is counter-productive and shows a lack of organisation. In a construction situation, there is a particular order to the project; this is also true of projects in any other work scenario.

1.9.3 Staffing

Staffing is the function of employing suitable persons for the enterprise. It may be defined as an activity where people are recruited, selected, trained, developed, motivated and compensated for manning various positions. It includes not only the movement of individuals into an organisation, but also their movement through (promotion, job rotation, transfer) and out (termination, retirement) of the organisation. Staffing involves selection of the right man for the (termination, retirement) of the organisation. Staffing involves selection of the right man for the right job.

Example: In a small business unit, like a grocery shop, the owner may not need others to help him in running the shop, as he may himself be able to look after all the activities. But as the business grows in size he may find it difficult to manage all the activities alone and may have to find out suitable persons and employ them. It is quite possible that you may start your own business and face such a situation and employ people to assist you in running the business. Alternatively, you yourself may be a job seeker. In both the situations, you may find it useful if you know how employees are recruited, selected and trained for the various positions in an organisation.

1.9.4 Directing

Leaders matter in all types of organisations. The countries are identified with their leaders.

Example: Gandhi's India, Kennedy's America, Stalin's Russia, etc.

Business organisations and their products too are identified with their leaders.

Example: Ford's motors, Tata's steel, Birla's cars, etc.

The function of guiding and supervising the activities of the subordinates is known as directing. According to Dale, direction is telling people what to do and seeing that they do it to the best of their ability. Acquiring physical and human assets and suitably placing them on jobs will not suffice; what is more important is that people must be directed towards organisational goals. This work involves four important elements i.e.,

leadership. motivation. communication and supervision. You will study these
elements in later lessons.

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An Introduction to Conceptual
Framework of Management

1.9.5 Coordinating

Coordination refers to harmonious adjustment of the activities of the marketing
organisation. Modern management provides emphasis on division of work. Managers
must coordinate the respective activities of various departments or division and
therefore, interdivisional communication should be established. It involves
coordination among various activities like forecasting, product planning, product
development, transportation, warehousing, etc.

Example: In computer programs, the "incentives" of a program module are usually
easy to describe and completely controlled by a programmer. In human systems, on
the other hand, the motivations. incentives and emotions of people are often extremely
complex, and understanding them is usually an important part of coordination.

1.9.6 Controlling

The objective of controlling is to ensure that actions contribute to goal
accomplishment. It helps in keeping the organisational activities on the right path and
aligned with plans and goals. In controlling, performances are observed, measured and
compared with what had been planned. If the measured performance is found wanting,
the manager must find reasons and take corrective actions. If the performance is not
found wanting, some planning decisions must be made, altering the original plans. If
the controlling function is to be effective, it must be preceded by proper planning.
Thus, controlling includes four things: setting standards of performance, measuring
actual performance, comparing actual performance against the standard and taking
corrective actions to ensure goal accomplishment.

Example: What a pilot does while sitting in the plane and a commander in the
battlefield, the manager does in his office. He has to check that the things are moving
in the right direction.

1.10 LEVELS OF MANAGEMENT

All managers' positions involve performance of management functions (planning,
organising, directing, staffing and controlling). But, there are differences among
managerial jobs. The differences arise because of the existence of various levels of
management in a typical organisation. The term 'levels of management' refers to a
line of demarcation between various managerial positions. In a large organisation,
three levels of management are usually identified:

1. Top-level management

2. Middle-level management

3. Lower-level management

The functions performed by top managers, middle managers and lower-level managers are shown in Figure 1.3.
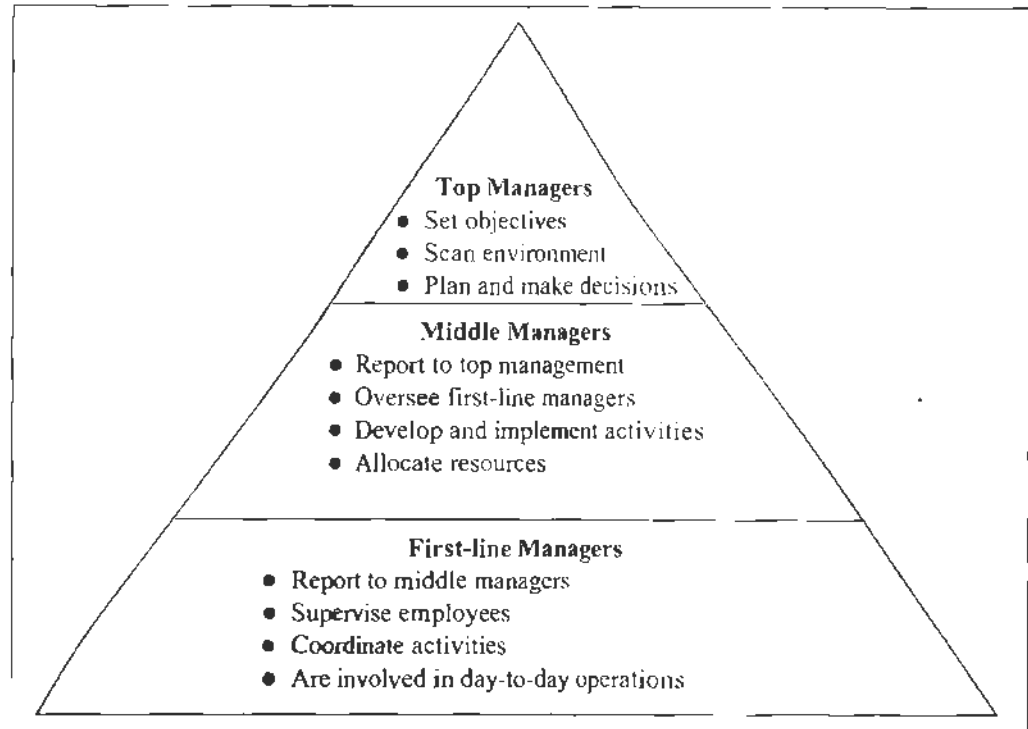
Figure 1.3: Levels of Management

1.10.1 Top-level Management

It consists of board of directors, chief executive or managing director. The top management is the ultimate source of authority and it manages goals and policies for an enterprise. It devotes more time on planning and coordinating functions. The role of the top management can be summarised as follows:

1. Top management lays down the objectives and broad policies of the enterprise.

2. It issues necessary instructions for preparation of department budgets, procedures, schedules, etc.

3. It prepares strategic plans and policies for the enterprise.

4. It appoints the executive for middle level i.e., departmental managers.

5. It controls and coordinates the activities of all the departments.

6. It is also responsible for maintaining a contact with the outside world.

7. It provides guidance and direction.

8. The top management is also responsible towards the shareholders for the performance of the enterprise.

1.10.2 Middle-level Management

The branch managers and departmental managers constitute middle level. They are responsible to the top management for the functioning of their department. They devote more time to organisational and directional functions. In small organisation, there is only one layer of middle level of management but in big enterprises, there may be senior and junior middle-level management.

Their role can be emphasised as follows:

1. They execute the plans of the organisation in accordance with the policies and directives of the top management.

2. They make plans for the sub-units of the organisation.

3. They participate in employment and training of lower-level management.

4. They interpret and explain policies from top-level management to lower level.

5. They are responsible for coordinating the activities within the division or department.

6. It also sends important reports and other important data to top-level management.

7. They evaluate performance of junior managers.

8. They are also responsible for inspiring lower-level managers towards better performance.

1.10.3 Lower-level/First-line Management

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

1. Assigning of jobs and tasks to various workers.

2. They guide and instruct workers for day to day activities.

3. They are responsible for the quality as well as quantity of production.

4. They are also entrusted with the responsibility of maintaining good relation in the organisation.

5. They communicate workers problems, suggestions, and recommendatory appeals, etc., to the higher level and higher level goals and objectives to the workers.

6. They help to solve the grievances of the workers.

7. They supervise and guide the sub-ordinates.

8. They are responsible for providing training to the workers.

9. They arrange necessary materials, machines, tools, etc., for getting the things done.

10. They prepare periodical reports about the performance of the workers.

11. They ensure discipline in the enterprise.

12. They motivate workers.

13. They are the image builders of the enterprise because they are in direct contact with the workers.

Example: A retail chain store such as K-Mart. Let us have a look at the information needs of the different levels of management.

The Sporting Goods department supervisor requires detailed information on the current situation. How many of each brand and size of tennis racquet do we have on the shelves, how many do we have out the back and how many have we on order? This person operates at the lower management and operational personnel level.

The Bendigo branch manager requires less detailed and more general information. For example, the dollar value of each department's sales. The type of questions which need to be supported at this level include how much stock to allocate to each department and how much floor space. This person operates at the middle management level.
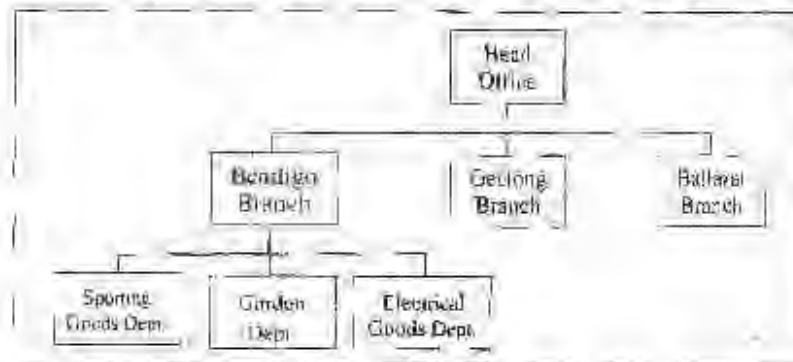
The Victorian Head Office executive requires even less detailed information, for example overall branch performance. Decisions supported include whether or not to close a branch or open a new branch, the continued employment of branch managers and the advisability of new advertising strategies. These are top management decisions.

1.11 COMPANY MANAGEMENT HIERARCHY

In any particular company, a management hierarchy is very essential because with the help of a well drafted hierarchy of workforce, it is being possible to effectively evaluate the company strategies, plan the actions to be taken in order to reach the business goals and to divide the organizational functions among the workforce effectively. In general, most of the middle scale and the top scale companies are comprised of three broad levels of hierarchy known as the first-line management, middle management and the top management. To emerge as a successful organization, there should be a good coordination between all the above levels of management.

Figure 1.4: Company Management Hierarchy

- *Top Management:* Also called as the 'executive level', the top management guides the overall functions of a business. The top management includes positions such as Chairman, Vice-President, Board of Directors and Chief Executive Officer.

❖ *Chairman:* A Chairman is the highest rank holder in a company. A Chairman acts as a representative of the company to the outside world.

❖ *Vice-President:* The responsibilities of a Vice-President vary as per the size of the organization and the specific area of expertise of the professional. Generally, they account for organizing the meeting of the board members and develop reports on the accomplishments of the business organization.

❖ *Board of Directors:* The Board of Directors is a group of stakeholders and they are the main decision makers of the organization. They choose the Chief Executive Officer. They also review the various on-going activities of the company at regular intervals of time.

❖ *Chief Executive Officer:* A Chief Executive Officer (CEO) undertakes the most important activities of the organization. In some mid-range companies, the Chief Executive Officer is the highest position. The CEO reports to the board of directors regarding the various functions of the organization.

● *Middle Management:*

❖ *General Manager:* A General Manager is the top tier officer of the middle management of the company management hierarchy. A General Manager undertakes job functions relating to different areas such as, sales and marketing, client relations, operation management, financial management and team management, etc.

❖ *Regional Manager:* The regional manager is responsible for managing the business of a particular region. The manager develops detailed sales plans and strategies, develops promotional strategies for the products and reports to the general manager.

● *First-line Management:*

❖ *Supervisor:* A supervisor is at the highest rank of a first-line management. They act as a communicator between the first-line employees and the middle management of the company management hierarchy. They supervise all the essential aspects of a project.

❖ *Office Manager:* Office managers coordinate the various operations performed by the employees of the corporation. They also undertake the payroll duties of the company.

❖ *Team Leader:* A team leader is responsible for the successful coordination between the employees. Team leaders play a very vital role because they are associated with the grass root level of the organization.

1.12 MANAGEMENT SKILLS

There are several defining characteristics of management skills that differentiate them from other kinds of managerial characteristics and practices.

First, management skills are behavioural. They are not personality attributes or stylistic tendencies. Management skills consist of identifiable sets of actions that individuals perform and that lead to certain outcomes. Skills can be observed by others, unlike attributes that are purely mental or are embedded in personality. Whereas people with different styles and personalities may apply the skills differently, there are, nevertheless, a core set of observable attributes in effective skill performance that are common across a range of individual differences.

Second, management skills are controllable. The performance of these behaviours is under the control of the individual. Unlike organizational practices such as

"selectively hiring," or cognitive activities like "transcending fear," can be consciously demonstrated, practised, improved, or restrained by individuals themselves. Skills may certainly engage other people and require cognitive work, but they are behaviours that people can control themselves.

Third, management skills are developable. Performance can improve. Unlike IQ or certain personality or temperament attributes that remain relatively constant throughout life, individuals can improve their competency in skill performance through practice and feedback. Individuals can progress from less competence to more competence in management skills.

Fourth, management skills are interrelated and overlapping. It is difficult to demonstrate just one skill in isolation from others. Skills are not simplistic, repetitive behaviours, but they are integrated sets of complex responses. Effective managers, in particular, must rely on combinations of skills to achieve desired results. For example, in order to effectively motivate others, skills such as supportive communication, influence, empowerment, and self-awareness may be required. Effective managers, in other words, develop a constellation of skills that overlap and support one another and that allow flexibility in managing diverse situations.

Fifth, management skills are sometimes contradictory or paradoxical. For example, the core management skills are neither all soft nor humanistic in orientation nor all hard driving and directive. They are oriented neither towards teamwork and interpersonal relations exclusively nor towards individualism and technical entrepreneurship exclusively. A variety of skills are typical of the most effective managers, and some of them appear incompatible.

1.12.1 Managerial Responsibilities

An "effective" manager takes responsibility for ensuring that each individual within his department succeeds and that the team or business unit achieves results. Successful managers require both talent and skill. Effective management skills can be developed through training, mentoring and experience. But if a manager is void of natural talent, then the odds that he will be successful diminish significant.

The most productive companies are typically more proactive than their peers when it comes to identifying and developing effective managers. The six most common managerial success traits include communication, leadership, adaptability, relationships, development of others and personal development. These are discussed below:

- **Teach Communication Skills:** A manager with good communication skills is able to instruct as well as he listens. Managers who can communicate effectively can process information, and then relate it back to their teams clearly. Effective managers should be able to understand, decipher and relate the organisation's vision back to their employees in order to maintain productivity.

- **Expand Leadership skills:** Leadership is a crucial attribute that many managers lack despite their job title. It is common practice for companies to promote employees with the best results, but sometimes the best salesman doesn't make the best manager. True leaders are able to instill trust, provide direction, and delegate responsibility amongst team members.

- **Encourage Adaptability:** Adaptability also contributes to a manager's effectiveness. When a manager is able to adjust quickly to unexpected circumstances, he is able to lead his team to adjust as well. Adaptability also means that a manager can think creatively and find new solutions to old problems.

- **Foster Interpersonal skills:** Effective managers should strive to build personal relationships with their teams. Employees are more likely to exceed expectations

When they trust their manager. When manager establish a relationship with the employees, it builds trust and employees feel valued. Valued employees are more willing to get the job done right.

The best managers know when their employees need more development, and how to ensure those developments successful. Developing others involve cultivating each individual's talents, and motivating those individuals to channel those talents to productivity.

- *Promote personal growth:* Finally, an effective manager is aware of their own personal development. In order to successfully develop and lead others, managers must seek improvement in themselves. A manager who is willing to learn more and use their natural talents to the best of their ability will be able to encourage the same behaviour in employees.

- Effective management skills are comprised of several key components and are not easily achieved. Organizations need to recognize the traits associated with successful management, and then promote employees based on those traits. The highest achieving employees do not always make the best managers, but employees that naturally exude the attributes desired by managers are sure to be effective and successful in management roles.

1.13 SOCIAL RESPONSIBILITY

Social responsibility is defined as the obligation and commitment of managers to take steps for protecting and improving society's welfare along with protecting their own interest. The managers must have social responsibility because of the following reasons:

1.13.1 Arguments for and against Corporate Social Responsibility

Corporate Social Responsibility, also referred to as CSR, can be described as embracing responsibility for a company's actions and encouraging a positive impact through its activities on the environment, consumers, employees, communities and other stakeholders.

Corporate social responsibility is a business concern for the welfare of society. This concern is displayed by managers who take into consideration the long-term interests of the company and the company's relationship with the society it operates in. A new theory in social responsibility is sustainability. Sustainability is the concept implies that companies are socially responsible and have to outperform their peers or competitors by concentrating on society's problems and deeming them as opportunities for profit building and aiding the world at the same time. Sustainability also includes the notion that companies cannot thrive for very long in a world where billions of people are suffering and desperately poor. Therefore, it is in a company's best interest to find ways to solve society's problems. Along with this theory, is the belief that only businesses have access to the talent, creativity, executive ability, and capital to actually make a difference.

Today, few people argue that corporate social responsibility is important. Instead, people debate about the degree and forms of social responsibility that businesses should engage in.

Arguments against Corporate Social Responsibility

Skeptics often claim that businesses should focus on profits and leave social and environmental issues to the government or non-profit organizations to deal with. Milton Friedman claimed that free markets rather than companies should decide what is best for the world. He believes that Adam Smith's "invisible hand" will do all the

work to make everything better. Another argument is that companies are meant to create products or provide services rather than handle welfare activities. They do not have the expertise and knowledge necessary for handling social problems. Also, if managers are concentrating on social responsibilities they are not performing their primary duties for the company at full capacity. Finally, being socially responsible could be damaging a company in the global marketplace. Cleaning up the environment, ensuring product safety, and donating money or time for welfare issues raise company costs. In the end, this cost will be passed on to the consumer through the final prices of the product or service. While some customers may be willing to pay more for a product from a company that is socially responsible other customers might not be. This can place a company at an economic disadvantage.

Arguments for Social Responsibility

The simplest argument for social responsibility is that it is the right thing to do. Some of society's problems have been created by corporations such as pollution and poverty-level wages. It is the ethical responsibility of business to correct these wrongs. Another point is that businesses have many of the resources needed for solving society's problems and they should use them to do so. Another reason for companies to be socially responsible is that if businesses are not, then the government will create new regulations and establish fines against corporations. This has especially been the case for the pollution issue. If business police follows self-disciplined practices it can avoid government intervention. Finally, social responsibility can be profitable. It is possible for companies to prosper and build shareholder value by working to solve social problems. It can be a great way for a company to build positive public relations and attract top talent in the industry.

1.13.2 Corporate Social Responsibility: The Case Study of Spectrum

Human Rights

Spectrum has an organisational culture which is committed to supporting internationally recognized human rights, including the United Nations Declaration of Human Rights. We seek to respect the human rights of our employees in all areas, including non-discrimination of any kind, the prohibition of enforced labour and child labour and the freedom of association. Spectrum makes every effort to be fully aware of human rights issues and through our actions seek to uphold human rights and foster equality and respect for all.

Employees Rights

It is Spectrum's policy to treat all employees and job applications with the same level of professionalism regardless of their sex, sexual orientation, age, race, ethnic origin, colour, nationality, disability or marital status. Furthermore, the company believes that no employee should be prejudiced in any aspect of their employment or career development. The company will take appropriate measures for any instances of non-compliance with this policy.

Environment

The Group's activities involving the collection of seismic data mean that there is a level of interaction with the external environment. Spectrum is continually working on its operational procedures in order to minimize the environmental and social impact on the people, communities and the surroundings in which we operate.

Social Conditions

Spectrum is committed to respecting the communities in which we operate by becoming familiar with and showing consideration to local cultures, customs and values. We seek to support local society by recruiting from the resident work force wherever possible, and aim to act as a positive influence within these communities. Spectrum endeavours to ensure that security services are only used where deemed necessary and that the provision of security is in accordance with international standards of best practice and the laws of the countries in which we operate. We act with fairness in our business practices and do not use our dealings with political organisations or our business partners to secure an unfair advantage over others.

Anti-corruption

Spectrum has developed a Code of Conduct and an Anti-corruption Policy. The Spectrum Code of Conduct describes the requirements in terms of business ethics and conduct applying to Spectrum's business activities. Spectrum is committed to comply with all legal and ethical requirements of the industry.

Spectrum will actively combat bribery and corruption and we shall act professionally, fairly and with integrity in all our business dealings and relationships wherever we operate.

Our Code of Conduct and Anti-corruption policy are approved by the Board of Directors and are applicable to the Board members, all employees and board members in all subsidiaries.

1.13.3 Social Responsiveness

Social responsiveness means the ability of a corporation to relate its operations and policies to the social environment in ways that are mutually beneficial to the company and to the society. Corporate social responsiveness refers to how business organizations and their agents actively interact with and manage their environments. In contrast, corporate social responsibility accentuates the moral obligations that business has to society. Responsiveness and responsibility can be viewed as a balance in that responsiveness can be shaped or triggered by public expectations of business responsibilities. Generally speaking, these responsibilities implied by the term of the social contract, which legitimises business as an institution with the expectation that it provides a service whilst adhering to society's laws and ethical norms. From this perspective, businesses are in a dynamic relationship with society of which responsiveness is a key aspect.

More broadly, there is the issue of why business should bother. After all, as neoclassical economists have long argued, business owes abstractions such as "society", shareholders are the owners of business and it is the organization's obligation to do everything legal and legitimate to advance shareholder value, not waste it on well-meaning but irrelevant CSR projects. On the other hand, the stakeholder model of the firm would insist that shareholders are only one set of stakeholders and that there are plenty of other significant stakeholders, including customers; non-governmental organisations (NGOs); and communities more generally; as well as activist groups claiming to articulate the interests of the environment and climate change and other silent stakeholders. If businesses serve only shareholder value interests in the short term and do so in such a way that jeopardises other stakeholder interests, this can have an adverse impact on the business by attacking its legitimacy or reputation. It may well be that in standard business practice

that the primary responsibility of companies is to create wealth for their shareholders. The emergence of CSR and activists associated with it however adds another dimension, in order for companies to do well financially; they must also be good, ethically, by acting virtuously.

1.13.4 Planning for Social Issues

Planning and procedures play a crucial role in embedding sustainability into the day to day operations of your business. Achieving the goals and strategies set by senior management will rely, in part. on setting up the right work systems and clear procedures. Providing information, training or mentoring will ensure that all employees understand what is expected of them. Another crucial factor is making sure that the procedures are applied consistently. This requires commitment from employees to apply the procedures and from management to allocate the time and equipment needed.

Gaining the input of staff is essential. They are likely to have good ideas about how to reduce waste and increase efficiency. They are also more likely to follow procedures consistently when they have had a hand in designing them and really understand them.

1.13.5 Managerial and Business Ethics

Managerial ethics is a set of principles and rules dictated by upper management that define what is right and wrong in an organization. It is the guideline that helps direct a lower manager's decisions in the scope of his or her job when a conflict of values is presented.

Ethics are a set of moral standards that are relied upon to reach conclusions and make decisions. In a business environment, ethics are a key factor in responsible decision making. Maintaining a high ethical standpoint when operating your business can provide benefits to both the internal and external stakeholders of your business.

Your personal set of ethics is developed as you grow up and are influenced by the people and environment around you. Some ethical viewpoints are considered universal and apply to people around the world, whereas others are of a personal nature and may only apply to you. Your ethical viewpoints continue to evolve and change over time as you interact with different people and are exposed to different situations and environments.

The business case for ethics is based on the positive benefits that it can provide your business. The reasons behind maintaining high ethical standards include:

- Improved employee and organisational morale
- Increased ability to attract new customers
- Improved customer loyalty
- Reduced risk of negative exposure and public backlash caused by poor ethics
- Attraction of new stakeholders
- Making a positive impact on the community

Business ethics are important for managing a sustainable business mainly because of the serious consequences that can result from decisions made with a lack of regard to ethics. Even if you believe that good business ethics don't contribute to profit levels. you should be able to recognise that poor ethics can have a detrimental effect on your bottom line in the long term.

Poor ethical standards can result in business managers making misinformed, misguided or bad decisions. The future effects of their actions could be significant and

wide reaching, particularly if they cause injury or financial loss to other people or businesses. Poor ethics are the basis of many legal cases where people seek compensation for the losses they have suffered as a direct or indirect result of the decisions of business people not following basic ethical standards.

In a sustainable business, employees at every level should be committed to the ethical standards of the business. As a business manager, it is important that you are able to clearly define and communicate to your employees what factors and ethical standards you expect them to adhere to and what the consequences are for failing to meet those expectations.

A code of conduct is important for managers in every industry, as a workforce can't move forward without integrity from its leaders. The best managers place a high value on fairness and ethics, as well as their own performance. Not only do managers who create their own code of conduct benefit their workers, but they also often benefit the entire company's public image.

1.13.6 Code of Ethics

A company's ethics will determine its reputation. Good business ethics are essential for the long-term success of an organization. Implementing an ethical program will foster a successful company culture and increase profitability. Developing a Business Ethics program takes time and effort, but doing so will do more than improving business, it will change lives.

A company's ethics will have an influence on all levels of business. It will influence all who interact with the company including customers, employees, suppliers, competitors, etc. All of these groups will have an effect on the way a company's ethics are developed. It is a two-way street; the influence goes both ways, which makes understanding ethics a very important part of doing business today. Ethics is very important, as news can now spread faster and farther than ever before.

1.14 UNIVERSALITY OF MANAGEMENT

The universality of management is an important concept to consider in modern management thought. When describing management as universal, we refer to the widespread practice of management in all types of organizations. As noted before, one cannot bring a group of people together, regardless of the nature of the endeavour, and expect them to accomplish objectives unless their efforts are coordinated. Among other things, plans must be outlined, task identified, authority relationship specified, lines of communication established and leadership exercised. Management, therefore, is required before any organization can expect to be effective.

Although management is universal, we should not assume that all managers are the same; if, for no other reason, differences exist because no two individuals are alike. However, all managers perform broad groups of duties that are similar. These groups of duties are the functions of planning, organizing, actuating and controlling. Although the responsibilities associated with performing the functions vary among levels of authority, managers at all material resources. Since the management functions must be performed to some degree in order to achieve desired goals, we can say that there is, indeed, a universality of management.

The universal nature of management also implies that managerial skills are transferable from one type of organization to another. If this is the case, a manager should expect to experience few problems in moving from one industry to another, from the military to business, from business to government, from education to business, or from one department to another within the same organization. There are certainly persons who have been successful in making such moves. Other, however

have failed. For example, Laurence J. Peter cites numerous cases that show promotions in an organization often accomplish little beyond pointing out the incompetency of those persons who have been promoted.

Although proven performance in one management position is no guarantee of success in another, various issues should still be explored. First, managerial success depends on how well managers do their jobs - that is, how well they perform the management functions in meeting their responsibilities. Remember that manager is not a narrow technical specialist. but a person who must plan, organize, actuate and control. Again, this does not overlook the need for technical information in the decision-making process. Technological, social, political and economic factors must be considered in most decisions. At the same time, managers must recognize the importance of balancing the needs and goals various organizational members. This, in turn, requires an ability to understand the overall nature of an organization's operations.

A second factor to consider concerns to need for flexibility when adjusting to a new organizational environment. All organizations have unique differences. Thus, for managers to be successful in moving from one organization to another, they must be capable of adapting to change. In addition, initiative, motivation to achieve, and the courage to accept and overcome setbacks are important personal characteristics. When moving from large to smaller organizations, these latter characteristics appear to be especially critical. Perhaps this is due to the fact that smaller organizations do not have the technical specialists and staff support groups found in their large counterparts. In any event, career movements from small organizations to larger ones seem to present fewer problems.

1.15 MANAGEMENT BY OBJECTIVES

Management by Objectives (MBO) is a personnel management technique where managers and employees work together to set, record and monitor goals for a specific period of time. Organizational goals and planning flow top-down through the organization and are translated into personal goals for organizational members. The technique was first championed by management expert Peter Drucker and became commonly used in the 1960s.

Key Concepts

The core concept of **MBO** is planning, which means that an organization and its members are not merely reacting to events and problems but are instead being proactive. MBO requires that employees set measurable personal goals based upon the organizational goals. For example, a goal for a civil engineer may be to complete the infrastructure of a housing division within the next twelve months. The personal goal aligns with the organizational goal of completing the subdivision.

MBO is a supervised and managed activity so that all of the individual goals can be coordinated to work towards the overall organizational goal. You can think of an individual, personal goal as one piece of a puzzle that must fit together with all of the other pieces to form the complete puzzle: the organizational goal. Goals are set down in writing annually and are continually monitored by managers to check progress. Rewards are based upon goal achievement.

Advantages

MBO has some distinct advantages. It provides a means to identify and plan for achievement of goals. If you don't know what your goals are, you will not be able to achieve them. Planning permits proactive behaviour and a disciplined approach to goal achievement. It also allows you to prepare for contingencies and roadblocks that

may hinder the plan. Goals are measurable so that they can be assessed and adjusted easily. Organizations can also gain more efficiency, save resources, and increase organizational morale if goals are properly set, managed and achieved.

MBO Offers No Disadvantages

Application of MBO takes concerted effort. You cannot rely upon a thoughtless, mechanical approach, and you should note that some tasks are so simple that setting goals makes little sense and becomes more of silly, annual ritual. For example, if your job is snapping two pieces of a product together on an assembly line, setting individual goals for your work isn't really necessary.

Rodney Brim, a CEO and critic of the MBO technique, has identified four other weaknesses. There is often a focus on mere goal setting rather than developing a plan that can be implemented. The organization often fails to take into account environmental factors that hinder goal achievement, such as lack of resources or management support. Organizations may also fail to monitor for changes, which may require modification of goals or even make them irrelevant. Finally, there is the issue of plain human neglect – failing to follow through on the goal.

1.15.1 Management by Exception (MBE)

Management by exception is the practice of examining the financial and operational results of a business, and only bringing issues to the attention of management if results represent substantial differences from the budgeted or expected amount. For example, the company controller may be required to notify management of those expenses that are the greater of ₹ 10,000 or 20% higher than expected.

The purpose of the management by exception concept is to only bother management with the most important variances from the planned direction or results of the business. Managers will presumably spend more time attending to and correcting these larger variances.

The concept can be fine-tuned, so that smaller variances are brought to the attention of lower-level managers, while a massive variance is reported straight to senior management.

Advantages of Management by Exception

There are several valid reasons for using this technique. They are:

- It reduces the amount of financial and operational results that management must review, which a more efficient use of their time is.

- The report writer linked to the accounting system can be set to automatically print reports at stated intervals that contain the predetermined exception levels, which is a minimally-invasive reporting approach.

- This method allows employees to follow their own approaches to achieve the results mandated in the company's budget. Management will only step in if exception conditions exist.

- The company's auditors will make inquiries about large exceptions as part of their annual audit activities, so management should investigate these issues in advance of the audit.

Disadvantages of Management by Exception

There are several issues with the management by exception concept, which are:

- This concept is based on the existence of a budget against which actual results are compared. If the budget was not well formulated, there may be a large number of

variances, many of which are irrelevant, and which will waste the time of anyone investigating them.

- The concept requires the use of financial analysts who prepare variance summaries and present this information to management. Thus, an extra layer of corporate overhead is required to make the concept function properly. Also, an incompetent analyst might not recognize a potentially serious issue, and will not bring it to the attention of management.

- This concept is based on the command-and-control system, where conditions are monitored and decisions made by a central group of senior managers. You could instead have a decentralized organizational structure, where local managers could monitor conditions on a daily basis, and so would not need an exception reporting system.

The concept assumes that only managers·can correct variances. If a business were instead structured so that front line employees could deal with most variances as soon as they arise, there would be little need for management by exception.

Check Your Progress

Fill in the blanks:

1. Management is _____ _____ like any other art.

2. Management and administration are at times utilised in an _____ manner; nevertheless, they are two distinct levels of the organisation.

3. _____ takes care of the requirements of the organisation at various parts in the enterprise.

4. Management minimises _____ disputes and contributes to sound industrial relations in an undertaking.

1.16 LET US SUM UP

- Management is the act or function of putting into practice the policies and plans decided upon by the administration.

- To achieve goals, managers put the scarce organisational resources – physical, financial, material and human – to best use. Managerial effort is always goal-oriented.

- Without management, an organisation is merely a collection of men, machines, money and material.

- There has been a controversy over the meaning of the terms 'management' and 'administration'.

- Administration makes the important decisions of an enterprise in its entirety, whereas management makes the decisions within the confines of the framework, which is set up by the administration.

- Administrators are mainly found in government, military, religious and educational organisations. Management, on the other hand, is used by business enterprises.

- Managers fruitfully combine their scientific knowledge with artistic skills in order to emerge as the "winners" in a competitive environment. Thus management is considered as both science and an art.

- Managers just don't go out and haphazardly perform their responsibilities. Good managers discover how to master the basic functions: planning, organising, staffing, directing, coordinating and controlling.

- The term 'levels of management' refers to a line of demarcation between various managerial positions. There are three levels of management i.e., top level, middle level and lower level of management.

1.17 LESSON END ACTIVITY

If managerial work is characterized by variety and fragmentation, how do managers perform basic management functions, such as planning which would seem to require reflection and analysis?

1.18 KEYWORDS

Administration: It refers to the determination of major aims and policies.

Administrator: An administrator is one who makes policies for the company. His job is more of thinking.

Communication: Communication is the transfer of information and understanding from one person to another.

Goal: An observable and measurable end result having one or more objectives to be achieved within a more or less fixed timeframe.

Leadership: Leadership is the process of influencing the actions of a person or a group to attain desired objectives.

Management: It is concerned with the carrying out the operations designed to accomplish the aims.

Motivation: It is the process of stimulating people to take desired courses of action.

Planning: It is the process of setting goals, developing strategies, and outlining tasks and schedules to accomplish the goals.

1.19 QUESTIONS FOR DISCUSSION

1. Define management and outline its essential characteristics.

2. Distinguish between management and administration.

3. There are various meanings of management which depend on the purpose and context. Elucidate.

4. What is the difference between a manager and a scientist?

5. Compare and contrast the use of knowledge by a doctor and a manager.

6. Do you think that planning provides direction to enterprise activities?

7. What do you understand by organising?

8. "Management is getting things done through people". Discuss.

9. Describe how managerial jobs differ according to hierarchical level.

10. Why management is regarded as profession? Give your opinion.

Check Your Progress: Model Answer
1. Creative
2. Interchangeable
3. Staffing
4. Industrial

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UNIT-2

DEVELOPMENT OF MANAGEMENT THOUGHT

2.0 AIMS AND OBJECTIVES

After studying this lesson, you should be able to:

● Discuss classical management theories

● Explain neo-classical theories

● Describe the various approaches to management

● Discuss contribution of selected management thinkers

● Describe contemporary management practices

● Discuss the problems and conflicts in management theories

2.1 INTRODUCTION

In the previous lesson, you have studied about meaning and definition of management, need and scope of management, characteristics and importance of management. Further you have also studied about the concept of management versus administration, management as science or art or profession, managerial functions and different levels of management.

Now, the purpose of studying various schools of management thought will enable you to recognise and appreciate how developments in the field of management could contribute to current practices. An examination of these past and present approaches can help to discover the strengths and weaknesses of current managerial practices and finally enable you, as a potential manager of an information centre, to choose appropriate management styles. During the brief history of management as a discipline a number of more or less separate schools of management thought have emerged, some broad, some narrow in scope, and some quite specialised. Each sees management from its own viewpoint; none is comprehensive. These viewpoints can provide several perspectives.

Thus, in this lesson, you will study about theories in management, various approaches to management and contribution of selected management thinkers. Further you will also study about contemporary management practices and problems and conflicts in management theories.

2.2 CLASSICAL THEORY

The term 'classical' means something traditionally accepted or long-established. It does not mean that classical views are static and time bound that must be dispensed with. Some of the elements of classical theory are still with us, in one form or another:

● *Bureaucratic Structure:* Traditional theory prescribed that organisation be built around the work to be done. For maximum efficiency, this theory specified that the work must be logically divided into simple, routine and repetitive tasks. These tasks should then be grouped according to similar work characteristics and arranged in the form of departments headed by an executive who has a limited number of subordinates reporting directly to him. Also, command should flow from only one individual; everyone should have one and only one boss. Work must be assigned to individuals based on job demands and the individual's ability to do the job. The organisation has 'complex mechanisms, rules, regulations and procedures. Human action within this framework is explained mechanistically, by the obligations of position in the hierarchy'. The threads of control are held by common superiors, working at the top of the hierarchy.

Behaviour is regulated by directives, rules and regulations which specify the exact manner in which the duties are to be performed. The whole structure takes the shape of a pyramid. As the organisation grows and develops, operations grow in size; communication becomes complex; more policies, procedures and further formalisation is demanded; there would be constant pressures for greater departmentation; more staff may be needed to coordinate activities — it would inevitably acquire a bureaucratic, pyramidal structure, as shown below:
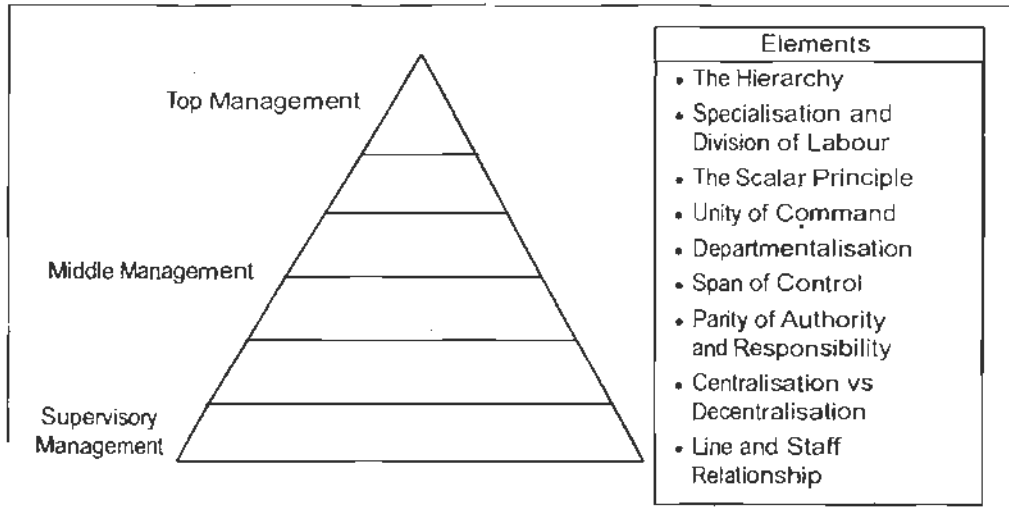
Figure 2.1: Pyramid Structure and Elements of Classical Theory

- **Inter-related Functions:** Management consists of several inter-related and inter-dependent functions (planning, organising, staffing, directing and controlling) which are exercised in a sequential form. This is repeated over and over again to bring order out of chaos.

- **Guiding Principles:** In order to crystallise the ever-increasing knowledge and thinking in the field, classical writers have developed certain principles (to aid executive thinking and action) based on practical experience.

- **Reward-punishment Nexus:** "Follow the rules, obey the orders, show the results and get the rewards". More or less, classical theory emphasised the above philosophy. If you lag behind in the race, you will become a second-class citizen and not entitled to receive extra benefits. Great emphasis was put on efficient use of resources while producing results.

Surprisingly, the classical theory developed in three streams: Bureaucracy (Weber), Administrative Theory (Fayol) and Scientific Management (Taylor). Let us examine the classical theory more closely.

2.2.1 Bureaucracy

Max Weber (1864–1920) introduced most of the concepts on bureaucratic organisations. The word bureaucracy implies an organisation characterised by rules, procedures, impersonal relations, and elaborate and fairly rigid hierarchy of authority-responsibility relationships. In simple terms, it implies the proposition that the organisation has a structure. People work within their boundaries. The work is processed with the help of rules and regulations. People follow these rules while processing work. Persons with proper qualifications are selected so that the work is done efficiently.

Elements of Bureaucracy

Weber has provided a number of features of bureaucratic structure. These are given below:

- *Hierarchy:* Hierarchy is a way of ranking various positions in descending order from top to bottom of an organisation. In a bureaucratic structure, each lower office is under the supervision and control of higher one. Ultimately, no office is left uncontrolled in the organisation.

- *Division of Work:* The total work is divided into specialised jobs. Each person's job is broken down into simple, routine and well-defined tasks. Each employee knows his boundaries. By doing the same type of work a number of times, he becomes an expert in course of time.

- *Rules, Regulations and Procedures:* The behaviour of employees is regulated through a set of rules. The emphasis is on consistency. Employees are expected to follow these rules strictly. They have to be applied in an impersonal, objective manner.

- *Records:* Proper records have to be kept for everything. Files have to be maintained to record the decisions and activities of the organisation on a day-to-day basis for future use.

- *Impersonal Relationships:* Everything should proceed according to rules. There is no room for personal involvement, emotions and sentiments. If an employee comes late, whether he is a manager or a peon, the rule must be same for all. The decisions must be governed by rational considerations rather than personal factors.

- *Administrative Class:* Bureaucracies generally, have administrative class responsible for coordinating the work. Known as bureaucrats, these officials are selected on the basis of their competence and skills. They are selected according to merit, receive special training for their posts, and enjoy corporate tenure. They are paid salary, which increases according to age and experience, and receive a pension when they retire. Promotion is based on seniority and achievement, decided by judgement of superiors.

Bureaucrats are experts in wasting time, money and energy and are called 'hopeless company men'. Despite these negative pronouncements, bureaucracy remains an essential feature of modern civilisation. Business organisations, schools, government and other organisations, largely based on bureaucratic concepts.

Many of the problems of bureaucracies could be avoided, if the individual needs and characteristics of every organisational member are remembered and considered in making managerial decisions.

2.2.2 Scientific Management – Taylor: The Father of Scientific Management

Scientific management arose, in part, from the need to increase productivity. In the United States, especially, skilled labour was in short-supply at the beginning of twentieth century. To expand productivity, it is necessary to increase the efficiency of workers. Could some portions of the work be eliminated or some parts of the operations combined? Could the sequence of these tasks be improved? Was there 'one best way' of doing a job? In his pursuit of answers to such questions, Frederick W. Taylor slowly built the body of principles that constitute the essence of Scientific Management (1890–1930). Taylor did most of his work at the Midvale and Bethlehem Steel Companies in Pennsylvania. His early years at Midvale were particularly disgusting. He was constantly appalled at the inefficiency of workers. Employees used

vastly different techniques to do the same job. They were prone to "taking it easy" on the job. Taylor firmly believed that worker did only about one-third of what was possible. There were no effective work standards. Workers had no incentive to produce more because they were paid an hourly rate. Workers were afraid to work fast because they believed their rate of pay would be lowered or they would be laid-off if they completed their tasks too quickly. Workers were asked to take up jobs unrelated to their abilities and aptitudes. Management decided things based on hunch and intuition. Most importantly, management and workers viewed themselves to be in continual conflict.

Taylor's Medicine

Taylor set out to correct the situation by employing the scientific method to workers on the shop floor. He emphasised that work would not be taken for granted but should be taken seriously. Productivity is not harder work, but smarter work, that is an understanding and systematic analysis of work. Much of Taylor's published work was based on his report on work improvement tests performed at Bethlehem Steel – emphasising 'one best way' philosophy. Taylor reported that the company had about seventy-five men employed to load pig iron freight cars. He selected a Pennsylvania Dutchman, named Schmidt (real name Henry Nolle), and offered him an increase in pay from $ 1.15 per day to $ 1.85 per day, if he would follow his orders with no back talk. Taylor projected that following orders would increase Schmidt's productivity from about 12 tons a day to more than 47 tons. Schmidt agreed to the proposal. Consequently, on some days he would keep his legs straight and use his back to lift with. Taylor experimented with rest periods, walking speed, carrying positions, and other variables. After a long period of scientifically trying various combinations of procedures, techniques and tools, Taylor succeeded in finding out 'one best way' to perform the task and realised the goals set by him. Taylor claimed to have trained the other workers until the entire crew had raised their productivity in this manner.

Thus, by putting the right person on the job with correct tools and equipment, by having the workers follow Taylor's instructions exactly, and by motivating workers through the economic incentives of a significantly higher daily wage, Taylor achieved significant improvements in productivity.

Taylor explained these ideas and techniques in his two books (Shop Management and The Principles of Scientific Management) and these ideas found favour in USA, France, Germany, Russia and Japan, in course of time.

Basics of Scientific Management

The concept of scientific management implies the application of science to management. It is based on four basic principles:

1. Each task must be scientifically designed so that it can replace the old, rule-of-thumb methods.

2. Workers must be scientifically selected and trained so that they can be more productive on their jobs.

3. Bring the scientifically designed jobs and workers together so that there will be a match between them.

4. There must be division of labour and cooperation between management and workers.

Taylor stressed the importance of employee welfare as well as production efficiency. To boost up productivity, wage incentives based on performance (differential piece rate system) were introduced. The emphasis was on maximum output with minimum effort through elimination of waste and inefficiency at the shop floor level.

Key Concepts

1. *Scientific Task Planning:* Scientific task is the amount of work which an average worker can perform during a day under normal working conditions (called as a fair day's work). Management should decide in advance as to what work is to be done, how, when, where and by whom. The ultimate goal is to see that work is done in a logical sequence promoting maximum efficiency.

2. *Time and Motion Studies:* Time and motion studies have been advocated by Taylor with a view to isolate the wasteful and unproductive motions on the job. The time study would indicate the minimum time required to do a given job. The time taken by workers to do a job is being recorded first and this information is being used to develop a time standard. Time standard is the period of time that an average worker should take to do a job. Motion study is carried out to find out the best sequence of motions to do a job. The aim is to eliminate unnecessary, ill-directed and wasteful motions and find out the one best way of doing a job. In this study, finger movements, hand movements, arm movements and shoulder movements are being studied, through photographic evidence. In addition, fatigue studies are also carried out to find out the extent of boredom and monotony caused by a job. Taylor and his colleagues (Gilbreths, Gantt) advocated fatigue studies so as to find out the best synchronisation between time, work and rest pauses needed to do a piece of work. Managers, in the end, are charged with the task of planning the work through the above studies and workers are expected to implement the same.

3. *Standardisation:* Under scientific management, standards have to be set in advance for the task, materials, work methods, quality, time and cost, working conditions, etc. This helps in simplifying the process of production, reducing wasteful use of resources, improving quality of work, etc.

4. *Differential Piece Rate System:* In order to motivate workers, wage incentives were developed in most scientific management programmes. Taylor advocated differential piece rate system based on actual performance of the worker. In this scheme, a worker who completes the normal work gets wages at higher rate per piece than a worker who fails to complete the same within the time limit set by management. For example, each worker who produced 10 machine nuts (normal work) would be paid the standard wage of ₹ 2 per piece, and those below the normal work may get ₹ 1.5 per piece. Thus, there is considerable difference in wages between those who complete the job and those who do not complete. Each worker is pitted against every other worker in an unhealthy competitive scheme to make more and earn more. In the long-run, this will have a telling effect on the health of the worker. More damagingly, this scheme would divide the working class permanently. Though the differential piece rate system is opposed by unions and workers alike, the essential merit in Taylor's suggestion that wages must have a linkage with performance of employees, should not be discounted altogether.

5. *Functional Foremanship:* In order to achieve better production control, Taylor advocated functional foremanship where the factory is divided into several components, each in-charge of a specialist, namely, route clerk, instruction card clerk, cost and time clerk, gang boss, speed boss, inspector, repair boss and shop disciplinarian. These functional specialists perform the planning function and provide expert advice to workers. They plan the work for employees and help employees in improving results. The workers are expected to implement the commands of functional specialists. The idea of a divorce between planning and doing function, unfortunately, suggests that workers are incapable of thinking independently. Drucker dubbed this principle as an undemocratic one because it overshadows the independence and initiative of workers completely.

2.2.3 Henry Fayol's Administrative Theory

About the time when F.W. Taylor was developing the principles of scientific management in the United States, Henry Fayol was revolutionising managerial thinking in France. Trained as a mining engineer, Fayol made his mark as an industrialist with the French coal and iron combine of Commentary-Fourchambault, where he spent his entire working career. He joined the firm as a junior executive in 1860 and rose quickly through the ranks, retiring as a director of the company in 1918. When the company had been near bankruptcy in 1888, he had taken it over and transformed it into a financially strong organisation. Based on his own experiences as CEO, Fayol developed the administrative theory, which explained the process of managing an organisation from the top managerial perspective.

- **Fayol's Six Activities:** In setting out to develop a science of management, Fayol began by classifying business operations into six major activities; technical (production), commercial (buying and selling), financial (use of capital), security (protection of property), accounting (keeping financial records) and managerial. Since the first five activities were commonly understood by many practitioners at that time, Fayol devoted his attention to the last activity.

- **Management Functions:** At the managerial level, Fayol argued that managers should perform five functions: planning, organising, commanding, controlling and coordinating. This conception of managing has had, and continues today to have, a decisive impact on managerial thought, education and practice. Many business organisations even today, find the functional view of managing useful for purposes of in-house managerial training and development.

- **Principles of Management:** At the operational level, Fayol asserted that managers should apply fourteen principles. According to him, these principles can be applied in all types, functions, levels and sizes of organisations. This had earned him the title of Universalist. These are given below as notes.

Fayol's 14 Principles of Management

1. **Division of work:** Divide work into specialised tasks and assign responsibilities to specific individuals. Specialisation increases output by making employees more efficient.

2. **Authority and responsibility:** Authority is the right to give orders and the power to obtain obedience. Managers must be able to give orders and authority gives them this right.

3. **Discipline:** Employees must obey and respect the rules that govern the enterprise.

4. **Unity of command:** An employee should receive commands from only one superior

5. **Unity of direction:** This principle calls for 'one manager one plan' for all operations having the same objective. For example, the personnel department in a bank should not have two directions, each with a different recruitment policy. The unity of direction principle, when applied properly, ensures unity of action and facilities coordination.

6. **Subordination of individual interest to the common good:** In any organisation, the interests of employees should not take precedence over the interests of the organisation as a whole.

7. *Remuneration of personnel:* Compensation for work done should be fair to both employees and employers. Fayol did not favour profit-sharing plan for workers but advocated it for managers.

8. *Order:* Materials and people should be in the right place at the right time.

9. *Centralisation:* Decreasing the role of subordinates in decision making is centralisation, increasing their role is decentralisation. Whether decision making is centralised (to management) or decentralised (to subordinates) is a matter of proper proportion. Fayol felt that managers should retain final responsibility but also need to give their subordinates enough authority to do their jobs properly.

10. *Scalar chain:* The graded chain of authority from top to bottom through which all communications flow is termed as 'scalar chain'. However, if following the chain creates communication delays, cross-communication (gangplank principle) can be permitted, if agreed to by all parties and superiors are kept informed.

11. *Equity:* Managers should be fair in dealing with employees. Equity is the combination of justice and kindness. The application of equity requires good sense, experience, and good nature for soliciting loyalty and devotion from subordinates.

12. *Stability of tenure:* Management should provide systematic human resource planing and ensure that replacements are available to fill vacancies.

13. *Initiative:* Employees must be encouraged to think through to implement a plan of action, even though some mistakes may result. The opportunity to perform independently is an essential component of employee growth and development.

14. *Esprit de corps:* Promoting team spirit will build harmony and unity within the organisation.

- *Universality of Management Principles:* Since management is universal among all organisations, Fayol argued that those who acquire a general knowledge of managerial functions and principles can manage all types of organisations. He argued that anyone interested in managing an enterprise could learn these principles and apply successfully. In order to become a manager, however, certain qualities of head and heart are needed (physical health, mental vigour, character, etc.).

- *Managerial Skills:* Fayol emphasised the need for managers to acquire certain unique skills in order to do their work properly. He listed the following qualities of a manager:

  ❖ Physical (health and vigour).

  ❖ Mental (ability to understand, learn; apply judgement and adapt to different situations).

  ❖ Moral (energy, initiative, firmness, loyalty, tact and dignity).

  ❖ Educational (acquaintance with matters not related to the function performed).

  ❖ Technical (specialised knowledge relating to one's area of specialisation, especially about machines, work processes, etc.).

  ❖ Experience (relating to the work carried out)

According to Fayol, there is nothing mystical about managerial skills and knowledge. This can be acquired through formal study and training.

2.2.4 Taylor vs Fayol

The works of Taylor and Fayol, however, are essentially complementary, namely:

1. Both believed that proper management of personnel and other resources was a key to organisational success.

2. Both applied scientific methods to the problems of management.

3. Both had the experience of industry and developed their ideas through practical training and experience.

The major difference in their approaches is centred on their orientation. Taylor was a scientist, who came through the ranks and concentrated on the operative level. Fayol was a practitioner. He spent most of his time in executive positions and had more of a top management perspective. Taylor paid more attention to the technical side of work (job design, standardisation of procedures, proper placement of people, proper training, etc.) to improve efficiency of work. Fayol placed more emphasis on the administrative side of work. He laid more emphasis on the functions and principles of management in general.

Table 2.1: Taylor vs Fayol

Basis of Comparison	Taylor	Fayol
Perspective	Operative and shop-floor level.	Top level.
Focus	Technical side of work.	Administrative side of work.
Attention	Increasing productivity through work simplification, time and motion studies.	Improving overall administration by observing certain principles.
Techniques used	Scientific measurement of work through experimentation and observation.	Personal experiences passed on in the form of universal principles of management.
Personality	Scientist.	Practitioner.
Major-contribution	Provided a major basis for accomplishments on the shop floor.	Produced a systematic theory of management which can be studied, analysed and applied.

2.3 NEO-CLASSICAL THEORY

In the 1920s and 1930s, observers of business management began to feel the incomepleteness and short-sightedness in the scientific as well as administrative management movements. The scientific management movement analysed the activities of workers whereas administrative management writers focused attention on the activities of managers. The importance of the man behind the machine, the importance of individual as well as group relationships in the workplace was never recognised. The social aspects of a worker's job were totally ignored; the emphasis was clearly on discipline and control rather than morale. The human relations theory (also called neo-classical theory) tried to compensate for the deficiencies in classical theory (scientific management and administrative management) modifying it with insights from behavioural sciences like psychology, sociology and anthropology. This theory gained popularity after the famous studies of human behaviour in work situations conducted at the Western Electric Company from 1924 to 1933. These studies eventually became known as the 'Hawthorne Studies' because many of them were conducted at Western Electric's Hawthorne plant near Chicago.

2.3.1 Hawthorne Experiments

- *Illumination Experiments:* The Hawthorne researchers began with illumination experiments with various groups of workers. This experiment involved prolonged observation of two groups of employees making telephone relays. The purpose was to determine the effects of different levels of illumination on workers' productivity. The intensity of light under which one group was systematically varied (test group) while the light was held constant (control group) for the second group. The productivity of the test group increased each time the intensity of the light increased. However, productivity also increased in the control group which received no added light. The researchers felt that something besides lighting was influencing the workers' performance. In a new set of experiments, a small group of workers were placed in a separate room and a number of things were changed; wages were increased, rest periods of varying length were introduced; the workday and workweek were shortened. The researchers, who now acted as friendly supervisors, allowed the group to choose their own rest periods and to have a say in other suggested changes. Workers in the test room were offered financial incentives for increased production. Over the two year period, output went up in both the test and control rooms (surprisingly, since the control group was kept on the same payment schedule) steadily regardless of changes in working conditions. Why?

- *Hawthorne Effect:* Part of the answer may be attributed to what has come to be called the 'Hawthorne Effect'. The workers knew they were part of an experiment. They were being given special attention and treatment because of the experiment. They were consulted about work changes and were not subject to the usual restrictions imposed from above. The result of this special attention and recognition caused them to carry a stimulating feeling of group pride and belongingness. Also, the sympathetic supervision received by the members might have brought about improved attitudes toward their jobs and job performance. At this stage, the researchers were interested in finding out clear answers to the question: Why the attitudes of the employees had become better after participation in the test room?

- *Interviewing Programme:* Mayo initiated a three year long interview programme in 1928 covering more than 21,000 employees to find out the reasons for increased productivity. Employees were allowed to talk freely (non-directive interviewing) and air their opinions in a friendly atmosphere. The point demonstrated by this interviewing programme, is central to the human relations movement. If people are permitted to talk about things that are important to them, they may come up with issues that are at first sight unconnected with their work. These issues may be, how their children are doing at school, how the family is going to meet the ration expenses, what their friends think of their jobs, and so on. When researchers began to examine the complaints made by the employees they found most of complaints to be baseless. Many times nothing was done about the complaint, yet, after an interview the complaint was not made once again. It became apparent that often workers really did not want changes made; they mainly wanted to talk to an understanding person who did not criticise or advise about their troubles. Thus, for the first time, the importance of informal work groups is recognised. To find out more about how the informal groups operated, the bank wiring room experiment was set up.

- *Bank Wiring Room Experiment:* In this experiment, 14 male workers were formed into a small work group and intensively observed for seven months in the bank wiring room. The men were engaged in the assembly of terminal banks for the use in telephone exchanges. The employees in the group were paid in the

regular way depending on the efficiency rating plus a bonus based on average group effort. Thus, under this system, an individual's pay was affected by the output of the entire group and by his own individual output. It was expected that highly efficient workers would bring pressure to bear on less efficient workers in an attempt to increase output and thus take advantage of the group incentive plan. However, these expected results did not come about. The researchers found that the group had established its own standard of output and this was enforced by various methods of social pressure. Output was not only being restricted but individual workers were giving erroneous reports. The group was operating well below its capability and was levelling output in order to protect itself. Thus, work group norms, beliefs, sentiments had a greater impact in influencing individual behaviour than did the economic incentives offered by management.

Human Relations: Key Concepts

The Hawthorne experiments, thus, indicated that employees were not only economic beings, but social and psychological beings as well. The man at work is motivated by more than the satisfaction of economic needs. The main emphasis should be on creating a humanistic or informal organisation in place of a mechanistic or formal organisation. The organisation must be democratised and people working therein must become part of 'one big happy family'. In the words of Keith Davis, "Human relations are motivating people in organisations in order to develop teamwork which effectively fulfils their needs and achieves organisational goals." The whole philosophy of human relations is built around the following ideas:

- *Individual:* According to human relationists, each person is unique. Each is bringing to the job situation certain attitudes, beliefs and ways of life as well as certain skills – technical, social and logical. Hence, the individual is not only motivated by economic factors, but is motivated by multifarious social and psychological factors.

- *Work Group:* Work is a social experience and most workers find satisfaction in membership social groups. Unless managers recognise this, human relations at work will not improve. Good interpersonal and intergroup relationships among people need to be maintained to obtain productivity gains.

- *Work Environment:* Managers have to create positive work environment where the employee finds it easy to achieve organisational goals as well as his own personal goals. Positive work environments are those where: (i) the goals are clearly defined, (ii) incentives are properly used to improve performance, (iii) decisions are timely and participative, (iv) conflict is confronted openly and squarely, and (v) the work is interesting and growth-oriented.

- *Leader:* The leader must behave in a way that generates respect. He must be able to adjust to various personalities and situations. He must offer a pleasant work climate where bossism is totally absent and where members are allowed to have a say in the decision-making process.

- *Participative Climate:* Participative management or decision-making, in which workers discuss with supervisors and influence decisions that affect them, is a major aspect of human relations theory. As Mayo observed, "Before every change of programme, the group is consulted (Illumination Experiments). Their comments are listened to and discussed; sometimes their objections are allowed to negate a suggestion. The group unquestionably develops a sense of participation." Researchers interpreted that participation results in higher productivity: "the girls have ceased to regard the man-in-charge as a boss. They have a feeling that their increased production is in someway related to the distinctly freer, happier and

more pleasant work environment." The experiment showed that a supervisor can contribute significantly in increasing productivity by providing a free, happy and pleasant work environment where bossism is totally absent and where members are allowed to participate in decision-making policies. Authoritarian tendencies must give way to democratic values. Instruction and coaching must replace browbeating and driving.

2.3.2 Refinements in Neo-classical Theory

The neo-classical theory attempted creation of workforce with high morale by using democratic means. The focus was on people, incentives, democratisation of workplace and social interactions in direct contrast to what the classical theory emphasised i.e., order, rationality, structure, rules and regulations, specialisation, economic tools, etc. Let's look into these differences more closely in Tables 2.2 and 2.3.

Table 2.2: Refinements in Neo-classical Theory

Basis	Classical Theory	Neo-classical Theory
Structure	Impersonal, mechanical.	Organisation is a social system.
Behaviour	Organisational behaviour is a product of rules and regulations.	Behaviour is a product of feelings, sentiments and attitudes.
Focus	Primary focus is on work and the economic needs of workers.	Primary focus is on small groups, on emotional and human qualities of employees.
Emphasis	People try to maximise rewards emphasis is on order and rationality.	Emphasises personal, security and social needs of workers while achieving organisational goals.
Practices	Authoritarian practices, elaborate rules and regulations employed to obtain results.	Democratic practises, participation of employees in decision-making in order to improve morale and happiness of employees. It recognises the importance of human dignity and values.
Results	Work alienation, dissatisfaction.	Happy employees trying to produce more.

Table 2.3: Comparison between Human Relations and Scientific Management

Point of Distinction	Human Relations	Scientific Management
Focus	People, groups.	Machines, rules.
Philosophy	Make workers happy	One best way of doing things.
Motivation	Man wants company; loves interaction and is guided by group goals.	Man is an economic animal.
Basis	Inputs drawn from behavioural Sciences.	Inputs drawn from physical sciences.
Principles	Groups dominate workplace; individuals invariably follow group norms irrespective of what management states.	To bring order and achieve results, everyone must adhere to a set of universal principles in every organisation.
Work life and environment	Mayo wanted to keep workers in good humour; emphasised friendly supervision and monitoring of group norms so as to provide a positive work climate.	The emphasis on standardisation, specialisation, rules, regulations make work life quite dull and monotonous.

The Hawthorne studies and the human relations school have been severely criticised, and our discussion would be incomplete without a brief discussion of these criticisms.

- *Philosophy:* Several economists claimed that by encouraging workers to develop loyalties to anything but their own self-interests, and by preaching collaboration instead of competition, human relations would ultimately lead to reduced efficiency. No wonder, trade unions ridiculed it as a form of 'cow psychology', which transformed factories into unthinking places of comfort. Interest in human relations is equated with tender-mindedness, sentimentality and unrealistic desire to make everyone happy. Critics also charged that the human-relations movement, built as it is on a philosophy of worker-management harmony, is not only antithetical to a viable capitalistic system but impractical as well.

- *Scientific Validity:* The research carried out by Mayo and his associates had many weaknesses of design, analysis and interpretation. Whether the researchers' conclusions are consistent with their data is still a subject of lively debate and considerable confusion. With respect to the relay assembly test room studies, for example, Alex Carcy pointed out that there was no attempt to establish sample groups representative of any larger population than the groups themselves, and that no generalisation is therefore legitimate.

- *Short-sighted:* The very fact that the human relations research is concerned with operative employees bears ample testimony to the short-sightedness of the research findings. Further, the approach lacks adequate focus on work. It tends to overemphasise the psychological aspects at the cost of structural and technical aspects. It tends to neglect the economic dimensions of work satisfaction. But as we all know, economic motivation is exceedingly strong and quite often, economic explanations are appropriate for understanding human behaviour. It is labelled as a short-sighted ventilation therapy.

- *Over concern with happiness:* The Hawthorne studies suggested that happy employees will be productive employees. This, of course, is a native and simplistic version of the nature of man. Studies have failed to show a consistent relationship between happiness and productivity. It is quite possible to have a lot of happy but unproductive employees.

- *Anti-individualist:* The human relations movement is anti-individualist. Here, the discipline of the boss is simply replaced by the discipline of the group forcing the individual to sacrifice his personal identity and dignity. The individual may not find his true self and gain a stimulating feeling of personal freedom by completely losing himself in a group. Further, there is no guarantee that groups will always be instrumental in delivering satisfaction to members.

Check Your Progress

Fill in the blanks:

1. _____ is a way of ranking various positions in descending order from top to bottom of an organisation.

2. _____ are experts in wasting time, money and energy and are called 'hopeless company men'.

3. Scientific task is the amount of work which an average _____ can perform during a day under normal working conditions (called as a fair day's work).

4. Participative management or decision-making. in which workers discuss with supervisors and influence _____ _____ that affect them, is a major aspect of human relations theory.

2.4 VARIOUS APPROACHES TO MANAGEMENT

Because of the extraordinary interest in management. a number of approaches have developed to explain the nature of theoretical concepts relating to organisations and the managerial practices. The various approaches to understand the nature of management are as follows:

2.4.1 Behavioural Sciences Approach

The behavioural sciences approach developed as a natural evolution from the Hawthorne experiments. The Hawthorne researchers (Elton Mayo and his Harvard colleagues) stressed the importance of emotional elements such as feelings and sentiments to explain human behaviour and performance in organisations. The behavioural approach applies the knowledge of the behavioural sciences – psychology, sociology and anthropology – to managing people. We have seen that the human relationists believed that people are social beings who are motivated by social interactions and that their job performance will increase when the job gives them opportunities to socialise. Behavioural scientists felt this to be an oversimplified model of human motivation and began to undertake serious investigations.

A number of behavioural scientists have contributed to the development of this approach. Among the front-runners was Abraham Maslow, who developed a hierarchy of human needs which became the basis for explaining work motivation in organisations. According to Maslow, people generally have five basic needs (physiological, safety, social, self-esteem and self-actualisation) and they satisfy these needs in their order of importance. For most people in our society, the lower-order needs (physiological, safety and social needs) are reasonably well satisfied. Therefore, they seek to satisfy socialisation needs by interacting with friends. Once these needs are reasonably met, they seek to satisfy higher-order needs, such as self-esteem and self-actualisation, by using their energies, talents and resources productively. Behavioural scientists believed that people will be productive, if they are given opportunities to use their abilities and creative skills.

Building on Maslow's theory of human needs, many behavioural scientists (Chris Argyris, Douglas McGregor and Rensis Likert) argued that existing jobs and managerial practices should be redesigned and restructured to give employees an opportunity to satisfy their higher-order needs. Although working independently, they proposed a common theme: People are basically good, and, in order to stimulate their performance, management should humanise work. People must be treated as assets (hence the name, human resources approach). They argued, for instance, for increased participation by employees in those decisions that affected them; demonstration by management of greater trust and confidence in people; increased emphasis to be given to integrating individual and organisational goals, and allowing employees to self-monitor their own activities in place of external control measures. These behavioural writers argued for a strong humanist organisation and suggested that managers should deal with 'complex human beings' in different ways. The aim should be, to use the untapped human potential in the service of organisations by emphasising things such as self-direction, self-control and creativity.

Table 2.4: Human Relations vs Human Resources Approach

Human Relations	Human Resources
1. People need to be liked, to be respected, and to belong.	In addition to wanting to be liked, respected, and needed most people want to contribute to the accomplishment of worthwhile objectives.
2. The manager's basic job is to make each employee believe that he or she is part of the departmental team.	The manager's basic job is to create an environment in which subordinates can contribute their full range of talents to the attainment of organisational goals. In doing so, he or she must attempt to uncover and tap their creative resources.
3. The manager should be willing to explain his or her plans to the subordinates and discuss any objection they might have. On routine matters, he or she should encourage participation by involving them in the planning and decision-making process.	The manager should allow participation in important matters as well as routine ones. In fact, the more important the decision, the more vigorously he or she should attempt to involve the subordinates.
4. Within narrow limits, individuals and groups should be permitted to exercise self-direction and self-control in carrying out plans.	The manager should continually try to expand the subordinates' use of self-control and self-direction, especially as they develop and demonstrate increased insight and ability.
5. Involving subordinates in the communication and decision-making process will help them in satisfying their needs for belonging and individual recognition.	As the manager makes use of the subordinates' experiences, insights, and creative abilities, the overall quality of decision-making and performance will improve.
6. High morale and reduced resistance to formal authority may lead to improved performance. They should, at least, reduce intradepartment friction and make the manager's job easier.	Employee satisfaction is brought about by improved performance and the chance to contribute creatively to this improvement.

2.4.2 Quantitative Approach

Quantitative, scientific and systematic explanations gained popularity during World War II. The sheer magnitude of the war effort caused the British and then the U.S. military services to look for quantitative approaches for help in deploying resources in the most effective manner. The quantitative viewpoint focuses on the use of mathematics, statistics, and information aids to support managerial decision making and organisational effectiveness. For instance, when managers make budgeting, scheduling, quality control and similar decisions, they typically depend on quantitative techniques. Three main branches have evolved over the years: management science, operations management and management information systems.

- *Management Science:* This approach aims at increasing decision effectiveness through the use of advanced mathematical models and statistical methods. This approach focuses on solving technical rather than human behaviour problems. The computer has been of great help to this approach because it has enabled analysis of problems that would otherwise be too complex. For example, most car manufacturers in India and elsewhere use realistic computer simulations to study collusion damage to cars. These simulations give them precise information and avoid the costs of crashing so many test cars.

- *Operations Management:* It is the function that is responsible for managing the production and delivery of an organisation's products and services. It includes fields such as inventory management, production planning, design and location, work scheduling and quality assurance. Operations management is often applied to manufacturing settings, in which various aspects of production need to be managed, including designing the production process, purchasing raw materials, scheduling employees to work and storing and shipping the final products. Linear programming assists in, input-output analysis. Queuing theory helps in inventory control; sampling theory helps in profit planning, manpower forecasting; information theory helps in system design and data processing. For example, industries like, Rubbermaid and retailing American company. The Home Depot each use operations management techniques to manage their inventories. Linear programming helps most airline companies to plan their flight schedules.

- *Management Information Systems:* MIS is the name given to the field of management that focuses on designing and implementing computer-based information systems. Such systems turn raw data into information that is put to use at various levels of management.

Companies now-a-days use sophisticated mathematical models to use on mainframe, networked and personal computers in order to measure customer response to various benefits and services offered to them. Such models help gambling casinos such as Caesar's Palace, Bally's and Harrah's increase their profits and improve service. High rollers are bombarded with lots of benefits in the form of food, rooms and transportation. To reduce the cost of these services and improve the odds that these people will gamble and probably lose, casino managers deploy sophisticated information systems that put customer's favourite games, betting patterns, accommodation preferences, food and drink choices and other habits to close examination.

2.4.3 Systems Approach

The decisions taken by managers have wide ranging impacts. They affect the internal as well as external groups in a significant way. The decision to shift the location of a plant, to close down a centre, to throw off workers, to promote employees on the basis of merit – whatever may be the case – creates a ripple effect. It is like throwing a rock into a quiet pond, creating ripples for a long time. A simple instance of throwing off a lazy worker may invite trouble from unions and even lead to an unexpected strike. So, when a manager takes a decision, he must understand and anticipate its repercussions on the entire organisation and the environment. He must appreciate the fact that his organisation is a totality of many inter-related, inter-dependent parts, put together for achieving certain objectives. This, in a nutshell, is the very essence of the systems concept.

Concept

Systems theory is the 'big-picture' approach that overcomes the common weakness of viewing things in too narrow a perspective. It attempts to view the organisation as a single unified, purposeful entity, composed of interrelated parts. Rather than dealing separately with the various parts of an organisation, the systems theory gives managers a way of looking at an organisation as a whole and as a part of the larger, external environment. In so doing, system theory tells us that the activity of an organisation affects the activity of every other part. The job of a manager is to ensure that all parts of the organisation are coordinated internally so that the goals can be achieved. A systems view of management, for instance, would recognise that, regardless of how efficient the production department might be, if the marketing department does not anticipate changes in consumer tastes and work with the product

development department in creating what consumers want, the organisation's overall performance will be hampered.

Systems Vocabulary

Over the years. the following terms have found their way into the language of management:

- **System:** A set of inter-related parts (sub-systems). Each part may have various sub-parts. These parts are mutually related to each other. Usually. a change in one part would lead to a change in other parts.

- **Sub-system:** The parts that make up the whole of a system are called sub-systems. And each system may, in turn, be a sub-system of a still larger whole. Thus, a department may be a sub-system of a plant, which may be a sub-system of a company, which may be. a sub-system of an industry, etc. There are five sub-systems within an organisation: (1) goal sub-system (individual and group goals); (2) technical sub-system (tools, equipment, employee skills and knowledge); (3) structural sub-system (authority layers and relationships): (4) managerial sub-system (managers who plan, lead and control); (5) psychosocial sub-system (psychological and social factors influencing people at work).

- **Synergy:** Synergy means that the whole is greater than the sum of its parts. A watch that is disassembled has the same number of parts as one that is properly assembled. However, the assembled watch has a phenomenon that the disassembled watch lacks – it keeps time (synergy). When the parts of an organisation are properly interrelated (such as an assembly line), the output is much greater than it would otherwise be. Synergy represents one of the basic challenges of management, getting all of the elements of an organisation functioning together so that output is optimal.

- **Open and Closed System:** A system is considered an open system if it interacts with its environment; it is considered a closed system if it does not. An organisation that is not adaptive and responsive to its environment would not survive or grow in any extended period of time. It has to be responsive to demands placed on it by both its internal and external environments.

- **System Boundary:** Each system has a boundary that separates it from its environment. In a closed system, the system boundary is rigid; in an open system, the boundary is more flexible. The system boundaries of many companies have become more flexible in recent times. For example, oil companies wishing to engage in offshore drilling have increasingly had to consider public reaction to the potential environmental harm.

- **Flow:** An open system receives inputs from its environment which are transformed into outputs in interaction with environmental variables. For a business firm, inputs would be material, labour and capital. The transformation process would turn these inputs into finished products or services. The system's success depends on successful interactions with its environment; that is, those groups or institutions upon which it is dependent. These might include suppliers, unions, financial institutions, government agencies and customers. The sale of outputs generates revenue, which can be used to pay wages and taxes, buy inputs, repay loans and generate profits for shareholders. If revenues are not large enough to satisfy environmental demands, the organisation shrinks or dies. Thus, a system has flows of information, materials and energy. These enter the system as inputs, undergo transformation processes within the system and exit the system as output as shown in Figure 2.2.
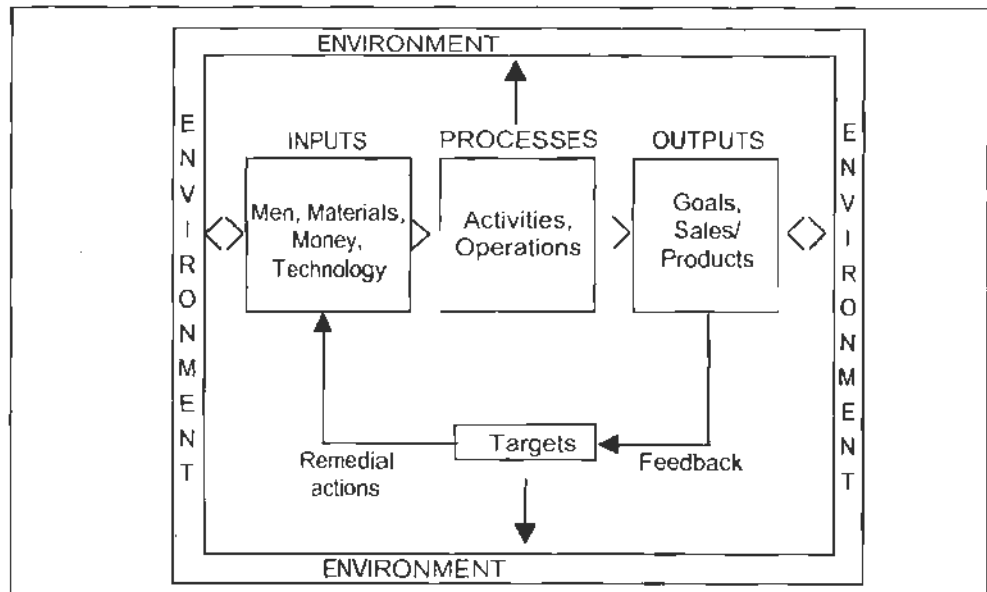
Figure 2.2: An Open System

- **Feedback:** Feedback is central to system controls. As operations of the system proceed, information is feedback to the appropriate people or perhaps to a computer so that the work can be assessed, and if needed, corrected. Feedback provides warning signals regarding impending dangers. For example, customer complaints may demand attention to product improvement, customer service, etc.

- **Entropy:** It is a normal process that leads to system decline. When an operation does not monitor feedback from its environment and make appropriate adjustments, it may fail. The failure of Kmart (a major retailer) is attributed to the fact that it failed to revitalise itself and keep pace with changes in its environment.

Relevance and Usefulness of Systems Theory

Systems theory makes organisation theorists search for integrative models rather than be satisfied with making lists of unrelated principles (Fayol, Taylor). It also emphasises looking at the forest rather than the trees. It uses a way of thinking that highlights underlying relationships. The practical implications of systems theory for managers are enormous. Most effective managers operate with a systems mentality even though they may not be consciously aware of it. As a matter of course, executives ask what effects a decision will have on others. They think before they act, implying a process of evaluating the impact of their actions will have. A conscious commitment to systems thinking requires explicit responsibility for forming decisions in terms of the entire organisation. Instead of merely looking at the technical side (scientific management) or activities side (administrative management) or even the human side (human relations), executives are now forced to look at the totality of the situation and arrive at decisions. They can now easily maintain a good balance between the needs of the various parts of the enterprise and goals of the firm as a whole. They can respond, in short, to situational requirements in an effective way. The systems approach clearly indicates the fact that organisations are not self-contained. For their survival and growth, they need to look at what is happening all around them— for example, government regulations, environmental demands, competitive moves, supplier relations, union demands, etc. If a company fails to assess the impact of its actions on internal as well as external groups, it is certainly on its way to decline. After all, the primary goal of management from a systems perspective is to continually re-energise the organisation to avoid entropy. Organisations, in their own self-interest,

must monitor their environments, adjust to changes, and continuously bring in new inputs in order to survive and flourish.

2.4.4 Contingency (Situational) Approach

The problem with universal principles of management, as advocated by early theorists, is that few principles are universal. Research has shown that management methods used in one circumstance seldom work the same way in others. Parents find this out quickly when they realise that spanking one child may yield good results while spanking another can be emotionally disturbing and disastrous. Some employees are most often motivated by economic gains while others have greater need for challenging work. Still others care only about protecting their egos. The same individual may be motivated by different things in a variety of situations.

Approach   .

Contingency theory is based on the premise that situations dictate managerial action; that is, different situations call for different approaches. No single way of solving problems is best for all situations. Because tasks and people in organisations differ, the contingency theorists (Selznik, Burns and Stalker, Woodward, Lawrence and Lorsch, James Thompson and others) argue that the method of managing them must also differ. The choice of a particular method of managing largely depends on the nature of the job, the people involved and the situation.

According to contingency theory, effective management varies with the organisation and its environment. Contingency theory attempts to analyse and understand these interrelationships with a view towards taking the specific managerial actions necessary to deal with the issue. This approach is both analytical and situational, with the purpose of developing a practical answer to the question at hand.

Important Elements of Contingency Theory

Contingency theory has the following features:

1. Managerial actions are contingent on certain actions outside the system or sub-system as the case may be.

2. Organisational efforts should be based on the behaviour of actions outside the system so that the organisation gets smoothly integrated with the environment.

3. Managerial actions and organisational design must be appropriate to the given situation. A particular action is valid only under certain conditions. There is no one best approach, to management. It varies from situation to situation.

Implications of Contingency Approach

According to the contingency approach, there are no plans, organisation structures, leadership styles, or controls that will fit all situations. There are few, if any, universal truths, concepts, and principles that can be applied under all conditions. Instead, every management situation must be approached with the 'it all depends' attitude. Managers must find different ways that fit different situations. They must continually address themselves with the question: which method will work best here? For example, in order to improve productivity, classical theorist may prescribe work simplification and additional incentives; the behavioural scientist may recommend job enrichment and democratic participation of the employees in the decision-making process. Instead, a manager trained in the contingency approach may offer a solution that is responsive to the characteristics of the total situation being faced. Organisations characterised by limited resources, unskilled labour force, limited training opportunities, limited products offered to local markets — work simplification would be the ideal solution. Job enrichment programme would work better if the organisation employs skilled

labour force. Managerial action, thus, depends upon circumstances within a given situation. Not any one best approach will work in all situations. Applying a contingency/situational approach requires that managers diagnose a given situation and adapt to meet the conditions present.

According to Robert Albanese, the strength of contingency approach rests on two points: (i) It focuses attention on specific situational factors that influence the appropriateness of one managerial strategy over another. (ii) It highlights the importance to managers of developing skills in situational analysis. Such skills will help managers find out important contingency factors that influence their approach to managing.

The major implications of contingency theory may be summarised thus: management is entirely situational; managerial actions are contingent on internal and external factors; managerial actions must be consistent with the requirements of internal as well as external factors.

Evaluation

The contingency approach is a useful instructional device in the sense that it compels us to be aware of the complexity in every situation and forces us to take an active and dynamic role in trying to determine that would work best in each case. Combining the mechanistic (Taylor) and humanistic approaches (Mayo) the contingency theory suggests that different conditions and situations require the application of different management techniques. It helps in fitting the classical and behavioural theories in a proper framework. It is an improvement over the systems theory in the sense that it only examines the relationships between sub-systems of a specific organisation in a given environment, but also offers solutions to particular organisational problems. The systems approach takes a general view of organisational variables, i.e., technical, social, personal, structural and external variables. The contingency theory, on the other hand, is concerned with achieving a 'fit' between organisation and its environment. Practising managers, however, seem to find this theory tenuous because it does not provide any specific set of principles to use.

Table 2.5: Systems vs Contingency Theory

Systems Theory	Contingency Theory
• Organisation-environment relationship not explained clearly.	• Spells out the relationship of organisation to its environment clearly.
• Takes a general view of organisational variables (technical, social, personal, structural, external).	• Takes a specific view of how the organisation adjusts to its environmental demands. Mainly concerned with structural adaptations of organisation to its task environment.
• Considers all organisations to be similar.	• Each organisation is unique.
• Vague and complex.	• More pragmatic and action-oriented.
• Emphasises the synergistic effect of organisations and recognises the external inputs.	• Relates environment to specific organization structure and design. It integrates theory with practice in a system's framework.
• Merely outlines interdependencies among systems and sub-systems.	• Tries to identify nature of interdependencies between various parts of an organization and their impact on various other things.

Contingency theory is attacked by several theorists on the following grounds:

1. *Paucity of Literature:* Contingency theory suffers from inadequacy of literature. It has not developed to such an extent where it can offer meaningful solutions to different managerial problems in a specific way. It is too simplistic to say that 'managerial actions depend on situations'. Instead, it must offer, in precise terms, what a manager should do in a given situation.

2. *Complex:* Contingency theory is theoretically complex. Even a simple problem involves analysing a number of organisational components, each of which has innumerable dimensions. Often, managers may find this to be a difficult and taxing exercise.

3. *Defies Empirical Testing:* The precepts advanced by contingency theorists cannot be put to empirical testing in a concrete way. There are multifarious situational factors to be taken into account while testing the contingency theory. For example, a proposition that unless the various parts in an organisation move in close coordination, the behaviour at various organisational levels would not be effective-seems to be a sound one. But when put to empirical testing, several problems crop up almost instantaneously.

4. *Reactive not Proactive:* Contingency theory is also criticised on the ground that it suggests a reactive strategy in coping with environmental complexity. Instead, a proactive strategy is needed where managers would be able to steer the organisation through complex environments with their creative and innovative efforts.

5. *Incomplete:* Critics argue that the contingency approach does not incorporate all aspects of systems theory, and they hold that it has yet not developed to the point at which it can be considered a true theory. Further, the goal of integrating functional, quantitative, behavioural, and systems approaches in the form of a contingency model may prove to be too difficult to realise because of the incomplete development of the earlier approaches. Critics also argue that there is really not much that is new about the contingency approach. For example, they point out that even classical theorists like Fayol, cautioned that management principles require flexible application.

In spite of these valid critical expressions, contingency theory holds good at the micro-level, where managers are forced to look into internal as well as external requirements while managing their organisations. Contingency theory is welcomed as a 'refreshing breeze' in management literature that clears away the humanistic and general systems 'fog'. The systems theory takes a general view of organisation variables, i.e., technical, social, personal, structural and external variables. The contingency theory, on the other hand, is concerned with achieving a 'fit' between organisation and its environment. Kast and Rosenzweig have, therefore, rightly pointed out that the contingency theory 'falls somewhere between simplistic, specific principles and complex, vague notions'.

The contingency theory, like the systems theory recognises that an organisation is the product of interactions between its various constituent parts (sub-systems) and the environment. In addition, as a sort of refinement, it seeks to identify the exact nature of interrelationships and interactions. In contrast to the vague systems terminology and perspective, the contingency approach allows us to specifically identify the internal and external variables that typically influence managerial actions and organisational performance. Accordingly, what constitutes effective management varies with the organisation's internal as well as external environment and the make-up of the organisational sub-systems. Thus, the contingency approach falls somewhere between simplistic, specific principles (classical theory) and complex,

vague notions (systems theory). This approach provides a long sought synthesis and brings together the best of all segments of what Prof. Koontz has termed 'management theory jungle'. The classical ideas and behavioural modifications are not rejected, but they are viewed as incomplete and not suited for all organisations. Similarly, the ideas of systems theory that emphasise the interrelationship between parts also have not been rejected but they are viewed as vague and unspecific. As a way of correction, the contingency approach provides a pragmatic method of analysing organisation sub-systems and tries to integrate these with the environment. Contingency views are ultimately directed towards — suggesting organisational designs and managerial actions more suitable for specific situations.

2.5 CONTRIBUTION OF SELECTED MANAGEMENT THINKERS

The development of management thought is the result of contributions made by pioneering management thinkers and experts from other social sciences such as economics and psychology. Major contributions of leading management thinkers are explained the following section.

2.5.1 Contribution of Henry Fayol to Management Thought (1841–1925)

Henry Fayol (1841–1925) is rightly treated as the father of modern theory of general and industrial management. The credit of suggesting the basic principles of management in an orderly manner goes to Henry Fayol. After obtaining an engineering degree, Henry Fayol, joined as chief executive in a coal mining company. He developed his management principles and general management theory and published them in the form of a book (in French) "General and Industrial Administration" in 1916. It was translated into English in 1930. In due course of time, Henry Fayol came to be recognised as the founder of modern management theory. His analysis of management process acts as the foundation of the whole management theory and the present super-structure of management has been built on it.

Henry Fayol suggested important qualities of managers and stressed the need for raising such qualities. He developed fourteen principles of management out of his practical experience. These principles are universal in character and are applicable to all types of organisations. Each principle suggested by him has specific meaning and significance. According to him, managers in all organisations need to follow these principles/guidelines while managing the affairs of their business units. These principles are related to the basic components of management process such as planning, organising, staffing, leading, coordinating and controlling. He incorporated these principles in the management theory suggested by him. The principles of management suggested by him are useful not only in business/industrial enterprises but also in other organisations such as colleges, hospitals, charitable institutions and government departments. Due to his contribution to management theory and principles, Henry Fayol is rightly treated as the Father of Modern Management Thought.

Fayol is the first management thinker who provided the conceptual framework of the functions of management in his book "General and Industrial Management".

2.5.2 Contribution of F. W. Taylor to Management Thought

F.W. Taylor is one of the founders (the other two are Max Weber and Henry Fayol) of classical thought/classical theory of management. He suggested scientific approach to management also called scientific management theory. F. W. Taylor (1856–1915) is rightly treated as the father of scientific management. He suggested the principles of

scientific management. His concept of scientific management developed into a movement and dominated the industrial management for several decades after him.

His concepts and principles were refined and popularised by several of his followers, notable among them being Henry Gantt, Gilberths and Emerson.

According to Taylor, scientific management in its essence consists of a philosophy which results in a combination of four important underlying principles of management. Firstly, the development of a true science; secondly, the scientific selection of the workers; thirdly, their scientific education and development: and fourthly, intimate cooperation between management and their men. The basic principles of Taylor philosophy of scientific management are as noted below:

1. The development of 'One best way' of doing a job. This suggests the task of finding out the best method for achieving the objectives of a given job. The standards are decided scientifically for Jobs and incentive wages were paid for all production above this standard. Here, job analysis and standardisation of tools, equipment, machinery, etc., are required.

2. Scientific selection of workers and their development through proper training.

3. Scientific approach by management. The management has to develop a true science in all fields of work activity through scientific investigation and experiments.

4. Close cooperation of managers and workers (labour management relations) for better results and understandings.

5. Elimination of conflict between methods and men. The workers are likely to resist to new methods. This can be avoided by providing them an opportunity to earn more wages.

2.5.3 Contribution of Elton Mayo to the Development of Management Thought

Elton Mayo (1880–1949) is recommended as the Father of Human Relations School. He introduced human relations approach to management thought. His contribution to the development of management thought is unique and is also treated as human relations approach to management. It was Mayo who led the team for conducting the study at Western Electric's Hawthorne Plant (1927–1932) to evaluate the attributes and psychological reactions of workers in on-the-job situations. His associates included John Dewery, Kurt Lewin and others. Mayo and his associates came to the following conclusions from their famous Hawthorne experiments:

1. The amount of work to be done by a worker is not determined by his physical capacity but by the social norms.

2. Non-economic rewards play a significant role in influencing the behaviour of the workers.

3. Generally the workers do not react as individuals, but as members of group.

4. Informal leaders play an important part in setting and enforcing the group norms.

Mayo discussed the factors that cause a change in human behaviour. He concluded that the cause of increase in the productivity of the workers is not a single factor like rest pauses or changing working hours but a combination of these and several other factors such as less restrictive supervision, giving autonomy to workers, allowing the formation of small cohesive groups of workers and so on. Today, as a result of the efforts of Mayo and his associates, the managers in different organisations recognise that workers' performance is related to psychological, sociological and physical

factors. Thus, Hawthorne Study was an important landmark to study the behaviour of worker and his relationship to the job, his fellow workers and the organisation. It proved that informal work groups and the opportunity to be heard and participate in decision making have an important impact on the productivity of the workers.

Some of the major findings of Hawthorne Studies are as noted below:

1. Employee's behaviour is influenced by mental attitudes and emotions including prejudices.

2. The workers in a group develop a common psychological bond uniting them as a group in the form of informal organisation.

3. In managing and motivating employee groups, human and social motivation plays greater role then financial incentives.

4. Management must understand that typical group behaviour can dominate or even supersede individual propensities and preferences.

5. When workers are given special attention by management, the productivity is likely to increase irrespective of actual changes in the working conditions.

Hawthorne Studies are primarily responsible for consideration of non-financial incentives in improving productivity.

Mayo pointed out that the organisation is a social system and informal organisation is a reality. The knowledge of human nature can solve many problems of management. He emphasised that successful human relations approach can easily create harmony in an organisation, higher employee satisfaction and great operational efficiency.

2.5.4 Contribution of Peter Drucker to the Development of Management Thought

Peter F. Drucker is a highly respected management thinker. He is a prolific writer and has published several books and articles on management practices. He is so versatile that there is hardly any area in management, which is not touched by him. He has drawn heavily from his consultancy experience spread over the last four to five decades. Drucker perhaps is the only Western management thinker who is admired by even the socialist bloc countries. His views on management may be summarised as follows:

Management as a Practice

According to Drucker, management has two important functions, innovation and marketing. He has treated management as a discipline as well as a profession. For him, management is more of a practice and is always goal oriented. His study on the purpose of business as the creation of the customer, if understood in the right manner, helps any organisation to achieve success.

Drucker's view on innovation is equally important in order to pay emphasis during the development of a new product. He argues that new products should drive out the existing products, rather than the other way round. As such, he is against bureaucratic management, as he thinks that it stifles the innovative spirit and the initiative among the people in the organisation. He considers that modern organisations are knowledge-based organisations and describes the modern workers as knowledge workers considering their skills and innovative abilities.

Functions of Management

Drucker points out three basic functions of management. The actions of management should contribute to:

1. The achievement of purpose and mission of the institution

2. Make the work productive and the worker achieving

3. Effective management of social responsibilities

Objective Setting

Drucker has attached great importance to objective setting. He has specified that objectives should be set for all the key result areas of business. To make the objectives and their achievements more meaningful, he has given a new tool, is popularly known as Management by Objectives (MBO). MBO is regarded as one of his most important contributions to the discipline of management. He has discussed the concept in great detail in his book, The Practice of Management (1954).

Example: A salesperson might set a goal of increasing customer orders by 15 per cent in dollar terms over the course of a year.

Management by Objectives (MBO) is a process where superiors and subordinates jointly identify the common objective, set the results that should be achieved by subordinates and assess the contribution of each individual. It is viewed more as a philosophy than as a tool or technique to achieve the objectives.

Orientation towards Justice

Drucker was a great visionary and futurologist. He was ahead of others in visualising the future trends that affect society. He visualised the concept of modern organisation and its impact on society several years ago. His views on the many facets of modern corporations have come into practical use now. To put it in his own words, he describes the present age as the age of discontinuity.

Federalism

Drucker advocated the concept of federalism. Federalism, according to him, involves centralised control in a decentralised structure. Federalism has certain positive values over other methods of organising. These are as follows:

1. It sets the top management free to devote itself to major policy formulation and strategy development.

2. It defines the functions and responsibilities of the employees.

3. It creates yardsticks to measure twin success and effectiveness in operating jobs.

4. It helps resolve the problem of continuity through giving education to the managers of various units while in, on operating position.

2.5.5 Contribution of Chester I. Barnard to the Development of Management Thought

Chester Barnard was one of the Harvard Circle of American management theorists. At a time when communism seemed a real threat, Barnard came to believe that social science could be the key to establishing a stable society. His work centred on a description of the organisation as a cooperative system, and described an optimal organisation structure, focusing on the role of executives in creating the conditions for effectiveness and efficiency.

In the functions of the executive he defines an organisation as a system of consciously coordinated activities or forces of two or more persons. Two key words used in this definition are system and coordinated. Barnard saw a successful organisation as a cooperative system in which effective communication enables individuals to achieve much more collectively than they could in isolation.

Functions of the Executive

In simple terms, Barnard saw the three main functions of an executive to be:

1. Implementation and development of an effective system of communication

2. Appointment and retention of effective workers

3. Motivation of workers.

Viewing the communication system in an organisation as the key to organisational achievement, Barnard set out three principles for effective communication:

1. Everyone in the organisation must know what the channels of communication are

2. Everyone must have access to a formal communication channel

3. Lines of communication should be kept short and direct.

As part of his communications theory, Barnard's acceptance theory of authority proposes that a manager exerts authority from above, and success depends on its acceptance by the employees managed. In this way, employees determine how authoritative their manager is and, for this reason, the main focus of an executive needs to be on creating the right conditions to increase acceptance levels. Barnard suggested that this could be done if:

1. Managers are clear in what they ask employees to do,

2. Employees understand what their manager wants them to do, and

3. Employees are capable of complying.

Employees must also understand how their work helps to achieve organisational objectives.

Barnard also saw a need for executives to focus on strategy, and in "The functions of the executive" he outlined the process of strategic planning, which he saw as vital to putting the organisation on the road to achieving its overall objectives.

Authority and the Informal Organisation

One of the most important ways in which Barnard proposed that executives can ·crease employees' acceptance of their authority and orders through their recognition and use of three zones, setting boundaries within which people evaluate orders, defined as zones of indifference, neutrality and unacceptability. The Zone of indifference for orders is the highest acceptable range within which orders will be obeyed, and Barnard believed that managerial work involved widening this zone through the use of inducements and incentives. With seemingly modern insight, he suggested that material incentives were insufficient, and that personal incentives, such as increased power or prestige, would be more effective.

2.6 CONTEMPORARY MANAGEMENT PRACTICE

Most modern approaches to management have integrated and expanded the key concepts developed within the classical approaches. There has been an ever increasing amount of literature on management. Doing so has provided a framework for

managing in modern organisations. The main contemporary management practices are as follows:

1. *Quantitative Management:* Teams of quantitative experts tackle complex issues facing large organisations. It applies mathematical approaches to managerial problems. Introduced by military planners in World War I. Specific mathematical methods of problem analysis were developed. Helped managers select the best alternative among a set. Models neglect non quantifiable factors. Managers not trained in these techniques may not trust or understand the techniques' outcomes. Not suited for non-routine or unpredictable management.

2. *Organisational Behaviour:* Organisational Behaviour (OB) has its roots in the Human Relations approach. Theorists believed that the assumptions of the Human Relations approach were too simplistic in nature, failing to adequately explain human behaviour. Under the Human Relations view happier employees were more productive. However, repeated research studies failed to find a definitive causal relationship between job satisfaction and employee performance. They started to focus more on management activities that encouraged employee effectiveness by exploring individual, group and organisational processes – all of which are critically important roles in contemporary management. OB borrows heavily from sociology, psychology and anthropology. Key areas studied under OB include: worker stress, job satisfaction, learning and reinforcement, group dynamics, job and organisational design, and organisational change.

3. *Systems Theory:* Barnard (1886–1961) Systems theory addressed the role of the external environment. A system is a set of interdependent parts or elements which functions as a whole in achieving certain goals or objectives. The organisation is viewed as an open system rather than a closed system. Organisations are systems that transform inputs from the environment into outputs to the environment. Organisations must be aware of the environment in which they operate adapting to take advantages of opportunities and minimise threat.

4. *Total Quality Management:* The overall approach of TQM is the management of quality and the control of processes to ensure the quality of goods or services. It involved a shift from an inspection oriented approach to a preventative orientated approach. The fathers of the Quality Revolution were Deming and Juran. The three principles of TQM philosophy include:

    (a) Customer focus

    (b) Continuous improvement

    (c) Teamwork

    Example: Today, a manager pays close attention to the demands of quality, customer service and competition. The process begins with attention to the needs of customers: What do they want? Where do they want it? When do they want it? Based on the answers to these questions, managers line up resources and take any action necessary to meet customer expectations.

5. *Chaos Theory:* As chaotic and random as world events seem today, they seem as chaotic in organisations, too. Yet for decades, managers have acted on the basis that organisational events can always be controlled. A new theory (or some say "science"), chaos theory, recognises that events indeed are rarely controlled. Many chaos theorists (as do systems theorists) refer to biological systems when explaining their theory. They suggest that systems naturally go to more complexity, and as they do so, these systems become more volatile (or susceptible to cataclysmic events) and must expend more energy to maintain that complexity. As they expend more energy, they seek more structure to maintain stability.

This trend continues until the system splits, combines with another complex system or falls apart entirely. Sound familiar? This trend is what many see as the trend in life, in organisations and the world in general.

Examples:

1. Some good examples of the edge of chaos theory are seen in Lashinky's 2006 article in Fortune magazine, "Chaos by Design." In this article, he describes how Silicon Valley companies are the most likely to be "flirting with the edge of chaos." The company he focuses on is Google, which he describes as a "prime example of a company flourishing on the edge of chaos". The entire company is very laid back, with free cafeterias and employees zipping around on motorised scooters, and it has an "anything goes spirit." He goes on to say that Google employees are only very lightly supervised and that failure coexists with triumph. He even says that no one is too bothered about whether or not they succeed, and that if their project makes money it is a bonus.

2. An example given by Brown (1998) is that of Galaxy, (a pseudonym) another Silicon Valley software company, which hired people for their brains and character rather than their experience, which gave the offices a "college feel" and once hired, people were left to "do their own thing."

Therefore, contemporary management approaches have dominated the field of management since the 1950s. They are still very influential in both theory and practice. All of these approaches need to be taken into consideration by practicing managers when striving to compete in competitive business environment.

2.7 PROBLEMS AND CONFLICTS IN MANAGEMENT THEORIES

It has already been observed that there are contradictory and conflicting arguments in management theories and hence they are no more than proverbs. The problem is how a practitioner must choose his approach. Revisionists are aiming for a high-level, comprehensive, integrated theory that would bring order. Their theory and methods are colliding at certain points with those of the earlier scientific management (classical theory) and human-relations (neo-classical theory) movements. It also appears that unification of different schools of thought, of the theories in management is unlikely and each will maintain its viewpoint. The reasons for such a conclusion lays in the problems, of semantics (everyone saying the same thing but using different terminology), differences in definitions of management and the tunnel vision of each school to see its own point of view.

As far as practitioners are concerned, there is no rational basis to choose a style or approach. Each approach depends upon a special knowledge of concepts from different fields of study. Probably each individual may have to assess himself and his environment and make a choice of one of more approaches that suit him.

Example: Evans cites the example of the technical processing work of libraries as best suited to the school of challenge-response and says that the 'most successful managers select elements from various schools that fit their personalities'. As a matter of fact, practicing managers are basically unaware of, or less concerned about management's division into schools. They give different emphasis to problems in different situations, draw together what they know about management and what is most appropriate. In other words, the schools of thoughts in management are transcending into an electric stage as far as modern managers are concerned.

Another basic problem of the management theory is to provide adequate explanations and predictions in subject matter that is subjected to rapid and extensive change.

Management theories have to be dynamic and embrace a number of upcoming subjects and concepts.

Yet another problem inherent in the applied science nature of management is that of separating the managerial implications from non-managerial implications when inputs are taken from the fields like organisation theory, decision theory, personality theory, game theory, information theory, communication theory, learning theory, group theory and motivation theory. The problem is to demonstrate and support conclusions applicable to management theory.

The recent trend is to play greater attention to comparative management theory, which emphasises cross-cultural study as well as variations within a given culture i.e., across the boundaries between nations or cultural groupings of nations, as well as in different organisational or administrative contexts like schools, hospitals, libraries, etc., within a given culture.

2.8 LET US SUM UP

The history of Management as a discipline is traced from the 19th century. Development of a unified and integrated management theory out of 'the management theory jungle' has some difficulties like applied science nature of the subject, lack of coherent theoretical concepts of its own and heavy reliance on concepts borrowed from other disciplines. A number of schools of management thought have emerged since the end of the 19th century and each sees management from its own viewpoint. There, are many ways of classifying these theories or schools. One broad way of grouping management theories is to group them as classical, neo-classical and modern management theories. The classical management theory is referred to the period between 1880s and 1920s. This phase consists of Scientific management of F.W. Taylor and his followers, Administrative management of Henry Fayol and others and Bureaucratic organisation of Max Weber. The classical theory emphasised the economic rationality of management and organisation and suggested to determine the best way to perform a job. This theory is criticised for its assumption that people are motivated primarily by economic reward.

The Neo-classical theory, which is identified with the period from 1920s to 1950s, is concerned with the human oriented approach and emphasised the needs, drives, behaviours and attitudes of people. The human relations school together with (early) behavioural schools constitutes this group. The social person view of employees is the basis of this set of schools.

The famous Hawthorne experiment conducted by Mayo, Roethlisberger and Dickson is a milestone in the endeavours of this school. Several behavioural scientists including Maslow, McGregor, Argyris, Herzberg and Likert have contributed to this school as well as to organisational humanism school under the modern management theory. This school is criticised for its overemphasis on human variables and symbolic rewards which may not be appreciated by the recipient's 'significant others'. The development of management thought is the result of contributions made by pioneering management thinkers and experts from other social sciences such as economics and psychology. The main contemporary management practices are: quantitative management, organisational behaviour, systems theory, total quality management and chaos theory.

2.9 LESSON END ACTIVITY

Can a manager use tools and techniques from several different perspectives at the same time? Can a manager use both classical and behavioural perspective? Explain.

2.10 KEYWORDS

Administrative Management: This approach seeks to systematically study the management process and also with the functions that managers perform and effective principles of management have been developed.

Autocratic Leader: A person who tells subordinates what to do and expects to be obeyed without question.

Behavioural School of Management: Also known as the behavioural sciences approach, the approach applies psychological and sociological theories, methods and techniques to the study of interpersonal and intrapersonal aspects of managing and is primarily concerned with human psychology, motivation, and leadership as distinct from simple mechanical efficiency.

Critical Path Method (CPM): A planning and control technique that involves the display of a complex project as a network with one time estimate used for each step in the object.

Decision-making: The process of generating and evaluating alternatives and making choices among them.

Delegation: The process of assigning responsibility along with the needed authority.

Empathy: The ability to identify with the various feelings and thoughts of another person.

Hawthorne Effect: The influence of behavioural researches on the people they study.

Simulation: A technique for experimenting with a real world situation through an artificial model that represents that situation.

2.11 QUESTIONS FOR DISCUSSION

1. What are the basic concepts of a series of ideas developed by Taylor?

2. Explain unity of direction.

3. Why stability of tenure is necessary?

4. Write a short note on administrative theory.

5. List out the major strengths of the contingency approach.

6. What are the primary contributions of the classical school of management?

7. Outline Taylor's Scientific Management and examine its relevance to management in the present-day business.

8. "To fulfil goals and sustain the vitality of an organisation within a world of changing values requires innovation, experimentation, and flexibility in designing and implementing management systems." Discuss.

9. Distinguish between Human Relations Theory and Scientific Management.

10. Describe the contribution of any two leading management thinkers.

11. Explain the problems and conflicts in Management Theories.

12. Discuss the principles of management developed by Henry Fayol.

Check Your Progress: Model Answer

1. Hierarchy

2. Bureaucrats

3. Worker

4. Decisions

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UNIT-3

PLANNING AND DECISION-MAKING

3.0 AIMS AND OBJECTIVES

After studying this lesson, you should be able to:

- Explain the concept of planning, its characteristics as well as its elements
- Describe the concept of management by objectives (MBO)
- Classify the different types of planning premises
- Identify the steps involved in the planning process
- Discuss the advantages and limitations of planning
- Explain the meaning of decision-making
- Discuss the different types of decisions taken by managers
- Identify the process in decision-making
- Describe the tools used in decision-making
- Recognise the quantitative approaches of decision-making

3.1 INTRODUCTION

It is true to say that management of a business or an organisation whether at national level or international level is not possible without proper planning. A plan is a forecast for accomplishment. It is a predetermined course of action. It is essentially a process to determine and implement actions to achieve organisational objectives. Planning, simply expressed, is setting goals and deciding how to achieve them. Further the knowledge of planning premises which are systemic and logical, estimate for the future factors affecting planning has also become essential for managers today.

Apart from planning, decision-making is also a fundamental aspect of management because it requires choosing among alternative courses of action. Decision-making helps managers confront the challenge of dealing with complexity, uncertainty and the need for flexible thinking.

Managers take decision using a decision-making process which starts with identification of the purpose of the decision and ends on evaluation of the results. Managers nowadays use a number of tools such as payoff matrices and decision trees in decision-making. Moreover, some quantitative approaches and models of decision-making are also employed by them in decision-making.

3.2 MEANING OF PLANNING

Planning involves deciding in advance what is to be done, where, how and by whom it is to be done and how results are to be evaluated.

In planning, the function of 'what is to be done' involves identification of alternatives and selecting one of them.

According to Henry Fayol, "the plan of action is, at one and the same time, the result envisaged, line of action to be followed, the stages to go through, and methods to use. It is a kind of future picture wherein proximate events are outlined with some distinctness whilst remote events appear progressively less distinct".

The term, planning, has been defined by various management thinkers with emphasis on its different aspects.

Some of the definitions are given below:

According to Terry, "Planning is the selecting and relating of facts and the making and using of assumptions regarding the future in the visualisation and formulation of proposed activities believed necessary to achieve the desired results."

According to Allen, "Management planning involves the development of forecast, objectives, policies, programmes, procedures, schedules and budgets."

According to Kast and Rosenzweig, "A plan is a determined course of action."

According to Newman and Summer, "The process of planning covers a wide range of activities, all the way from initially sensing that something needs doing to firmly deciding who does what, when... It is more than logic or imagination or judgement. It is a combination of all these that culminates in a decision – a decision about what should be done. The decision phase of planning is so important that the expression 'decision-making' is used as a synonym of planning."

According to Masse, "Planning is the process by which a manager looks to the future and discovers alternative courses of action open to him."

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

According to Goetz, "A planning problem arises only when an alternative course of action is discovered."

According to Hart, "Planning is the determination in advance of a line of action by which certain results are to be achieved".

Example: Production technique may change in future with emphasis on automation. Managers meet this contingency by planning out a schedule of replacement of machines, training of the personnel, developing product through research and arranging for additional finance needed to implement the scheme in time, etc.

3.2.1 Characteristics of Planning

From the above definitions, the following main characteristics of planning would be evident:

1. *It is based on objectives and policies:* Planning involves selecting objectives and developing policies, programmes and procedures for achieving them. Unless objectives are known, a manager cannot do any planning.

2. *It concerns future activity:* The essence of planning is looking ahead and is concerned with deciding in the present what has to be done in future.

3. *It is a mental activity:* According to Koontz and O'Donnell, planning is an intellectual process, the conscious determination of courses of action, the basing of decisions on purpose, facts and considered estimates.

4. *It is based on facts:* Planning is not guesswork. It is conscious determination and projecting a course of action for the future, and is based on objectives, facts and considered forecasts.

5. *It pervades all managerial activity:* All managers, whether belonging to the top management group or middle management or lower management group, are engaged in the process of planning. Thus, planning is not the responsibility of top management alone. Decision-making activity is involved at all levels of management. Planning horizons broaden as one goes up the level of management hierarchy.

6. *It is a primary function of management and has close relationship with controlling:* No organisation can come into existence without planning. In fact, all

other functions of management largely depend upon planning. The other functions of management viz.. organisation. staffing. directing and control can be performed only after necessary planning has been done.

Example: Taking the example of control function, you can say that it has a very close relationship with planning. Targets are laid down before hand and efforts are made to achieve these targets. The results are compared with the targets and corrective action taken.

The above example shows that the management is a circular process, beginning with planning and returning to planning for revisions and adjustment.

7. *It has a dynamic aspect:* This aspect of planning is a corollary to the proposition that management process is a circular process. The manager does planning on the basis of some assumptions which may not come true in the future. Therefore, he has to go on revising, modifying and adjusting plans in the light of the circumstances prevailing. Planning is not only the primary function of management; it is also a continuous function of management.

8. *It is directed towards efficiency:* This characteristic of planning is a corollary to the proposition that (i) planning is an intellectual activity and (ii) planning is linked with goals and objectives.

The quality of planning depends upon the quality of the intellectual activity and the precise goals and objectives.

If quality of the intellectual activity and the precise goals and objectives are carefully considered, there is no doubt that planning will lead to overall efficiency in the organisation.

9. *Precision is the prerequisite of planning:* Planning does not mean day-dreaming. Planning is to be realistic and intelligible and is to be based on the organisational objectives. Precision in planning is necessary otherwise the resultant plan cannot be put into action. Absence of precision in planning will result in drafting faulty plans. Absolute precision and accuracy in planning is not possible as there are a number of limitations to which planning is subjected.

10. *Planning is to be flexible and adaptable:* Planning cannot be rigid, it is to be flexible and adaptable. Planning is done partly on the basis of assumptions about certain happenings. These assumptions need not turn out to be as thought of. The environments and circumstances might be different from those envisaged.

11. *Once plan is prepared, it should be communicated to all those concerned:* This will facilitate the process of implementation and achievement of the objectives of the organisation.

12. *Planning involves six basic questions:* These are – What is to be done? Why should it be done? Who will do it? How will it be done? Where will it be done? With what resources will it be done? The answers to these questions help in doing effective planning.

13. *Planning is essentially decision-making:* Planning involves choosing among alternatives. This is done by weighing the consequences of different courses of action.

14. *Planning has close relationship with time:* Managers, at different levels are concerned with different planning periods. Top-level managers are concerned with long-term planning. The middle-level managers have short-term plans. The lower-level managers set more immediate objectives and they plan within the time span of days or weeks. The relationship between management planning levels and time spans are shown in Figure 3.1.
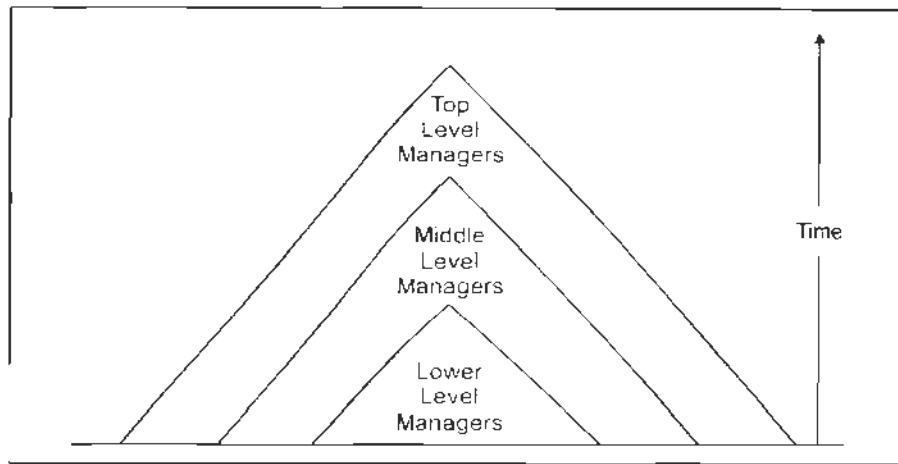
Figure 3.1: Relationship between Management Planning Levels and Time Spans

15. *Planning involves certain considerations:* The process of planning leads to action which may affect a number of people — both within and outside the organisation. Therefore, the managers must keep in mind the interests of consumers, employees, state and the society at large.

3.2.2 Components or Elements of Planning

The planning function in business includes setting objectives, laying down policies, formulating procedures and rules, strategies and programmes, budgeting, forecasting and decision-making. A simple explanation of these terms is given below:

Example:

Elements of Business Planning for ABC Ltd.
Business Planning **(Mission, Purpose and Target Planning)**
(Deciding in advance what is to be done, where, how and by whom to be done)
Policies : General statements of understanding to guide thinking.
Procedures : Manner in which activities are performed; when and how they will be performed.
Rules : Definite actions to be taken or not to be taken.
Strategies : Action plans based on actual plans or probable actions of others.
Programmes : Single use plan for new and non-repetitive activities.
Budget : Time-bound plans expressed in quantitative terms.
Forecasting : Probing the future by inference from the known facts.
Decision-making : Choosing between alternative courses of action.

3.3 MANAGEMENT BY OBJECTIVES

The term Management by Objectives (MBO) first appeared in literature as a way of building teamwork. Its author, Peter F. Drucker says, "Business enterprise must build team-efforts, must all pull in the same direction, contributions must fit together to produce a whole — without gaps, without friction, without unnecessary duplication of effort. Business performance, therefore, requires that each job be directed towards the

objective of whole business". The practical utility of the concept of MBO is widely recognised in business world.

MBO encourages managers not to depend on hunches or guesswork but to work for a defined goal in a systematic manner. The organisation objectives are converted into personal goals for all managerial levels to integrate the individual with the organisation.

MBO is carried out in a sequence of steps taken in a certain order. Just like a manufacturing process which converts raw material into a finished product in stages, MBO accomplishes overall objectives of the business by breaking it into several phases, developing operating plans for each phase, involving managers to implement each phase and setting a time scale for each phase's completion.

MBO has four basic steps which are explained below:

3.3.1 Setting Objectives

Setting objectives is a multistage process. It starts with examining the current state of affairs, level of efficiency, problems and opportunities, etc. The key result areas are then identified. These may focus on product markets, improved services, lowered costs, work simplification, employee motivation, profitability and social responsebility, etc.

Example: The statement of the objectives of a leading enterprise in the Public Sector in India:

Bharat Heavy Electricals Ltd.

Company Objectives

1. To achieve a dominant position in the engineering development and manufacture of electrical and mechanical equipment for generation, transmission and utilisation of energy and electric power.

2. To carry on a growing and profitable worldwide business in electrical/mechanical equipment for the generation, transmission and utilisation of energy and its related products, systems and services for power stations, industry, agriculture and transport.

3. To become a leader in research and development in different fields of engineering and technology in the areas of work relating to the business and to ensure a steady flow of new products, processes, services, methods, organisational pattern relationships.

4. To ensure sound commercial policies, customer acceptance and satisfaction for the company's products and services.

5. To design, manufacture and market all company's products and services of good quality and at fair prices.

6. To build public confidence for products and services bearing the company's name and brands through sound competition, advertising, promotion, selling and services.

7. To evolve a participative style of management which will ensure good working conditions and job satisfaction to all employees, wages commensurate with their performance, career advancement and goodwill amongst all employees, and respect for the human individual.

8. To ensure continuous development of competent managerial personnel and make best use of both the human and material resources of the business.

9. To design an orzganisational structure with clearly enunciated objectives and policies where freedom to function and flexibility to perform will be ensured for all in accordance with their abilities, capacities, resourcefulness and initiative.

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10. To provide a reasonable and adequate return on the invested capital and generate adequate internal resources to finance growth of the company and fulfil national objectives.

11. To fulfil, as an instrument of social change, by adapting company policies, products, services, facilities, plans and schedules, the social, civic and economic responsibilities, commensurate with the opportunities afforded by the size, success and nature of the business and of public confidence in it as a corporate enterprise.

12. To give full consideration to the environmental impact of all products and processes developed, designed and built by BHEL.

The objectives must be formulated carefully as they are the guidelines for all concerned in the organisation. Some important considerations in this regard are:

1. Objectives should be defined in terms of result to be achieved.

2. Objectives must be written and stated in positive terms.

3. Objectives should be designed to coincide work resources, facilities and skills that are available.

4. Time limits should be indicated for achieving targets and goals.

5. The process of setting objective should be participative, so that those accountable for performance own it as their personal objectives as well.

The responsibility of setting objective is collective as well as individual.

The overall objective of the organisation is based on what different departments and divisions can do together. Each manager has to develop and set objectives for his department or unit within the framework of overall objective of the organisation. The need of objectives for managers from the top management, down to production foreman is, thus, recognised in MBO.

The objectives which each manager is supposed to set include:

1. What performance his managerial units will give?

2. What contribution he and his own unit will make to other units?

3. What contribution he expects from other units towards the attainment of his own objectives?

Setting General and Specific Objectives

Survival and growth are the general objectives of business. Survival represents minimum conditions under which owners will continue to employ their funds in the business. The growth objective represents increasing the volume of production, turn-over and other efficiency measures in an organisation. The general objectives are long-term, broad in perspective and cover company-wide activities.

The specific objectives include the goals of the various company departments, sections and individuals. They are subsidiary objectives of the enterprise and are meant to achieve the general objectives of the enterprise.

The managers are required to set both general and specific objectives.

Time Element in Setting Objectives

In setting objectives, time element is also important. The management has to determine both long-term and short-term objectives. Long-term objectives refer to organisation objectives for some distant future while short-range objectives include objectives for immediate future. Short-range objective should be a part of the long-range objective.

Setting of Objectives for Key Area of Business

The plurality of objectives necessitates setting of objectives for each key area of business. Peter F. Drucker states, "Objectives are important in every area where performance and results directly affect the survival and prosperity of business." He goes on to suggest eight specific areas in which objectives have to be set in terms of performance and results.

These areas are:

1. Market standing
2. Innovation
3. Productivity
4. Physical and financial resources
5. Profitability
6. Manager performance and development
7. Public responsibility
8. Worker performance and attitude

There is always the need to decide the priorities amongst the different objectives, keeping in view the environment in which business operates. Also the manager has to devise ways of balancing the different objectives such as making profits, serving customers, expanding existing business, decreasing cost, producing quality goods, etc.

As mentioned earlier, this is an intellectual exercise and is a part of planning process. The different objectives are interdependent and mutually supportive. But the realisation of one objective does not mean the automatic realisation of other objectives. The task of coordination is very important to achieve the basic objectives of the organisation.

3.3.2 Development of Action Plans

Setting objectives on paper is not enough. It must be translated into action plans. This may require allocation of specific responsibilities to different departments, divisions and individuals. It may also call for the decisions regarding the resources needed, time requirements for completing the targets and building motivators into the work.

3.3.3 Conducting Periodic Reviews

The next phase in MBO process is to establish a control system with a view to keep activities and efforts on a prescribed and planned course. It helps to ensure that what is intended to be accomplished is accomplished. The performance is measured in terms of quantity, quality, time and cost.

How much has been done, how good it is, how much time it has taken and at what expense are some of the vital questions which need to be examined consistently at regular intervals.

The deviations from the standards laid down are scrutinised and reported for correction, if needed. The regular reporting not only provides feedback which is essential for completion of work in time but also motivates the managers accountable for performance.

3.3.4 Performance Appraisal

The last phase of an MBO programme is to evaluate performance annually. The annual review is comprehensive and is done at the organisation level. It gives both breadth and depth of treatment to all aspects of the MBO programme.

Appraisal method developed under MBO has significant advantages over the many other appraisal methods in business for the following reasons:

1. It is oriented towards job requirements and focuses on personality.

2. It is more objective as it is based on reliable and accurate information. The targets are known to those who are responsible for its achievements.

3. It is positive. It does not provide for unilateral actions as found in other systems of appraisal. It is based on the principle of meeting of minds (consensus), communications. job expectations and motivations.

4. It is innovating and future-oriented. The employee is encouraged to experiment for advancement.

Modern management is management by objective. Without objectives an enterprise would be like a ship without rudder and compass, and all efforts may be wasted.

3.4 PLANNING PREMISES

Planning is concerned with future which is full of uncertainties. The manager works to reduce the element of uncertainty, so that his plans become effective. If a manager begins with a hunch, an intuition or a supposition about future, he may succeed sometimes, but his foundations are weak. He must consider the predictions and assumptions about the future events carefully. Only then he will be able to develop consistent and coordinated plans.

The business is confronted with all types of uncertainties, such as change in consumer's choice, population growth and structure, competition, economic conditions, political situation, government policies, technological innovations, international situation, etc.

The innumerable forces and factors which react upon the business enterprise may be internal or external. The manager has to formulate the premises keeping in mind these forces. But it is neither necessary nor practical for a manager to keep all the factors in mind. He should concentrate on strategic factors and forces which have material bearing on his business. Once he recognises the strategic, crucial or limiting factors, he can select the correct and realistic premises upon which the super-structure of planning will stand.

One of the major purposes of premises is to facilitate the planning process by guiding, directing, simplifying and reducing the degree of uncertainty in it.

3.4.1 Classification of Planning Premises

Planning premises may be classified as:

1. *Internal and external premises:* The factors which exist within a business enterprise, furnish the basis for the internal premises.

   Example: Internal premises include skills of the workers, capital investment policies, philosophy of management, sales forecasts, etc.

   On the other hand, the factors which are external to the enterprise furnish the basis for external premises.

   Example: Economic, social, political, cultural and technological environment are external premises which are beyond the control of an organisation.

2. *Tangible and intangible premises:* Tangible premises are those which can be quantified one way or the other, such as money, time and units of production, etc.

On the other hand, intangible premises are those which defy quantification, such as public relations, company's reputation, employee morale and motivation.

Though intangible premises cannot be expressed numerically, they cannot be ignored while planning.

3. *Controllable, semi-controllable and uncontrollable:* There are certain factors which are subject to the decisions of the management. For instance, it is within the jurisdiction of the management to decide what policies, procedures, rules, etc., will be followed in the organisation. Such factors are known as controllable premises.

Example: Controllable premises include factors like materials, machines and money.

Semi-controllable premises are those over which management has partial control.

Example: The examples of semi-controllable premises are the demand of industry on the firm's share in the market, union–management relations, etc.

Premises over which a business enterprise has absolutely no control fall under the category of uncontrollable premises.

Example: The examples of uncontrollable premises are—war, natural calamities, new discoveries and inventions, emergency legislation, etc.

4. *Constant and variable premises:* Constant premises are those which behave in the similar fashion, irrespective of the course of action taken. They are definite, known and well-understood.

Example: The examples of constant premises are men, money and machines.

On the other hand, variable premises are those which vary in relation to the course of action taken, such as the union-management relations.

5. *Foreseeable and unforeseeable premises:* Foreseeable premises are those which are definite and well-known and can be foreseen with certainty.

Example: The requirements of men, money, machines etc., are examples of foreseeable premises.

Unforeseeable premises are those which are not definite and unknown and cannot be foreseen with certainty.

Example: The examples of unforeseeable premises are strike, war, natural calamity, etc.

3.5 IMPORTANCE/ADVANTAGES OF PLANNING

Planning is useful in all organisations. Its usefulness and importance can be understood with reference to the following advantages:

1. *It reduces random and haphazard activity:* Planning involves disciplined thinking and the manager puts his thoughts in writing before acting. He has to decide in advance what he is going to do and how he will do it. By thinking ahead a manager can minimise the chances of making hasty decisions and haphazard action.

2. *It promotes internal coordination:* Planning helps in making possible the integrated and coordinated effort. This becomes possible because the goals and objectives are predetermined and all the departments are conscious of the enterprise objectives and, therefore, take steps to achieve them within the stipulated time.

3. *It facilitates control:* As mentioned earlier, the management process involves planning and control in addition to other functions. The control function is very much dependent upon planning. It is only by efficient planning that a manager will be able to check the performance of his department. He can compare the performance with the standards or targets laid down by the process of planning.

4. *It leads to overall efficiency in the organisation:* Planning helps in proper utilisation of resources. The manager discovers alternative uses of resources and chooses that alternative which is most efficient. The unproductive and inconsistent activities are eliminated because of proper planning. The morale of the employee is improved because it gives a real sense of effective participation.

5. *It helps in taking care of future activity:* Planning does not involve merely assessing the future. Providing for future contingencies is an equally important part of planning. As planning is a dynamic process, the manager can take care, at least in part, of the future developments as they unfold themselves. He can revise, modify and adjust plans in the light of the circumstances prevailing.

   Example: The manufacture of television sets is a case in point. The change away from black and white to colour television did not take place overnight. The manufacturer had to determine what percentage of production should be assigned to colour sets and what to black and white and how to retain efficient production of both lines.

3.6 LIMITATIONS OF PLANNING

Although planning is pervasive and primary function of management and has many advantages for the organisation, in actual practice, there are many barriers and limitations of planning. If planning is to be useful and purposeful, it is necessary that the manager understands them.

Some of the limitations are explained below:

1. *Planning premises may not be fully reliable:* The premises, assumptions and the facts on which planning is based may not come to be true.

2. *Dynamic conditions act as a limitation of planning:* The assumptions on which planning is based may not hold good and the conditions under which plans are being implemented may differ from the assumed conditions.

3. *Availability of time is a limiting factor of planning:* Planning is time consuming. Sometimes it causes delay in taking actions. Emergency situations in business require prompt action and allow little time for thinking and planning.

4. *Cost involved in planning is also a limiting factor:* Planning is a costly process. A good deal of time, energy and money is involved in gathering of facts and testing of various alternatives.

5. *Mental attitude of management can be a serious limiting factor to planning:* Some persons are psychologically opposed to planning as they consider the present more important than the future. They think that future cannot be predicted with certainty and that present is certain. These people have a natural resistance to change. McFarland calls mental attitude of management as a psychological barrier to planning.

6. *Procedural and policy rigidities also prove to be a hindrance to planning:* Planning has a tendency to make administration rigid and inflexible. Procedures, rules and policies once established are difficult to change. This limitation curbs initiative as it forces the manager to operate within the limits of planning.

7. *Capital invested in the fixed assets may be a serious limitation to planning:* Once capital is invested in certain equipment the replacement of which is costly, future planning would be limited.

8. *Rigidity:* Planning involves the determination of a course of action in advance. It may lead to internal inflexibility and procedural rigidity.

Example: With the planning a business or organisation may achieve certain goals. But this way planning may create rigidity or may lock certain business goals.

All the above limitations to planning are termed as internal. There are some external constraints on planning also, over which the manager has little or no control at all. The environmental forces that influence planning strategy may be scientific, technological, economic, political, ethical, legal and social.

Example: The personnel policies of an organisation might be limited by strong labour union. Similarly directives, rules and legal provisions as framed by Government from time to time will be a constraint on managerial decisions.

In actual planning, the manager will have many constraints on his decision-making powers. Therefore, he should not regard planning as simple process. Also, he should not regard planning as a panacea for all the ills of his organisation.

3.7 STEPS IN PLANNING (PLANNING PROCESS)

Planning in a business enterprise usually involves the following steps:

1. *Establishing clear-cut objectives:* Every organisation must identify and define the problems which may arise in course of time and will call for planning.

    Example: Following are the examples of clear cut objectives in different industries or departments.

    (a) The purpose of a hospital is to provide medical help for the sick.

    (b) The aim of police department is to maintain law and order.

    (c) Business units produce and sell goods with the objective of earning profit. A business unit has to first decide about the goods that it will produce and sell. It then has to lay down objectives for each department and section, and finally for each individual.

2. *Identifying and defining the real problem:* The manager has to establish the goals. In the absence of this step, the energies of the people may be wasted and they may be working in opposite directions.

3. *Collections of facts and data:* All relevant information and data relating to the planning problems from internal and external sources is to be collected and analysed.

4. *Establishing the planning premises:* As discussed above, in order to develop consistent and coordinated planning, it is necessary that planning is based upon carefully considered assumptions and predictions. Such assumptions and pre-dictions about the future are known as planning premises. It is not advisable to assume that environment factors will remain the same. Therefore, the assumptions under which plans are to operate should be clearly brought out.

A business enterprise has to prepare forecasts regarding sales, prices and wages taking into consideration projections of taxes, population, change in fashion and standard of living, before planning can be done.

Example: It may be assumed that there will not be any change in tax laws, and that the business unit will have sufficient cash to meet its expenses. These assumptions about the future environment of the business are planning premises.

5. ***Identifying alternative courses of action:*** The manager is to search for and examine alternative course of action. He has also to assess their probable consequences.

Example:

(i) To fulfil the objective of increasing the income of a business unit, managers can use any one or more of the following methods:

   (a) Increase the sale of its existing products

   (b) Improve product quality

   (c) Produce and sell new products

   (d) Increase the prices of products

   (e) Reduce the wages of workers

(ii) A manager can think of increasing the efficiency of employees by increasing their salary, by providing good working conditions and by strict supervision. For each decision, managers should develop as many alternatives as possible so that they can select the best course of action.

6. ***Evaluation of alternative courses of action:*** The manager has to compare the relative importance of the alternative courses of action. The relative importance can be found out by seeing the strong points and the limitations of the various alternatives in the light of the objectives of the enterprise. The evaluation involves weighing of the various complex factors both tangible and intangible, involved in each case. The manager should make a choice after comparing factors which are crucial from the point of view of the objectives and goals of the enterprise.

Example: To maximise income, managers may not think further about reducing the wages of workers. If wages are reduced, strike may follow and there will be dissatisfaction among workers.

Similarly, if prices are increased, the business unit may not be able to face competition in the market.

After ignoring the alternatives which are not at all in the interest of the organisation, a manager evaluates each of the remaining alternatives so that the right decision can be taken.

7. ***Choice of a course of action:*** At this stage, the manager has to select the course(s) of action to be taken. An analysis and evaluation of available alternatives may disclose two or more courses of action. In such a situation, three courses are open to him. He may adopt all of them simultaneously. He may reject all of them and go in afresh for discovery of the alternative courses of action. He may find the actual difference amongst the alternatives and adopt the one most suitable in the light of the long-range objectives of the enterprise.

8. ***Preparing the derivative plans:*** Lastly, it is necessary to determine all the steps in succession and full time sequence for different departments or sections of the organisation. Thus derivative plans are prepared for different departments. However, this is done within the framework of the overall operating plan.

In order to make a basic plan a reality, it is necessary to break it up into further plans at lower levels. In this way, the final plan of action is prepared in concrete terms.

Example: You can take example of Google

When Google launched any new product or make plans to launch any product. First of all Google gets online feedback by writing what is your reaction or Do you like this and you have to answer in yes or no and your feedback is recorded in the account of Google company. Like this all company makes system for feedback.

The manager may thus follow the steps in planning as shown in Figure 3.2.

Problem Identification

Formulating Objectives

Premising (Assumptions)

Forecasting

Determining Alternative Courses

Evaluating Alternative Courses

Selecting the Course of Action

Formulating Derivative Plans

Processing
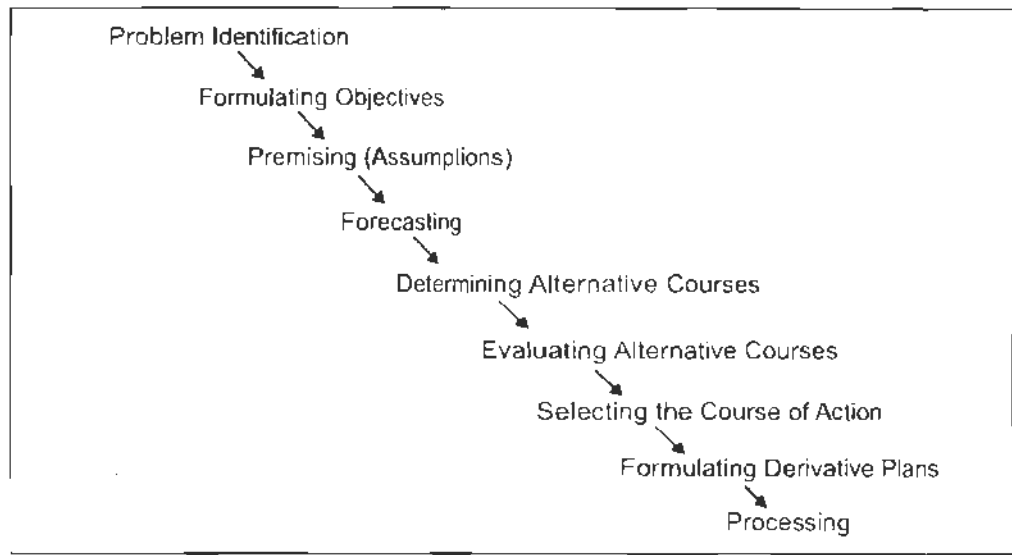
Figure 3.2: Steps Involved in Planning

3.8 TYPES OF PLANNING

Planning may be undertaken in an elaborate way or done in a limited manner. Planning may begin at the top with executives deciding on targets and passing them down for implementation; or it may be undertaken in a participative manner, inviting people designated at various levels to come forward with constructive ideas and useful suggestions.

Thus, there are many forms and varieties of planning. One useful way of looking at the whole aspect is to distinguish between long-range planning and short-range planning or strategic planning and operational planning.

The planning practices differ from organisation to organisation.

Let us now understand different types of planning usually observed in different organisation.

3.8.1 Long-range Planning (LRP) vs. Short-range Planning (SRP)

Long-range planning covers a relatively long period of time (anything over a five-year period), and affects many departments/divisions of the organisation. It includes the formulation of overall broad objectives and the selection of appropriate means by which the objectives are to be achieved.

Example: LRP is quite common in stable industries such as steel, public utilities and automobiles. In India, public sector companies generally adopt the national planning period of five years.

LRP is the result of a series of interrelated steps:

- The first basic step is the estimation of the international, national and local situation. The possible future changes that might take place, in areas external to an organisation are examined.

- The second step of LRP is defining the goals to be pursued by the organisation and the philosophy to be adopted.

- The third step in LRP answers the simple question: Where are we now? For this, an objective assessment of the degree of success in accomplishing goals, on a day to day basis, is made.

- In the fourth step, an attempt is made to find out the strong or weak spots in the company's programmes till date in the light of additional information on sales, selling expenses, production targets, capital inflow, etc. The deficiencies are rectified promptly.

- Now, a full blown programme of longer range planning is developed and approval is sought for its adoption.

- The last step is concerned with placing LRP into work, to reduce ambiguity and achieve some measure of specificity. LRP is divided into action plans, that is, intermediate and short-term plans for the sake of convenience and easy implementation.

Short-range Planning or Operational Planning

Short-range planning covers a period of one to twelve months, depending on the nature of business and the traditions prevailing in the industry.

Short-range plans are otherwise called operational plans

Short range plans are usually made in a specific and detailed manner. The emphasis is on flexible budgets, on goals and targets, expressed in a clear and precise language. The primary concern is efficiency (doing things right) rather than effectiveness (doing the right things).

Operative plans provide content and form to long-range plans. In fact, short-range planning is an extension of long-range corporate plans. Market plans, production plans and financial plans are typical examples of operational planning.

Long-range planning and short-range planning are expressions of the breadth of planning periods. The terms, short-term and long-term, sometimes present an erroneous picture because people generally associate short term with a narrow perspective and long term with a broad view. The time dimension of planning cannot be reduced to simplified expressions such as short-term or long-term.

The time span varies usually depending on the factors like industry characteristics, market demand, availability of resources and skills, environmental complexities, etc. What may appear to be long-range planning, in the case of one company may turn out to be short-range planning in the cases of other companies.

Example: Short-term plans include getting a website up for the company, to a year, like expanding the customer base by 50 per cent or selling a certain amount of products each day, publishing a newsletter on a monthly basis and hiring new employees for marketing, etc.

3.8.2 Operational Planning vs. Strategic Planning

The various differences between operational planning and strategic planning are given below:

Basis for Comparison	Strategic Planning	Operational Planning
Meaning	The planning for achieving the vision of the organization is Strategic Planning	Operational Planning is a process of deciding in advance of what is to be done to achieve the tactical objectives of business?
Time Horizon	Long term planning	Short term planning
Approach	Extroverted	Introverted
Modifications	Generally the plan lasts longer.	The plan changes every year.
Performed by	Top level management	Middle level management
Scope	Wide	Narrow
Emphasis on	Planning of vision mission and objectives.	Planning the routine activities of the company.

Strategy refers to the ideas, plans and support that firms employ to compete successfully against their rivals. Strategy is meant to help firms achieve competitive advantage. Broadly speaking, competitive advantage is what allows a firm to gain an edge over its rivals (superior design skills, quality, distribution network, after sales service, low cost manufacturing, etc.).

Unlike short-term planning, strategic planning involves an extended time frame, the deployment of a substantial percentage of organisational resources, a wide spectrum of activities, and a major eventual impact. Basically, strategic planning is planning that is conceptually and functionally long-term, wide ranging and critical to organisational success, in terms of costs of the resources it affects and of the outcomes it envisions.

Example:

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Strategic Pursuits "ONGC"

Company's long-term strategy focuses on strengthening the core Exploration and Production (E&P) activities in oil and gas. Improving Reserve Replacement Ratio by intensifying exploration is Company's first priority. Increasing production, arresting decline in matured fields and expeditious development of discovered fields are the other priorities. The desired level of investment to create new infrastructure, to maintain the old ones to support enhanced levels of E&P activities are also on our strategic agenda. Company has taken structured initiatives in these priorities as detailed in the Director's Report.

Deepwater oil and gas provinces hold lot of promise. Company made significant discoveries in deepwater and ultra-deepwater provinces in Krishna-Godavari (KG) and Mahanadi basins. These prospects have been assigned priority for expeditious development. Technologically, ONGC has achieved a number of milestones in deepwater exploration, which have been adopted as standard by many global operators.

Besides its focus on Oil & Gas E&P, Company, mandated to secure Energy Independence of India by diversifying sourcing of energy, is also investing to leverage the natural endowment of the country of having one of the largest Coal Reserves in the world. Pilots on Clean Coal Technologies like Coal Bed Methane (CBM), Underground Coal Gasification (UCG) are being run. It has also brought up ONGC Energy Centre Trust for holistic research on alternate energy sources.

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Company is committed to sourcing equity Oil & Gas through its wholly-owned subsidiary ONGC Videsh Ltd. (OVL), which is being seen as the growth vehicle of the ONGC Group. Currently OVL has 38 Oil and Gas projects in 18 countries and is one of the biggest Indian multinational with overseas investments of around 5 billion dollars.

Capacity expansion of Mangalore Refinery Petrochemicals Ltd. (MRPL), a subsidiary of ONGC from 9.69 to 15 MMTPA (Million Tonne Per Annum) is under implementation and this expansion will further strengthen Company's effort towards value-chain integration.

Value-multiplier projects in sectors like, Refining, Petrochemicals, LNG, SEZs, Power, have huge potential towards inclusive and integrated growth for company. All these projects are in time and will be on stream soon, bringing additional revenue. Company, after detailed feasibility studies, has decided to come out of the earlier proposed refinery and SEZ projects at Kakinada, Andhra Pradesh.

3.9 TECHNIQUES OF PLANNING

Some of the techniques which help planning team in coming up with proper plans include the following:

- **Brainstorming:** Brainstorming is generally superior to conventional committee meetings for rapid generation of creative ideas. Suppose that an improvement goal has been defined, such as to increase the effectiveness of your agency's agro-forestry program in brainstorming, team members make rapid suggestions on how to achieve this. Somebody writes down all of the suggestions (e.g., on a large sheet of paper) – even those that at first may seem strange or impractical. All ideas are acceptable, and nobody is allowed to criticize another person's suggestion. Your aim is to quickly produce ideas which only later will be evaluated for feasibility, cost and other decision criteria. In the end, you will arrive at a smaller set of proposals after the initial ideas are modified, combined or eliminated.

- **Problem Statement Guidelines:** Sometimes your improvement goals are vague and poorly defined. You apply problem statement guidelines to sharpen the definitions of any problem into its what, when, where, who, why and how dimensions. Each team member is asked to state the problem according to these guidelines. In a subsequent step, you compare these statements to make a final problem statement acceptable to the group as a whole.

- **Strengths and Weaknesses, Opportunities and Threats (SWOT):** In relation to a given goal or strategy, you want to take advantage of your strengths and opportunities. At the same time, you have to be aware of weaknesses and threats that will impede your progress. The SWOT framework helps you think about this in a direct and systematic way.

- **Problem Trees:** For complex issues, you systematically identify causes and effects with the help of a problem tree. A problem tree is a diagram of boxes and arrows that showcases at a low level, leading to effects at a higher level. The causes are the roots of the tree and the effects are the fruits. Your team lists different problems, and then connects them with arrows to show linkages. You repeat this several times until your problem tree is complete and logical. The problem tree directs your attention to fundamental, deep-rooted explanations.

- **Logical Framework:** The logical framework encourages planners to specify cause-and-effect relationships, and to explicitly state all assumptions. At the top of the framework is a clearly defined goal. Lower levels of the framework specify the why, what and how to achieve this goal. For these linkages to be possible, the internal logic of planning must be sound, and your assumptions must be valid.

- *Force-field Analysis:* Most goals are characterized by restraining forces that hold you back. and driving forces that push you forward. In force-field analysis, you identify these forces, and you assess your degree of influence to control them. If you know which forces are holding you back and which can carry you forward, then your planning focuses on how to reduce the former and exploit the latter. You rate the different forces for both importance and the extent of your control over them. You concentrate your actions on the high-rated forces.

- *Comparison Matrix:* Frequently, you need to rank several options in a systematic way to arrive at a single choice. The comparison matrix does this through one-by-one comparisons, indicating how any one option (Choice A) compares with all others (Choices B, C,...Z). You construct a frequency table which shows how many times A, B, C and Z are rated superior to the other options.

- *Role Playing:* You want members of your planning team to interpret problems and feel emotions in the same way as your actual interest groups. The use of role playing can be surprisingly effective for this. You assign different team members to "act" as if they are personalities among your interest groups. Role playing is never a substitute for genuine participation by these groups. But it can be used within the planning team to widen perceptions. compare options and prepare for comments by the real personalities.

3.10 MEANING OF DECISION-MAKING

Decision-making is the process by which individuals select a course of action among several alternatives to produce a desired result. You can call it as an important part of management process which covers every part of an enterprise.

In fact, whatever a manager does, he does through decision-making only.

Example: A manager has to decide:

- what are the long-term objectives of the organisation; how to achieve these objectives; what strategies, policies, procedures to be adopted (planning);

- how the jobs should be structured, what type of structure, how to match jobs with individuals (organising);

- how to motivate people to peak performance, which leadership style should be used, how to integrate effort and resolve conflicts (leading);

- what activities should be controlled, how to control them, (controlling).

Decision-making is a central and important part of the process of managing. Managers are essentially decision makers. Almost everything, managers do involves decision-making.

Thus you can say that making decision involves choosing between alternative courses of action.

Example: In a labour-surplus, capital-hungry country like India managers cannot suddenly shut down plants, lop off divisions and extend the golden handshake to thousands of workers, in the face of intense competition. Thus here the manager needs to take decision on future course of action on the basis of evaluation of different alternative courses of actions.

It is for the manager to decide which course will be most appropriate for a given situation. Chester Barnard is correct when he defines decision-making largely as a technique for narrowing choices among the several available alternatives. Definitions by some other management thinkers also emphasise on choosing between available alternatives to achieve the desired results.

Let us now observe some of these definitions to understand the concept of decision-making. These are given as under:

According to Haynes and Masse, "A decision is a course of action which is consciously chosen for achieving a desired result."

According to Ray A. Killian, "A decision in its simplest form is a selection of alternatives."

According to Trewartha & Newport, "Decision-making involves the selection of a course of action from among two or more possible alternatives in order to arrive at a solution for a given problem."

According to Mary Cushing Niles, "Decision-making takes place in adopting the objectives and choosing the means, and again when a change in the situation creates a necessity for adjustment."

According to Donald J. Clough, "The decision-making process involves a problem to be solved, a number of conflicting objectives to be reconciled, a number of possible alternative courses of action from which the 'best' has to be chosen and some way of measuring the value or payoff of alternative courses of action."

3.10.1 Chief Characteristics of Decision-making

From the definitions given above, you can list down the following characteristics of decision-making:

- Decision-making implies a choice, choosing from among two or more alternative courses of action.
- It is a continuous process that pervades all organisational activity.
- The process of decision-making is human, i.e., a kind of intellectual activity.
- The process of choice among two or more possible alternatives is aimed at a solution for a given problem.
- The decision-making is not identical with problem solving.
- The choice implies freedom to choose from among alternative courses of action without externally imposed coercion.

It might be negative and may just be a decision not to decide.

Example: A manager while hiring people may use different alternatives like merit rating, etc., and may also pick up candidates recommended by an influential party, at times. Depending on the situational requirements, managers take suitable decisions using discretion and judgement.

From the above example, it is clear that in hiring individuals for the organisation the manager uses a decision-making process which involves choosing from among two or more alternative courses of action. It is aimed at a solution for a given problem. It is a continuous process followed in all types of organisations. It is also different from problem solving. The manager in hiring workforce enjoys freedom of choice in choosing between different alternatives available.

3.10.2 Decision-making and Problem Solving

Problem solving is the process by which an individual or group attempts to make positive progress on a particular task, whereas decision-making is an activity that takes place several times during the problem solving process. It refers to tools capable of helping the problem solving process.

Example: The world's best and simplest problem solving model is:

Step 1: Define the problem;

Step 2: Generate alternatives;

Step 3: Evaluate and select an alternative and

Step 4: Implement and follow up.

Step one is about finding root causes. Step two is about suspending judgment in order to develop many viable possibilities. Step three is about evaluating options relative to the problem definition and the standards to be achieved. Step four is about getting value from the selection through proper introduction of the solution into the workplace.

The point is that when there is time and when the problem is particularly important, a more systematic approach to thinking through problem solving tends to be superior.

In contrast, decision-making refers to a large array of tools one might use to successfully conclude one part of the problem-solving process in order to move on to the next part such as Pareto charts, matrices, decision trees, various types of statistical analysis, etc.

3.11 TYPES OF DECISIONS

The quality of decision-making skills is one of the critical factors in managerial success. Managers are evaluated by the decisions they make and, more often, by the results obtained from their decisions. So, it would be useful to distinguish between decisions made by managers, at different levels in the organisation.

Basic and Routine Decisions

Basic Decisions: These are decisions concerning unique problems or situations. They are one-time decisions demanding large investments. They require creativeness, intuition and good judgement, on the part of managers.

Example: Decisions about launching a new product, or buying a more advanced computer system.

Routine Decisions: They require little deliberation and are generally concerned with short-term commitments. Generally, lower-level managers look after such mechanical or operating decisions.

Example: A supervisor can decide, whether an employee's absence is excused or unexcused, on the basis of personnel policy guidelines. Usually standard procedures are established to dispose of such repetitive problems quickly.

Personal vs. Organisational Decisions

Personal Decisions: Decisions can be divided on the basis of the environment in which they are made. They affect the organisation, in an indirect way. It can have an impact beyond the immediate system on whose behalf they were made.

Examples:

1. A personal decision to purchase a Maruti rather than an Ambassador indirectly helps one firm due to the sale and hurts another because of the lost sale.

2. The sudden decision of a popular singer to seek premature retirement may affect the film industry badly.

Organisational Decisions: Organisational decisions are made by managers, in their official or formal capacity as controllers and allocators of organisational resources. These decisions are aimed at furthering the interests of the organisation. Results of their decisions are open for public view (subordinates, stockholders, customers, general public, etc.) and such results are generally measured in terms of the firm's earnings, welfare of the employees and the economic health of the community.

In other words, managerial decisions have impact on a greater number of people.

In order to survive and progress, managers are forced to make professional decisions, as well as the decisions that are based on rationality, judgement and experience.

Example: A manager who abhors unethical practices may tolerate deceptive product messages in company advertisements to ward off competitive pressures. To survive, the manager must be a professional decision maker.

Programmed and Non-programmed Decisions

Programmed Decisions: A programmed decision is a routine and repetitive decision. Rules and policies are established well in advance to solve recurring problems quickly. These decisions are usually made by lower level personnel in organisations in which the market and technology are relatively stable, and many routine, highly structured problems must be solved.

Examples:

1. In banks and insurance companies, the market and technology are relatively stable and usually routine problems confront operating personnel.

2. A hospital establishes a procedure for admitting new patients, a supervisor administers disciplinary actions against workers reporting late for work, a store clerk orders requisition for additional supplies, as soon as the existing stock drops below a specified level.

Non-programmed Decisions: Non-programmed decisions deal with unique/unusual problems. The decision maker has to make a decision, in a poorly structured situation—one in which there are no pre-existing, cut-and-dried solutions. These decisions often involve broad, long-range consequences for the organisation; they are made by higher-level personnel only.

Non-programmed decisions are quite common in research and development firms where situations are poorly structured and decisions being made are non-routine and complex.

Managers need to be creative when solving the infrequent problem; and such situations have to be treated newly each time they occur.

Example: Deciding whether to take over a sick unit, how to restructure an organisation to improve efficiency, where to locate a new company warehouse, whom to promote to the vacant position of Regional Manager at one of the company's plants are examples of non-programmed decisions.

3.12 DECISION-MAKING PROCESS

Effective and successful decisions make profit to the company and unsuccessful ones make losses. Therefore, corporate decision-making process is the most critical process in any organisation. In the decision-making process, we choose one course of action from a few possible alternatives. In the process of decision-making, we may use many tools, techniques and perceptions. In addition, we may make our own private decisions or may prefer a collective decision.

Usually, decision-making is hard. Majority of corporate decisions involve some level of dissatisfaction or conflict with another party. Following are the important steps of the decision-making process. Each step may be supported by different tools and techniques.

Decision-making process which is shown in Figure 3.3 is as follows:

Step 1: Identification of the Purpose of the Decision

In this step, the problem is thoroughly analysed. There are a couple of questions one should ask when it comes to identifying the purpose of the decision.

- What exactly is the problem?
- Why the problem should be solved?
- Who are the affected parties of the problem?
- Does the problem have a deadline or a specific time-line?

Step 2: Information Gathering

A problem of an organisation will have many stakeholders. In addition, there can be dozens of factors involved and affected by the problem.

In the process of solving the problem. you will have to gather as much as information related to the factors and stakeholders involved in the problem. For the process of information gathering, tools such as 'Check Sheets' can be effectively used.

Step 3: Principles for Judging the Alternatives

In this step, the baseline criteria for judging the alternatives should be set up. When it comes to defining the criteria, organisational goals as well as the corporate culture should be taken into consideration.
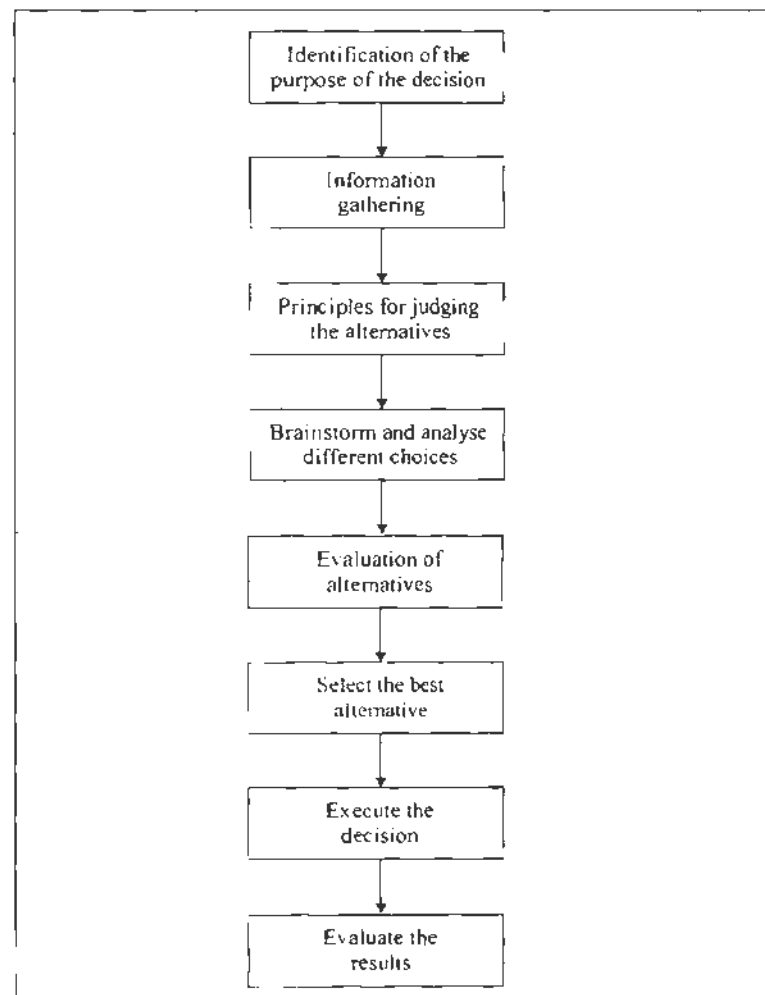
Source: http://www.tutorialspoint.com/management_concepts/decision_making_process.htm

Figure 3.3: Decision-making Process

Example: As an example, profit is one of the main concerns in every decision-making process. Companies usually do not make decisions that reduce profits, unless it is an exceptional case. Likewise, baseline principles should be identified related to the problem in hand.

Step 4: Brainstorm and Analyse the Different Choices

For this step, brainstorming to list down all the ideas is the best option. Before the idea generation step, it is vital to understand the causes of the problem and prioritisation of causes.

For this, you can make use of Cause-and-Effect diagrams and Pareto Chart tool. Cause-and-Effect diagram helps you to identify all possible causes of the problem and Pareto chart helps you to prioritise and identify the causes with highest effect.

Then, you can move on generating all possible solutions (alternatives) for the problem in hand.

Step 5: Evaluation of Alternatives

Use your judgement principles and decision-making criteria to evaluate each alternative. In this step, experience and effectiveness of the judgement principles come into play. You need to compare each alternative for their positives and negatives.

Step 6: Select the Best Alternative

Once you go through from Step 1 to Step 5, this step is easy. In addition, the selection of the best alternative is an informed decision since you have already followed a methodology to derive and select the best alternative.

Step 7: Execute the Decision

Convert your decision into a plan or a sequence of activities. Execute your plan by yourself or with the help of subordinates.

Step 8: Evaluate the Results

Evaluate the outcome of your decision. See whether there is anything you should learn and then correct in future decision-making. This is one of the best practices that will improve your decision-making skills.

Further you need to understand that when it comes to making decisions, one should always weigh the positive and negative business consequences and should favour the positive outcomes. This avoids the possible losses to the organisation and keeps the company running with a sustained growth.

Making the decisions and accepting its consequences is the only way to stay in control of your corporate life and time.

3.13 DECISION-MAKING TOOLS

Managers use a number of tools that relate more specifically to decision-making than to planning. Two commonly used decision-making tools are payoff matrices and decision trees. These decision-making tools are explained below:

### 3.13.1 Decision Tree

The quantitative techniques are increasingly being used by managers in decision-making. Decision tree is one of such techniques, where the number of future chance events which may affect a decision. In a decision tree, a set of values is arrived at for predicted outcomes of each possible decision. The highest value indicates the course most likely to produce the greatest return.

The tree is usually horizontal and the base of the tree is the present decision point (shown as a square): it is here that the alternative courses of action present themselves. Branches begin at the first chance event (shown as circles); each chance event produces two or more possible effects, some of which may lead to other chance events and subsequent decision points.

The values of the tree are based upon research which provides possibilities that certain chance events will occur, showing predicted payout or cash-flow estimates for each possible outcome as affected by possible chance events.

Example: Let us look at the following illustrative decision tree:
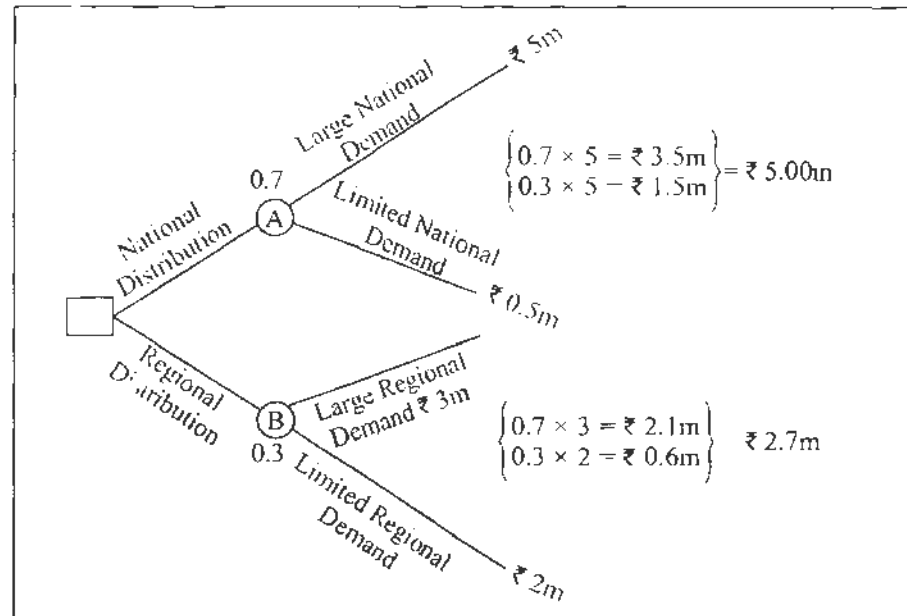
As shown in the above diagram A and B are chance events effecting the decision – either to continue with regional distribution or have national distribution of a product?

Supposing national distribution is considered and research has shown that if there is a large national demand it will be ₹ 5 million and the probability of this is 70 per cent (i.e., 0.7). There is a 30 per cent chance demand will be limited; this may realise ₹ 1.5 million.

Further suppose the regional distribution is considered and national demand is large, the firm could realise ₹ 3 million. The regional distribution is considered, if national demand is limited – firm could realise ₹ 2 million.

The result can be shown in decision tree. A decision to expand national distribution may give the highest results.

Other quantitative techniques which are becoming popular with managers are linear programming, queuing theory, game theory, probability theory, etc.

It may be observed that quantitative techniques of decision-making by themselves can do nothing. Their contribution will ultimately depend upon the attitude of managers who provide guidelines for their application.

3.13.2 Payoff Matrices

A payoff matrix specifies the probable value of different alternatives, depending on different possible outcomes associated with each. The use of a payoff matrix requires that several alternatives be available, that several different events could occur, and that

the consequences depend on which alternative is selected and on which event or set of events occurs.

An important concept in understanding the payoff matrix is probability.

A probability is the likelihood, expressed as a percentage, that a particular event will or will not occur.

Example: If we believe that a particular event will occur seventy-five times out of one hundred, we can say that the probability of its occurring is 75 per cent, or .75.

Probabilities range in value from 0 (no chance of occurrence) to 1.00 (certain occurrence—also referred to as 100 per cent). In the business world, there are few probabilities of either 0 or 1.00. Most probabilities that managers use are based on subjective judgment, intuition and historical data.

The expected value of an alternative course of action is the sum of all possible values of outcomes from that action multiplied by their respective probabilities.

Example: A venture capitalist is considering investing in a new company. If he believes there is a .40 probability of making ₹ 100,000, a .30 probability of making ₹ 30,000, and a .30 probability of losing ₹ 20,000, the expected value (EV) of this alternative is

$$EV = .40(100,000) + .30(30,000) + .30(-20,000)$$

$$EV = 40,000 + 9,000 - 6,000$$

$$EV = ₹ 43,000$$

Other potential uses for payoff matrices include determining optimal order quantities, deciding whether to repair or replace broken machinery and deciding which of several new products to introduce.

The real key to using payoff matrices effectively is making accurate estimates of the relevant probabilities.

3.14 QUANTITATIVE APPROACHES OF DECISION-MAKING

The quantitative approaches of decision-making can be discussed as under:

1. *Payback Analysis:* Payback analysis refers if a manager needs to decide whether to purchase a piece of equipment.

   Example: A manager is purchasing cars for a rental car company. Although a less-expensive car may take less time to pay off, some clients may want more luxurious models. To decide which cars to purchase, a manager should consider some factors, such as the expected useful life of the car, its warranty and repair record, its cost of insurance, and, of course, the rental demand for the car.

   Based on the information gathered, a manager can then rank alternatives based on the cost of each car. A higher-priced car may be more appropriate because of its longer life and customer rental demand. The strategy, of course, is for the manager to choose the alternative that has the quickest payback of the initial cost.

2. *Queuing Theory:* It is a technique of balancing the cost of lost sales against the cost of additional facilities. It is based on the assumption that delays are costly. Thus, it is a quantitative technique useful for determining the optimum number of service facilities.

   Example: Customers waiting for service at a sales counter, plane waiting to land at an airport, machines waiting to be repaired, workers waiting for parts and finished products waiting to be inspected problems can be solved through this technique.

3. *Linear Programming:* Linear programming is very important in various fields of life especially in managerial decision-making. The reason is that it helps the company in minimising the costs and maximising the profits. Through linear programming, managers can calculate the prices and the sales units which can maximise the profits of the company.

Example: Issues like costs and prices which company incurs tools like linear programming can help the managers in decision-making progress.

4. *Game Theory:* It is also a useful tool which is useful in the solution of business problems involving competitive situations. It provides a basis for determining under certain specific conditions, the strategy that will result in maximum gain (or minimum loss) no matter what the competitors do. This theory is based on these assumptions that at least two people are involved and one person wins exactly what the other loses.

Example: A number of retail outlets are each varying for business from a common finite catchment area. Each has to decide whether or not to reduce prices, without knowing what the others have decided. Assuming that turnover increases when prices are dropped, various strategic combinations result in gains or losses for some of the retailers, but if one retailer gains customers, other must lose them. So here the retailers need to conceal their intentions from each other.

5. *Probability Theory:* It is also an important statistical device which is used by Operations Research experts. It is based upon the inference from experience that certain things are likely to happen in accordance with a predictable pattern.

Example: A dealer of a perishable commodity does not know the demand in advance. The commodity gets spoiled if it is not sold by end of the day. He is not sure about the demand pattern, yet he must decide in advance how many units to stock.

6. *Simulation:* Simulation is a systematic trial and error procedure for solving complex problems. In business, there are many problems which are so complex and dynamic that they cannot be solved with the help of mathematical analysis. It is a technique to simulate the probable outcomes before taking action.

Example: Inventory control and development of a new product line are areas where simulation technique works well.

7. *Monte Carlo Method:* Monte Carlo simulations are used to predict a range of different outcomes from a given set of decisions. The decisions are held constant, but the outcomes are allowed to vary depending on changes in some key influence, such as sales volume, interest rates, market volatility, and so on. It can be used in decision-making to provide potential solutions to complex problems.

Example: The owner of a rolling hot dog stand earns an average of ₹ 75 in profit per day. He sells hot dogs for ₹ 3 each, and expects daily sales to vary between 100 and 200 hot dogs. All hot dogs that do not sell spoil and are a total loss, and he puts 200 hot dogs in his stand each morning just in case he has a big day.

Using Monte Carlo analysis techniques, the owner could study the effects of various business decisions based on the performance of a key indicator, such as daily profit. He could test the profit impact of the decision to start each day with only 175 hot dogs in his cart. He could then generate a series of random numbers to represent daily hot dog sales over a given period to determine his average daily profits. He may find, for instance, that profits rise when he starts out with only 175 hot dogs, despite the fact that he will run out of hot dogs on some days.

3.15 DECISION MODELS

The success of any organisation depends on managers' abilities to make effective decisions. An effective decision is a timely decision that meets a desired objective and is acceptable to those individuals affected by it.

The models of decision-making are:

1. Rational Economic Model

2. Bounded Rationality Model or Satisficing Model

3. Optimising Decision-making Model

4. Garbage Can Model

5. Implicit Favourite Model

6. Intuitive Model

Let us now discuss these models one by one.

1. *Rational Economic Model:* Rationality refers to a logical, step-by-step approach to decision-making, with a thorough analysis of alternatives and their consequences. The term "rationality" implies a consistent and value-maximising choice with certain limits. It means that the decision maker, as an economic being, tries to select the best alternative for achieving the optimum solution to a problem.

   According to this model, the decision maker is assumed to make decisions that would maximise his or her advantage by searching and evaluating all possible alternatives.

   The rational model of decision-making comes from classic economic theory and contends that the decision maker is completely rational in his or her approach. The rational model has the following important assumptions:

   (a) The outcome will be completely rational.

   (b) The decision maker has a consistent system of preferences, which is used to choose the best alternative.

   (c) The decision maker is aware of all the possible alternatives.

   (d) The decision maker can calculate the probability of success for each alternative.

   In the rational model, the decision maker strives to optimise, that is, to select the best possible alternative. However, many factors intervene with being perfectly rational. These factors are as follows:

   (a) It is impossible to state the problem accurately.

   (b) The decision maker is not fully aware of the problems.

   (c) It is too simplistic to assume that the decision maker has perfect knowledge regarding all alternatives, the probabilities of their occurrence, and their consequences.

   (d) Limited time and resources.

   The rational model is thus an ideal that managers strive for in making decisions. It captures the way a decision should be made but does not reflect the reality of managerial decision-making.

2. *Bounded Rationality and Satisficing Model:* Recognising the deficiencies of the rational model, Herbert Simon suggested that there are limits upon how rational a decision maker can actually be.

Herbert Simon's decision theory, the bounded rationality model, earned him a Nobel Prize in 1978.

The essence of the bounded rationality and satisficing model is that, when faced with complex problems decision makers respond by reducing the problems to a level at which they can be readily understood. This is because the information processing capability of human beings makes it impossible to assimilate and understand all the information necessary to optimise. Since the capacity of the human mind for formulating and solving simplex problems is far too small to meet all the requirements for full rationality, individuals operate within the confines of bounded rationality.

Simon's model – also referred to as the "Administrative Man" theory – rests on the idea that there are constraints that force a decision maker to be less than completely rational. The bounded rationality model has four assumptions:

(a) Managers select the first alternative that is satisfactory.

(b) Managers recognise that their conception of the world is simple.

(c) Managers are comfortable making decisions without determining all the alternatives.

(d) Managers make decisions by rules of thumb or heuristics.

Figure 3.4 illustrates the satisficing model.
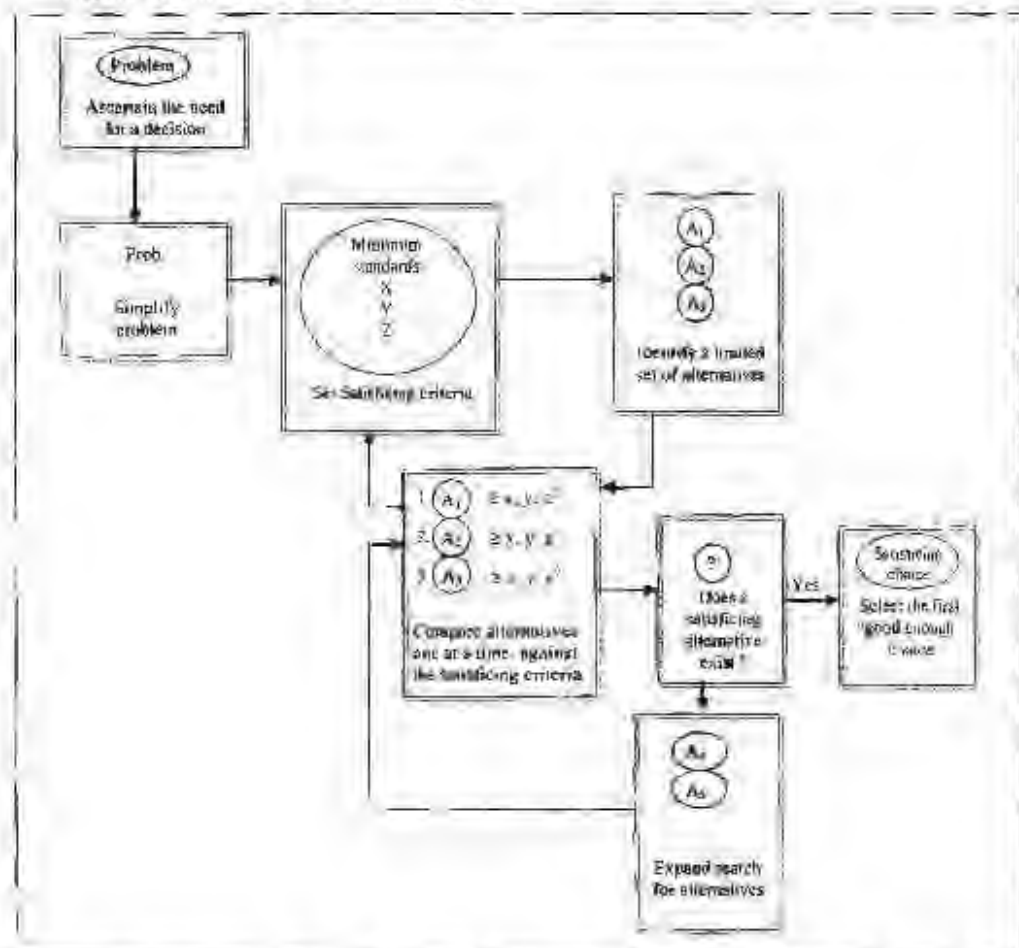
Figure 3.4: The Satisficing Model

Once the problem is identified, the search for criteria and alternatives begins. But the list of criteria is likely to be far from exhaustive. The decision maker will identify a limited list made up of the more conspicuous choices. Once this limited set of alternatives is identified, the decision maker will begin reviewing them.

But the review will not be comprehensive. That is, not all alternatives will be carefully evaluated. The decision maker proceeds to review alternatives only until he or she identifies an alternative that satisfies – one that is satisfactory and sufficient. So the satisfier settles for the first solution that is "good enough", rather than continuing to search for the optimum. The first alternative to meet the 'good enough' criterion ends the search.

Bounded rationality assumes that managers satisfice; that is, they select the first alternative that is "good enough", because the costs of optimising in terms of time and effort are too great. Further, the theory assumes that managers develop shortcuts called heuristics, to make decisions in order to save mental activity. Heuristics are rules of thumb that allow manager to make decisions based on what has worked in past experiences. According to March and Simon, it is often too inefficient or too costly to make optimal decisions in organisations.

Example: While selecting a new employee, the organisation can just hire the first applicant who meets all the minimum requirements instead of wasting time and effort looking for an ideal personality.

According to Hitt, Middlemist and Mathis, satisficing can occur for various reasons:

(a) Time pressure.

(b) A desire to sit through a problem quickly and switch to other matters.

(c) A dislike for detailed analysis that demands more refined techniques.

(d) To avoid failure and mistakes that could affect their future in a negative way.

Satisficing decisions make progress towards objectives, and this progress can be made while continuing to search for the better decision. In other words, satisficing, by recognising the internal as well as external limitations under which decision makers operate, provides a flexible approach where objectives can be achieved more easily.
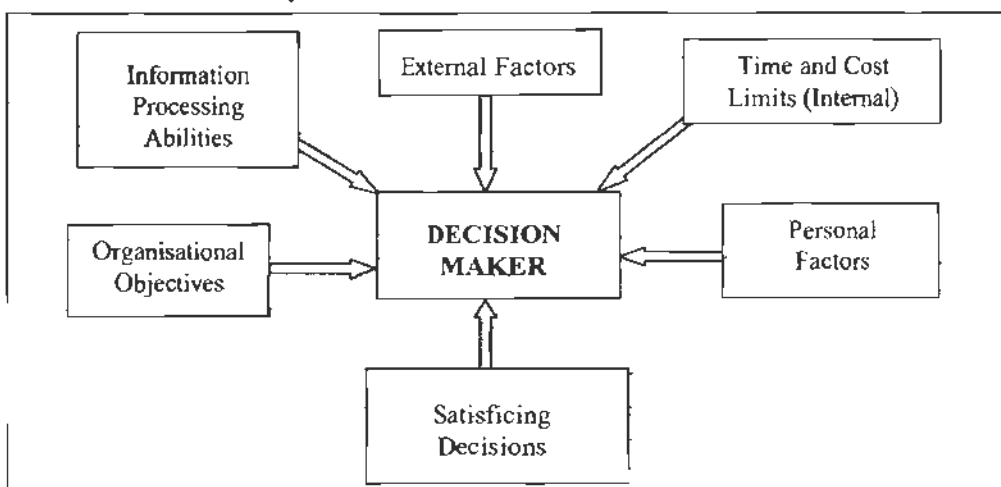

Figure 3.5: Factors Leading to Bounded Rationality and Satisficing Decisions

Evaluation: Does the bounded rationality model more realistically portray the managerial decision process? Research indicates that it does. One of the reasons that managers face limits to their rationality is because they must make decisions under risk and time pressure.

The situation they find themselves in is highly uncertain and the probability of success is not known. The model also highlights the importance of looking into the behavioural aspects in the decision-making process. This knowledge certainly helps in understanding how and why managerial decisions have been made.

3. *Optimising Decision-making Model:* While making a decision under this model, an individual should follow the following six steps:

1st Step – Ascertain the need for a Decision: The first step requires recognition that a decision needs to be made. A decision needs to be made when there exist a problem. In other words, there is a disparity between some desired state and the actual conditions and the decision maker recognise this.

2nd Step – Identify the Decision Criteria: Once an individual has determined the need for a decision, the criteria that will be important in making the decision must be identified. The second step is important because it identifies only those criteria the decision maker considers relevant. If a criterion is omitted from this list, we treat it as irrelevant to the decision maker.

3rd Step – Allocate Weights to the Criteria: The criteria listed in the previous step are not all equally important. It is necessary, therefore to weigh the factors listed in the above-mentioned step in order to prioritise their importance in the decision. All the criteria are relevant, but some are more relevant than others. How does the decision maker weigh criteria? A simple approach would merely be to give the most important criteria a number – say 10 – and then assign weights to the rest of the criteria against this standard.

4th Step – Develop the Alternatives: This step requires the decision maker to list all the viable alternatives that could possibly succeed in resolving the problem. No attempt is made in this step to appraise the alternatives, only to list them.

5th Step – Evaluate the Alternatives: Once the alternatives have been identified, the decision maker must critically evaluate each one. The strengths and weakness of each alternative will become evident when they are compared against the criteria and weights established in Steps 2 and 3.

6th Step – Select the Best Alternative: The final step in the optimising decision model is the selection of the best alternative from among those enumerated and evaluated. Since best is defined in terms of highest total score, the selection is quite simple. The decision maker merely chooses the alternative that generated the largest total score in Step 5.

Assumptions of the Optimising Model

The steps in the optimising model contain a number of assumptions. They are given below:

(a) The optimising model assumes there is no conflict over the goal.

(b) It is assumed the decision maker can identify all the relevant criteria and can list all viable alternatives.

(c) Under the optimising model, the criteria and alternatives can be assigned numerical values and ranked in a preferential order.

(d) It is assumed that the specific decision criteria are constant and the weights assigned to them are stable over time.

(e) Under the optimising model, the decision maker will choose the alternative that rates highest.

From the above mentioned assumptions, we would predict that the individual decision maker would:

(a) Have a clear-cut and specific goal.

(b) Have a fully comprehensive set of criteria that determine the relevant factors in the decision.

(c) Precisely rank the criteria, which will be stable over time.

(d) Select the alternative that scores highest after all options have been evaluated.

4. *Garbage Can Model:* In the garbage can model, decisions are random and unsystematic. In this model, the organisation is a garbage can in which problems, solutions, participants and choice opportunities are floating around randomly. If the four factors happen to connect, a decision is made. The quality of the decision depends on timing. The right participants must find the right solution to the right problem at the right time.

The Garbage Can Model illustrates the idea that not all organisational decisions are made in a step-by-step, systematic fashion. Especially under conditions of high uncertainty, the decision process may be chaotic. Some decisions appear to happen out of sheer luck.

5. *Implicit Favourite Model:* The implicit Favourite Model is a decision-making model where the decision maker implicitly selects a preferred alternative early in the decision process and biases the evaluation of all other choices.

If the implicit Favourite Model is at work, the search for new alternatives ends well before the decision maker is willing to admit having made his or her decision. Considerable evidence suggests that individuals frequently make an early commitment to one alternative and don't evaluate the strengths and weaknesses of the various alternatives until after having made their final choice.

6. *Intuitive Model:* Intuitive decision-making is an unconscious process created out of distilled experience. It does not necessarily operate independently of rational analysis; rather, the two complement each other. The intuitive decision-making model may be considered a form of extra sensory power or sixth sense.

Intuitive decision-making, has recently come out of the closet and into some respectability. Experts no longer automatically assume that using intuition to make decisions is irrational or ineffective. There is growing recognition that rational analysis has been overemphasised and that, in certain cases, relying on intuition can improve decision-making.

According to W. H. Agor, intuitive decision-making are more likely to be used in the following circumstances:

(a) When a high level of uncertainty exists.

(b) When there is little precedent to draw on.

(c) When variables are less scientifically predictable.

(d) When "facts" are limited.

(e) When facts don't clearly point the way to go.

(f) When analytical data are of little use.

(g) When there are several plausible alternative solutions to choose from, with good arguments for each; and

(h) When time is limited and there is pressure to come up with the right decision.

Is there a standard model that people follow when using intuition?

According to W. H. Agor, individuals follow two approaches:

(a) *Front End of the Decision-making Process:* When intuition is used at the front end, the decision maker tries to avoid systematically analysing the problem, but instead gives intuition free rein.

(b) *Back End of the Decision-making Process:* A back-end approach to using intuition relies on rational analysis to identify and allocate weights to decision criteria, as well as to develop and evaluate alternatives. Once this is done, the decision maker stops the analytical process in order to "sleep on the decision" for a day or two before making the final choice.

3.15.1 Break-even Analysis as a Decision-making Aid

Break-even analysis is a powerful management tool, and one that is critical in planning, decision-making and expense control. Break-even analysis can be invaluable in determining whether to buy or lease, expand into a new area, build a new plant, and many other such considerations.

Break-even analysis can also show the impact on your business of changing your price structure. As the price goes down (your gross margin goes down), break-even shoots up, usually very rapidly. Break-even analysis will not force a decision, of course, but it will provide you with additional insights into the effects of important business decisions on your bottom line.

Break-even analysis is an important aid within a firm for managers making decisions on such issues as the impact of a changing environment (alterations to cost or price) on the profitability of the business or deciding whether or not to accept an order for products at prices different from those normally charged. It determines the effects that financial plans such as bank loans would have a change in the level of production or see if a business plan would be viable. These are the main uses of a break-even analysis.

The important thing to remember when evaluating the use of break-even analysis as a decision-making aid is to remember that it is purely an aid.

Break-even analysis is useful, not for its use as a major decision-making tool but more for its use as a simplistic way in which firms can collaborate a clear and effective method of analysis.

Break-even refers to the level of sales necessary to cover all of the fixed and variable costs. Fixed costs are those costs or expenses that are expected to remain fairly constant over a reasonable period of time. These costs are relatively unaffected by changes in output or sales up to the point where the level of operation reaches the capacity of the existing facilities. At that point, major changes would have to be made, such as the expansion of existing plant and equipment or the construction of new facilities. Such actions would increase the fixed costs. However, under normal operating conditions, the fixed costs (also referred to as indirect costs, overhead or burden) will remain constant.

Example: Some examples of fixed costs include rent or mortgage payments, interest on loans, executive and office salaries, and general office expenses.

Variable costs are those costs or expenses that vary or change directly with output. These costs are associated with production and/or selling and are frequently identified as "costs of goods sold." As compared with the fixed costs, which continue whether the firm is doing business or not, variable costs do not exist if the firm is not doing business. Thus, by definition, variable costs are zero when no output is being produced. At that time, fixed costs are the only costs that will be incurred.

Example: Variable costs include cost of goods sold, factory labour and sales commissions.

Break-even analysis will provide a sales objective that can be expressed in either rupees or units of production or sales, or whatever else is relevant. If the breakeven point is known, it can be a definite target to be reached and exceeded by carefully reasoned steps.

The basic break-even equation is

$$B/E = FC + VC$$

Where

> FC = Fixed costs in rupees

> VC = Variable costs in rupees

Variations on this basic formula which can be used when different combinations of the basic factors are known, such as:

$$B/E = FC/(1 - VC/S)$$

Where

> FC = Total fixed costs in rupees

> VC = Total variable costs in rupees

> S = Total sales in rupees

It is also possible to calculate your break-even point when you do not know what your total variable cost will be, but you know your gross margin. The gross margin is the percentage of gross profit to sales (gross profit divided by sales).

The gross profit is the amount remaining once the variable costs have been subtracted from sales.

This equation is:

$$B/E = FC/GM$$

$$\text{and}$$

$$GM = GP/S$$

Where

> FC = Total fixed costs in rupees

> GP = Gross profit (or sales minus variable costs)

> S = Total sales in rupees

Another way to calculate break-even sales level is by using a break-even chart. In constructing a break-even chart, the vertical axis represents total rupees of activity, and the horizontal axis represents rupees or unit sales or some other measure of activity. Fixed costs are shown as a horizontal line, and variable costs are shown rising from the intersection of the fixed cost line with the vertical axis.

As long as the sales price is greater than the variable costs, the sales line will eventually cross the variable cost line. The point of intersection of the sales line and the variable cost line represents the break-even point. Many people find a break-even chart more useful than the more accurate number method used above, simply because of the visual aspect.

However, either way, the relationships between the elements can be directly examined and experimented with to provide a better understanding of how the business works. Any close decision will probably be affected by other factors in addition to these calculations anyway.

Once you know the level of sales you have to reach before making a profit, you can evaluate the reasonableness of this target. What are the odds of reaching this break-even sales level? One way to test this is to convert the gross rupees sales needed for break-even into some other unit which can then be compared against the capacity of the business or the size of the market.

If the break-even occurs at or near the capacity of the business, or if your analysis shows that you must capture all (or more than all) of the available target market, the feasibility of your concept is suspect, and the odds of business success are loaded against you.

Another way to use break-even analysis is to change the variables in the equation. If fixed or variable expenses can be reduced, the break-even point will go down. If prices can be increased without hurting sales (without increasing costs), the break-even point will go down. This is an excellent way to experiment with different alternatives.

Clearly, this is a subjective process - but then, so is the rest of business analysis. The purpose is to make your business decision-making as reasonable as possible. Break-even analysis can be one of the most valuable tools at your disposal for this purpose.

Check Your Progress

Fill in the blanks:

1. Planning is to be realistic and intelligible and is to be based on the organisational_____.

2. One of the major purposes of premises is to facilitate the planning process by guiding, directing, simplifying and reducing the degree of _____ in it.

3. Short range plans are usually made in a specific and _____manner.

4. _____is a diagram of boxes and arrows that shows causes at a low level, leading to effects at a higher level.

3.16 LET US SUM UP

Planning involves deciding in advance what is to be done, where, how and by whom it is to be done and how results are to be evaluated. Management planning involves the development of forecast, objectives, policies, programmes, procedures, schedules and budgets. The planning function in business includes setting objectives, laying down policies, formulating procedures and rules, strategies and programmes, budgeting, forecasting and decision-making. Management by Objectives (MBO) first appeared in literature as a way of building teamwork. According to view on MBO the Business enterprise must build team-efforts, must all pull in the same direction, contributions must fit together to produce a whole – without gaps, without friction, without

unnecessary duplication of effort. Business performance, therefore, requires that each job be directed towards the objective of whole business.

Planning premises means systemic and logical estimate for the future factors affecting plans. They can be classified as 'Internal' and 'External' premises, 'Tangible' and 'Intangible' premises, 'Controllable', 'Semi-controllable' and 'Uncontrollable', 'Constant' and 'Variable' premises and 'Foreseeable' and 'Unforeseeable' premises. Planning is useful in all organisations. It reduces random and haphazard activity, promotes internal coordination, facilitates control, leads to overall efficiency in the organisation, and helps in taking care of future activity etc.

Although planning is pervasive and primary function of management and has many advantages for the organisation, in actual practice, there are many barriers and limitations of planning. In actual planning, the manager will have many constraints on his decision-making powers. Therefore, he should not regard planning as simple process. Also, he should not regard planning as a panacea for all the ills of his organisation. Planning in a business enterprise usually involves the steps of establishing clear-cut objectives, identifying and defining the real problem, collections of facts and data, establishing the planning premises, identifying alternative courses of action, evaluation of alternative courses of action, choice of a course of action and finally preparing the derivative plans.

There are many forms and varieties of planning. One useful way of looking at the whole aspect is to distinguish between long-range planning and short-range planning or strategic planning and operational planning. Decision-making is the process by which individuals select a course of action among several alternatives, to produce a desired result. A decision is a course of action which is consciously chosen for achieving a desired result. Problem solving is the process by which an individual or group attempts to make positive progress on a particular task whereas decision-making refers to tools capable of helping the problem solving process. The quality of decision-making skills is one of the critical factors in managerial success. Managers are evaluated by the decisions they make and, more often, by the results obtained from their decisions. So, it would be useful to distinguish between decisions made by managers, at different levels in the organisation.

3.17 LESSON END ACTIVITY

You are working as operations manager in a manufacturing organisation. Your top management wishes to improve the quality of decision that they are taking. For this purpose, you are required to prepare a presentation on the different tools and techniques which are available at their disposal. Discuss what all tools you will suggest to improve the decision-making process of your management.

3.18 KEYWORDS

Composite Approach: In this approach, a middle path is chosen to facilitate the smooth implementation of the plans.

Formal Plan: A formal plan is a written record of what the organisation intends to do within a time frame.

Long-range Planning: Long-range planning covers a relatively long period of time (anything over a five-year period), and affects many departments/divisions of the organisation.

Management by Objectives (MBO): It is a systematic and organised approach that allows management to focus on achievable goals and to attain the best possible results from available resources.

Planning: Planning is deciding in advance what to do, how to do it, when to do it and who is to do it.

Short-range Planning: Short-range planning covers a period of one to twelve months, depending on the nature of business and the traditions prevailing in the industry.

Co-operation: Co-operation is the process of working or acting together, willingness to cooperate, to help out or get involved, including others, encouraging, sharing and working together.

Coordination: Coordination is the act of organising, making different people or things work together for a goal or effect to fulfil desired goals in an organisation.

Decision Tree: A decision tree is a decision support tool that uses a tree – like graph or model of decisions and their possible consequences, including chance event outcomes, resource costs and utility.

Decision-making: The thought process of selecting a logical choice from the available options.

3.19 QUESTIONS FOR DISCUSSION

1. What is planning? Write down the characteristics of planning.

2. "A plan is a determined course of action". Elucidate.

3. Explain the characteristics and components of planning.

4. "Profit cannot be the sole objective of a business concern." Discuss.

5. Write down the meaning of Management by Objectives. What are the major advantages of a "Management by Objectives" programme? Are there any limitations to MBO?

6. "Planning is the essence of management." Elucidate.

7. "All managers plan whether they are at the top, middle or bottom of the organisation structure." Comment.

8. Discuss the concept of 'management by objectives'. How does it differ from the traditional management? Also explain how setting objectives is a multistage process.

9. State the nature of planning premise. Give examples of tangible and intangible premises.

10. "Management involves coordination and integration of all resources, to accomplish specific results". Explain.

11. 'Coordination is the outcome of information and co-operation'. Discuss.

12. 'Whatever a manager does, he does through decision-making'. Critically examine the statement.

13. What are the difference decisions made by managers at different levels in the organisation?

14. 'Coordination is the very essence of management'. Do you agree? Give reasons.

Check Your Progress: Model Answer
1. Objectives
2. Uncertainty
3. Detailed
4. Problem tree

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UNIT- 4

ORGANISING

CONTENTS

4.0 AIMS AND OBJECTIVES

After studying this lesson, you should be able to:

- Explain the different definitions of organisation and its nature
- Discuss the concept of organisation as a process or simply organising
- Describe the meaning and principles of organisation structure
- Define span of control
- Elucidate the concept and types of departmentation

4.1 INTRODUCTION

In the previous lesson, you studied the concept of decision making, its characteristics, the difference between decision making and problem solving, different types of

decisions taken by a manager in an organisation, the process of decision-making, etc. You also gained knowledge about the different tools, approaches and models used in decision-making process.

As you know that organisations are group of individuals who under direction of leader work in coordination for accomplishment of a common goal or objective. The concept of organisation includes achievement of certain objectives by division of work, fixing of authority and responsibility and coordinating the activities of people of an enterprise.

Organisation as a process encompasses the function of organising. Span of Control has also needs to be determined to know the total numbers of individuals a manager can effectively supervise and control. More over departmentation has to be done to group different activities of an enterprise into units and sub-units for purposes of administration. These administrative units and sub-units are then designated as divisions, units, branches, sections, jobs etc.

In this lesson, you will study the concept of organisation, its nature, organisation as a process, meaning of organisation structure and its related principles and areas, the meaning and determination of span of control, departmentation and its various types.

4.2 ORGANISATION: DEFINITION AND NATURE

Organisation can be defined as the structure or form of an enterprise and the arrangement of all parts thereof in a manner suitable for the use of services.

Let us now observe some of the leading definitions of the term organisation that are quoted below:

According to Barnard, An organisation is a system of consciously coordinated activities or forces of two or more persons.

Ralph C. Davis has defined the term organisation as a group of people who are cooperating under the direction of leadership for the accomplishment of a common end.

Oliver Sheldon has defined the term organisation as the process of combining the work which individuals or group have to perform with the facilities necessary for the execution, that the duties so performed, provide the best channels for the efficient, systematic, positive and coordinated application of the available effort.

According to Pfinner and Sherwood, Organisation is the pattern of ways in which large number of people, of a size too great to have intimate face-to-face contact and engaged in complexity of tasks, relate themselves to each other in conscious, systematic establishment and accomplishment of mutually agreed purposes.

The authors have given the following assumptions of this definition:

1. Organisations are large and do not permit face-to-face leadership.

2. Organisations are complex.

3. Organisations are attempts at "conscious rationality".

4. Organisations must have a purpose, though may be mundane, such as survival.

5. Organisations as such are universal and would include an oil company, a university, a hospital, an ocean liner and innumerable other human enterprises.

According to Hodge and Johnson, An organisation can be thought of as a complex of relationships among human and physical resources and work, cemented together into a network of systems.

According to Johnson, Kast and Rosenzweig, The organisation is an assemblage of people, materials, machines and other resources geared to task accomplishments through a series of interaction and integrated into a social system.

According to James D. Mooney, Organisation is the form of every human association for attainment of a common purpose.

Joseph L. Massie defines organisation as, "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".

Gerald G. Fisch defines organisation as, "The product of all the forces that mould the actions of an enterprise and produce the final result".

M.A. Cameron defines organisation as, "The framework of duties and responsi-bilities through which an undertaking works".

Urwick defines the term organisation as "Dividing up of the activities which are necessary to any purpose and arranging them in groups which are assigned to individuals".

According to Amitai Etzioni, Organisations are social units (or human groupings) deliberately constructed and reconstructed to seek specific goals.

According to W. Richard Scott, "....Organisations are defined as collectivities....that have been established for the pursuit of relatively specific objectives on a more or less continuous basis".

Robert V. Presthus defines orgainsation as, "A system of structural interpersonal relations......individuals are differentiated in terms of authority, status and role with the result that personal interaction is prescribed....Anticipated reactions tend to occur, while ambiguity and spontaneity are decreased".

Therefore a careful study of the above definitions makes it clear to you that different scholars look upon organisation from different angles. Some regard it as a mechanism to achieve certain objectives by division of work, authority and responsibility among its members and coordinating their activities. Some scholars regard it as a network comprising human relationship in group activity. There are others who regard it as a system.

Example: The following example is built around a small company structured as shown in the following organisational chart:
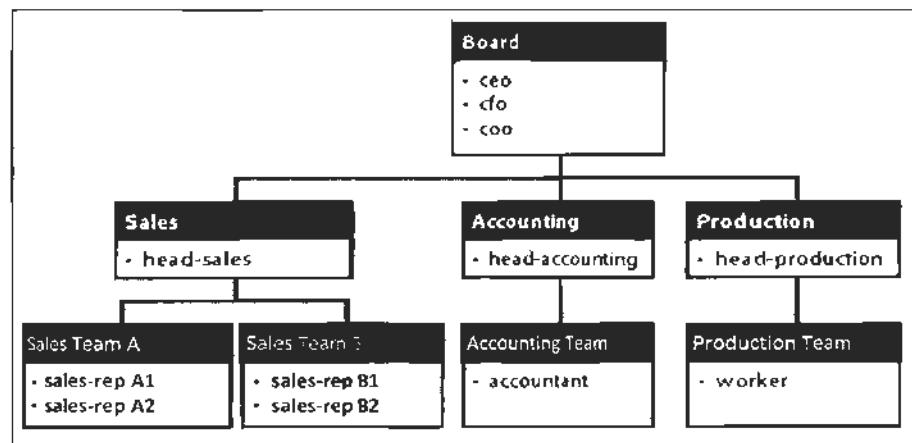
The sales department (Sales) features a head of sales (*head-sales*) and 2 sales teams (Sales Team A and Sales Team B). Each sales team consists of 2 sales reps. (e.g., Sales Team A consists of *sales-repA1* and *sales-repA2*). Similarly, there is

an accounting department (Accounting) with a head of accounting (*head-accounting*) and an *accountant* who is the only member of the team Accounting Team. The structure of the production department is identical to the structure of the accounting department. The company has a board (Board) with three members: CEO, CFO and COO.

4.2.1 Nature of an Organisation

As mentioned above, the term 'organisation' is used in many ways. It means different things to different people. Currently, the following uses of the term are popular:

1. A group of people united by a common purpose.

2. An entity, an ongoing business unit engaged in utilising resources to create a result.

3. A structure of relationships between various positions in an enterprise.

4. A process by which employees, facilities and tasks are related to each other, with a view to achieve specific goals.

The static (as a structure) and dynamic (as a process) interpretations of the term organisation are quite commonly used and these are explained in the following sections of this lesson.

4.3 PURPOSE OF ORGANISATION

The purpose of a sound organisation for any enterprise can hardly be over-emphasised. It is the edifice of managerial success. An organisation is definitely the backbone of management through which operations of an enterprise are run. It sets the relationship between people, work and resources to get productive results. Without good organisation, a one-man enterprise cannot successfully grow beyond the limits of the owner's strength and ability. As a matter of fact, a good organisation can contribute greatly to the continuity and success of an enterprise. A good organisation brings in functions, encourages specialisation, motivates the workers and makes ways through internal friction and lost friction and lost motion; it fails to retain and develop good men and invite into its membership new men of high quality.

Kenneth C. Towe opines, "A sound form of an organisation is the answer to every business problem; that a poor organisation could run a good product into the ground and that a good organisation with a poor product could run a good product to the market."

Purpose of the organisation in any institution may be discussed as below:

- *It facilitates administration and management:* An organisation is an important and the only tool to achieve enterprise goals set by administration and explained by management. A sound organisation helps the management in a number of ways. It increases their efficiency, avoids delay and duplication of work, increases managerial efficiency, increases promptness, and motivates employees to perform their responsibility. That's why in advanced and modern business units, an Organisation Analysis Unit is established separately in order to improve the organisational structure of the enterprise.

- *It helps in the growth of an enterprise:* Without an organisation, an enterprise is just like a man without a body, leaving head and mind (Management & Administration) only. Good organisation contributes greatly to the continuity and success of the enterprise. It contributes to the growth, expansion and diversi-fication of the enterprise. All such programmes can be successful to the extent the organisation structure permits.

- *It ensures optimum use of human resources:* It establishes persons with different interests' skills, knowledge and viewpoints. A sound organisation brings harmony in their efforts, places right persons in the right positions, improves the communication network and motivates the employees to contribute their best to the goals of the enterprise.

- *It stimulates creativity:* A sound and well-conceived organisation structure is the source of creative thinking and initiation of new ideas. Delegation of authority provides sufficient freedom to the supervisors at different levels. It develops a sense of responsibility in them and provides recognition of their competence and expertise.

- *Use of improved technology:* A good organisation provides for optimum use of technological improvements. It accommodates new ideas in respect of organisational relationships while retaining its basic structure. It provides for the use of new automatic techniques of production, control devices and data processing, etc.

- *Coordination in the enterprise:* In a good organisation, the different departments perform their functions in a closely related manner. Different jobs and positions are welded together by structural relationship of the organisation, the organisational pressures exert their due and balanced emphasis on the coordination of various activities.

- *Executive development:* The pattern of an organisation structure has strong influence on the development of executives. Managers at different levels are continuously trained, developed and tested for assuming greater responsibilities and meeting new challenges of managerial positions. If an organisation is to survive beyond the life of its existing managers, there is bound to be proper management development programme in the enterprise.

- *It ensures co-operation among workers:* A good organisation promotes mutual goodwill and co-operation among workers also. It disposes of conflict between individuals and the enterprise, enterprise and the economy as a whole. It gives proper recognition to the contribution of each individual, values their co-operation, hence gaining their sincerity and loyalty. Good organisation removes red-tapism and corruption, prevents duplication of work, makes communication easier, and provides a sound basis for workers participation in management.

Thus, we see that the organisation helps to improve the operations of the business as a whole. It is not simply an organising function of management, it is more than that. To sum up, it is the only means to carry out the policies and programmes of the enterprise. That is why, it is generally said that the organisation is the machinery of management for its achievement of the ends determined by administration.

4.4 PRINCIPLES OF ORGANISATION

In organising an enterprise, it is necessary to adhere to certain basic principles of organisation, which should serve as guidelines for action. These are as follows:

1. *Principle of unity of objective:* An enterprise must have a clearly defined objective (or objectives). It must be realised that an enterprise is a means to an end, and not an end in itself. As a corollary, each unit in the enterprise must have an objective which should logically be related to the overall objective (its contribution to the common goal).

   An organisation structure is effective if it facilitates the contribution made by all individuals in the enterprise to the attainment of the objectives of enterprise. All should contribute harmoniously to the achievement of the common goal of the

business and also of the good of the individual members of the business. The common goal includes primary objectives such as, producing, selling or profit-making and secondary objectives like job satisfaction, payment of wages, having good communication, joint consultation, etc.

2. *Principle of coordination:* People working towards a common objective must coordinate their efforts. In a typical organisation, a manager will have:

(a) a boss;

(b) subordinates. often 4 to 6 in number and

(c) colleagues, often of his own status.

The structure within a department is often called a chain of command, e.g., A is the boss, B is his subordinate, C is B's subordinate, D is C's subordinate and so on. Each superior (or boss) in the chain of command is responsible for coordinating the work of those under him and his own efforts. The work of others on his level is in turn coordinated by their common superior.

One of the essentials of coordination is good communication flow, vertically and laterally. e.g., from superior to subordinate and to people of the same level throughout the enterprise. Coordination committees are usually formed for this purpose (e.g., General Management Committee, Budget Coordination Committee, Planning Committee, etc.).

3. *Principle of efficiency:* The organisation should be planned so that the objective can be attained with the lowest possible cost, which may be either money cost or human costs or both.

4. *Principle of unity of direction:* There should be one head (or chief person) and one plan of action for each group of activities having a common objective and everyone must work in accordance with the plan towards the objective in one common direction.

5. *Principle of unity of command:* Each person should receive orders from only one superior and be accountable only to him, i.e., he should have only one boss. If a person receives orders from more than one boss, the orders may conflict, thereby confusing him and often leading to conflicts arising from divided loyalties.

6. *Principle of specialisation:* As far as possible, the work of each person should be confined to a single function. In other words, he should not be a "jack of all trades." Since this is not always possible to achieve, it is generally held that related functions should be grouped together under a common superior.

7. *Scalar principle:* The organisation must have a supreme authority and a clear line of authority should run from that person (or group) down through the hierarchy, e.g., from the Chairman—the Managing Director—Plant Manager—Production Manager— Foreman-rank and file of employees. The more clear the line of authority (from the ultimate authority for management to every subordinate position) the more effective will be the responsible decision-making and organisation communication. This is usually called the scalar principle because the hierarchy is like a scale. The resulting hierarchy is known as the "Chain of Command."

8. *Short chain of command:* If the chain of command is short, it will enable better communication at various levels within the enterprise and cause fewer delays and bring the top decision-maker to grass root levels (i.e., the operating personnel).

9. *Authority and responsibility:* Should commensurate with each other, i.e., a man must have sufficient authority to fulfill his responsibilities. Conversely, if a man has the authority, he should be willing to take the responsibility for the results.

10. *Principle of delegation:* Decision should be made at the lowest competent level. For this purpose, authority (or powers for decision-making) should be delegated as far down the line as possible.

11. *Principle of balance:* There are various parts of an enterprise (e.g., Sales, Production, Accounts, Personnel, etc.) which functions in close coordination to meet the objectives of the enterprise. A continuous survey should be made to ensure that there is a reasonable balance, the size of the various parts should be in balance and none of the functions should be given undue emphasis at the expense of others. A continuous survey should be made to ensure that there is a reasonable balance in the size of the various departments, between standardisation of procedures and flexibility, and between centralisation and decentralisation. Imbalances between departments occur as a result of new technology, new products, new marketing plans, etc.

There should also be a balance between the principle of the span of control and the principle of short chain of command. The application of principles and techniques must be balanced in the light of overall effectiveness of the structure of the enterprise in meeting its objectives.

12. *Principle of change:* Change is one unchanging characteristics of an organisation. In other words, an organisation should be flexible and capable of adjusting to change, it cannot be rigid. It has to be flexible to take care of changing circumstances.

13. *Federal principle of an organisation:* The enterprise after it has reached a certain position may well be split up into a series of separate semi-autonomous enterprises, to each of which responsibility is delegated.

4.5 ORGANISATIONS AS A PROCESS (ORGANISING)

You can define organising as the process by which employees, facilities and tasks are related to each other, with a view to achieve specific goals. It refers to the way; work is arranged and allocated among members of the organisation, so as to achieve the goals. As a process, organisation refers to one of the important functions of management, i.e., organising.

According to Allen, organising 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.

The process of organising, thus, involves the following steps:

1. *Identifying the work:* We organise to achieve objectives. So, it is essential to identify the total work necessary to achieve the goals. The work must be classified in a systematic way so that each person in the organisation gets a separate and distinct task. Work must be divided and distributed because no one can handle the total work in an organisation single-handedly. Identification and classification of work enables managers to concentrate on important activities, avoiding unnecessary duplications, overlapping and wastage of efforts.

2. *Grouping the work:* Division of work creates the need for coordination. In order to provide for a smooth flow of work all closely related and similar activities must

be grouped together. Thus, departments and divisions are created under the direction of a manager.

3. *Establishing relationships:* In order to secure compliance to organisational directives, reporting relationships must be specified. Once formal relationships are established, it would help individuals know what must be done, how it must be done, to whom the matters must be referred and how particular jobs relate to one another, etc. Without formal relationships, it would be difficult to process the total work because there is no way to know how the work is progressing, who is supposed to handle the work, where the work has to be coordinated so as to achieve enterprise objectives.

4. *Delegating authority:* Authority is the right to act, to issue orders and exact obedience from others. Without authority, a manager may not be able to perform the tasks with confidence and show results. While assigning duties, the manager should clearly specify authority and responsibility limits, so that the subordinate knows well in advance as to what type of work is expected of him by the superior.

5. *Providing for coordination and control:* The interrelationships between various positions must be specified clearly. The activities and efforts of various individuals must be coordinated. The performance must be measured, evaluated and controlled at frequent intervals. If deviations occur, they must be spotted early and appropriate remedial steps taken immediately.

4.6 ORGANISATION STRUCTURE

Let us now understand the concept of organisation structure. You can say that a manager's responsibility in designing his organisation structure is, to an extent, similar to that of an architect who designs a building.

Buildings have structures in the form of beams, interior walls, passageways, roofs and so on. The structures are laid to facilitate movement of people and to provide decent living space or office accommodation with pleasant environment or space for installing plants and machines for manufacturing certain goods and services. Architects have to see the type and size of the land, environment, technology and materials to be used and various other factors in designing the building to serve the specific objective.

Similarly when a manager has to design his organisation, he too is concerned with the size and types of operations, technology and environment. But the analogy cannot go very far. The organisations are made of human beings who interact with each other in a manner which may not always be predictable, while a building consists of the objects which remain in their fixed relationships for a long time. Manager's job as designer of a structure is much more difficult as compared to an architect's job.

Example: Standardisation of Operations: McDonald

McDonald has a well-defined organisation structure to enforce standardisation of operations.

Its field service managers and inspectors visit each store regularly to assure compliance with standard operating procedures.

Jobs at McDonald have been broken down to smallest steps and have then automated the entire process to assure that individual workers would not get creative what fixings should go on a big Mac.

Assistant managers are assigned to cover each shift and crew leaders are responsible for certain time periods such as breakfast or lunch. Each employee knows what

exactly to do. Trainers are assigned to teach each new worker precisely how to perform their assigned tasks.

There is provision for standardised services in such areas as advertising, public relations and operations.

4.6.1 Principles of Formal Organisation

There are certain principles which a manager has to keep in view when he designs the organisation structure.

1. *Accomplishment of objectives:* An organisation structure is only a means to an end, i.e., it exists to achieve the goals of the organisation. The objectives of a government department, for instance, may be different from a business enterprise. Structural differences are, therefore, bound to be there in the two types of organisations.

2. *Efficiency of operation:* Cost is an important factor in business. The organisation structure should facilitate production, distribution and other functions of an enterprise on the minimum cost to ensure adequate return on investment.

3. *Functional similarity:* The work centres, departments, divisions and sections are created in an organisation on the basis of grouping similar functions together. Functions are assigned to the people who have necessary qualification in that line.

4. *Balance between authority and responsibility:* Authority and responsibility often go together.

5. *Single accountability:* An individual cannot be accountable directly to more than one officer. The single accountability principle ensures consistent and coordinated action.

6. *Unity of command:* The subordinate should receive instructions only from authority. This principle is related with the preceding one and it ensures feeling of personal responsibility to one superior for results.

7. *Functional growth:* As the organisation expands, functions also increase. These may not be strictly downward. The outward growth may create new functions in the organisation.

   Example: When business is small and confined in a local area, publicity through press or radio may not be needed. But when the business expands and new markets are required, publicity may become essential. The structure should provide scope for expansion.

8. *Span of control:* Unlimited number of persons cannot be controlled by one officer. The effective limit in business is considered to be between 6 to 8 persons under one superior.

9. *Functional balance:* Activities of all divisions should be coordinated to maintain a balance. The line and staff officers, for instance, must strive together towards one goal, i.e., the achievement of organisational objective. If their relations are not good, the organisation will suffer.

10. *Flexibility:* The structure of organisation must be responsive to the changes within and outside the organisation. The rigid structures do not suit business enterprise.

11. *Stability:* This refers to the long-term perspective. The structure should be able to withstand changes.

4.6.2 Organisational Charts and Manuals

Once an organisational structure is determined, the same can be shown in a simple way with the help of a chart.

Terry defines chart as "A diagrammatical form which shows important aspects of an organisation including the major functions and their respective relationships, the channels of supervision, and the relative authority of each employee who is in-charge of each respective function". The various functional groups or departments which have been established to accomplish the business objective are thus depicted in the chart.

Also the principal levels of authority (top management, middle management and supervisory management) and the relative authority within each level are indicated on the chart. It shows who is to do what work and who is to direct and supervise the efforts of those who do the work. The span of management that each supervisor or manager exercises is also reflected. In other words, the main line of communications, the downward flow of authority and the upward flow of responsibility in an organisation are depicted in a chart. The organisation chart is thus a useful static model of showing both the horizontal and vertical dimensions of the organisation structure. In addition, it reflects the relationships intended.

McFarland has rightly describes an organisational chart as a type of record, showing the formal organisational relationships which executives intend should prevail.

Types of Charts

The organisational charts may be classified either as, (i) vertical, horizontal and concentric or as (ii) master and supplementary charts.

A vertical chart shows the organisational structure in the form of a pyramid, the lines of command proceeding from top to bottom in vertical lines. This form is popular with companies.

A horizontal chart shows the organisational structure in the form of a pyramid, which lies horizontally. In other words, the line of command moves from left to right showing top management at the left and each successive subordinate management at the right. There is not much of a difference between a vertical and horizontal chart, but the latter are not very common.

A concentric or circular chart shows the pivotal position of the top executive in the centre of concentric circles. It also reflects the positions of successive echelons of subordinates extend in all directions outward from the centre. Thus, the flow of formal authority from the centre to all directions is clearly depicted.

A master chart shows the entire organisational structure without the necessary details. The basic pattern of the structure with its major units and lines of formal authority are portrayed, but a detailed picture of the organisation structure is not given.

A departmental chart is a supplement to the master chart. A departmental chart is devoted exclusively to a department and gives details as to relationships, authority and responsibility within the department. Thus, one master chart may be supplemented by several departmental charts to indicate the picture of the organisation as a whole. There may be many departmental charts, depending upon the size of the organisation.

Organisational Manual

An organisational manual is designed to promote understanding of basic organisational structure by means of descriptions of the various jobs that may be listed only by title on the charts. Thus, it is a useful supplement to organisational charts. It is usually

in the form of book or booklet and contains other useful information, such as the organisation chart, a brief description of the overall company objectives, policies, practices and procedures.

Example: Organisation Structure: ICICI Bank

Organisation structure is designed to be flexible and customer-focused. At the same time, we seek to ensure effective control and supervision and consistency in standards across the organisation. The organisation is structured into the following principal groups:

1. Retail Banking Group, comprising the retail liabilities, retail assets and small enterprises businesses.

2. Rural, Micro-banking and Agri-business Group, comprising the rural and agricultural lending and other banking businesses.

3. Wholesale Banking Group, comprising the corporate and investment banking, project finance and government banking businesses.

4. International Banking Group, comprising the Bank's international operations, including operations in various overseas markets as well as products and services for NRIs, international trade finance, correspondent banking and wholesale resource mobilisation.

5. Global Markets Group, comprising our global client-centric treasury operations.

6. Corporate Centre, comprising financial reporting, planning and strategy, asset liability management; investor relations; secretarial; corporate communications; risk management; compliance; internal audit; legal; financial crime prevention and reputation risk management; and the Bank's proprietary trading operations across various markets.

7. Human Resources Management Group, which is responsible for the Bank's recruitment, training, leadership development and other personnel management functions and initiatives.

8. Global Operations and Middle Office Groups, which are responsible for back-office operations, controls and monitoring for our domestic and overseas operations.

9. Organisational Excellence Group, which is responsible for enterprise-wide quality and process improvement initiative.

10. Technology Management Group, which is responsible for enterprise-wide technology initiatives, with dedicated teams serving individual business groups and managing information security and shared infrastructure.

11. Global Infrastructure & Administration Group, which is responsible for management of corporate facilities and administrative support functions.

4.7 SPAN OF CONTROL

Span of Control can be defined as the total numbers of individuals i.e., the employees or the subordinates that a manager can effectively supervise and control. A manager can supervise only a limited number of subordinates and should therefore be assigned an authority to handle only few of them. According to most management experts, at the top level of management, the span of control should not be more than 1:6 while at the lower level of management, the span of control should not be more than 1:20. Span of control depends on many factors such as nature of work, ability of superior and his subordinates, etc.

Louis Allen states that, "Span of control refers to the number of people that a manager can supervise."

Prof. Dimock believes that, "The span of control is the number and range of direct, habitual communication contacts between the Chief Executive of an enterprise and his principal fellow officers."

4.7.1 Factors Determining Span of Control or Span of Management

The following factors determine the optimum span of management:

1   *Capacity and ability of the executive:* The personal abilities and influence of the superior plays an important role in determining the number of subordinates that can be effectively supervised by him. If the superior can comprehend problems quickly, can get along well with people and command loyalty and respect from the subordinates then he can supervise a larger number of subordinates effectively.

2. *Capacity and skill of the subordinates:* In case, the subordinates are competent, well trained and experienced, the manager will be in a position to supervise a large number of subordinates. On the other hand, if the manager has no confidence in the capacity and calibre of his subordinates, then the span will be restricted.

3. *Nature and importance of the work supervised:* If the work is repetitive in nature, the span of management may be larger, as it does not require much attention and time on the part of the executive. On the other hand, where the executive's work involves complicated decision making, direction or coordination, the number of persons under his supervision should be small.

4. *Clarity of plans and responsibility:* If plans are clearly laid down and responsibility is definite, then subordinates need not go to the superior frequently for orders, instructions or guidance. As a result, a large number of subordinates can be effectively supervised by an executive in such situations. On the other hand, in the absence of standing plans and defined responsibility, the executive will be overburdened with details, queries and problems, and to that extent span of management will be limited.

5. *Degree of decentralisation:* If an executive is not to take too many decisions himself due to decentralisation, he can successfully supervise a large number of subordinates. On the other hand, an executive with centralised authority has to make many of the decisions himself and will be able to spare less time for supervising the work of his subordinates. He will, therefore, have to work with a narrow span of management.

4.7.2 Advantages of Selecting an Appropriate Span of Control

The span of control must not be too narrow or too wide. If the span is too wide, then the individual supervision is tough and the control will be fruitless. On the other hand, if the span is too narrow, then there will be extreme supervision of employees which will affect their performance.

An appropriate span of control results in the following benefits:

1. *Improved supervision and control:* If there is an appropriate span of control, then the superior will have a limited number of subordinates under him. This will result in better supervision and control.

2. *Superiors can concentrate on important work:* If there is an appropriate span of control, then the superior will get time to concentrate on important work.

On contrary. if the span of control is very wide, then the superior will have to spend most of his time on supervising and controlling his subordinates.

3. *Higher efficiency:* An appropriate span of control results in better supervision and control. This increases the efficiency, productivity and profitability of the organisation.

4. *Enhancement in goodwill:* An appropriate span of control increases the efficiency of the organisation. Therefore, they distribute good quality goods and services at fair prices to the customers. They also give high rate of dividend to the shareholders. All this increases the goodwill of the organisation.

5. *Good professional relations:* If there is an appropriate span of control, then the superiors and subordinates will get time to develop close and good professional relations between themselves.

6. *Team spirit and morale:* An appropriate span of control creates good relations between superiors and subordinates. This improves the team spirit and morale of the employees.

7. *Effective communication and coordination:* If there is an appropriate span of control, then superiors will get time to communicate with every single subordinate. This will improve the communication in the organisation. Effective communication results in proper coordination. Therefore, an appropriate span of control results in effective communication and coordination.

8. *Facilitates quick action:* An appropriate span of control results in good professional relations, better communication and coordination. This facilitates quick action in the organisation.

9. *Fewer labour absenteeism and turnover:* An appropriate span of control helps to decrease the labour absenteeism and turnover in the organisation.

10. *Advances discipline and mutual trust:* An appropriate span of control helps to develop discipline and mutual trust.

4.8 DEPARTMENTATION

Departmentation may be defined as the process of grouping activities into units and sub-units for purposes of administration. The administrative units and sub-units so created may be designated as divisions, units, branches, sections, jobs, etc. The process of departmentation takes place at all levels in the organisation.

The chief executive groups act in major divisions, such as production, sales, finance, etc. These divisions are administered by senior executives who report directly to the chief executive. The senior executives further, assign duties to their juniors.

Example: The sales manager may divide his activities in relation to different products sold, area or customers served or on the basis of activities like advertising, marketing research, customer service, and so on. At the lower level, there may be Sales Assistants, Sales Representatives, etc.

Thus, in terms of the level of management at which departmentation may be done, the whole process may be divided into the following three stages:

1. *Primary departmentation:* Initial break-up of functions into basic activities.

2. *Intermediate departmentation:* Creating departments in the middle levels of the organisation.

3. *Ultimate departmentation:* Dividing activities into separate units at the lower levels.

4.8.1 Bottom-up and Top-down Approaches

There are two approaches to Departmentation. In the top-down approach, activities are divided step by step downward from the chief executive's job to the operating jobs. On the other hand, in the bottom-up approach, the division of activities is carried on in a reverse order.

The organisation can be worked from the bottom to the top, instead of following the conventional system of organising from the top to the bottom. Thus, tasks at the lower level may be grouped into individual jobs; the jobs grouped into administrative units and the units grouped into larger units so as to establish the top level management. In practice both the approaches are used.

4.8.2 Patterns of Departmentation

There are some basic patterns or methods of departmentation within an organisation structure discussed below:

Departmentation by Functions

It refers to grouping activities of the enterprise into major functional departments. An enterprise may have separate divisions for production, sales and purchases, accounts and personnel. These primary functional departments can further be divided to form secondary departments.

Example: As the enterprise grows in size, sales department may be replaced by a marketing department. The marketing department may further be divided into marketing research, advertising and promotion and sales departments.

Thus departmentation by function is the most popular basis of departmentation and is found in almost every enterprise at some level or the other.

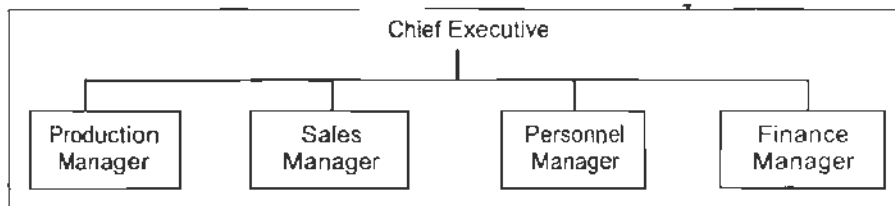The following charts show organisations structured on the basis of functional divisions:

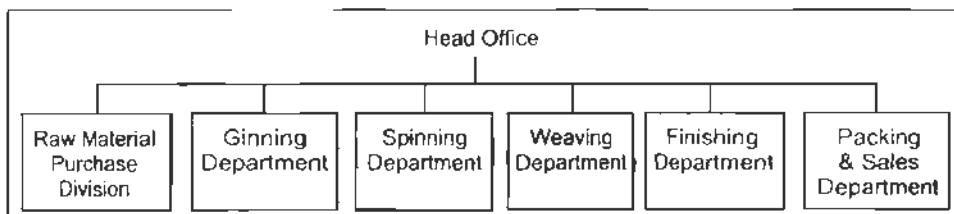**Figure 4.1: Organisation Chart showing Major Departments**

Figure 4.2: Organisation Plan of a Textile Manufacturing Company

```
                    Marketing Manager
                    |- - - - - - -  Research
                    |                 Officer
          ----------|----------
          |                     |
      Sales                Advertising and
      Manager              Promotion Manager
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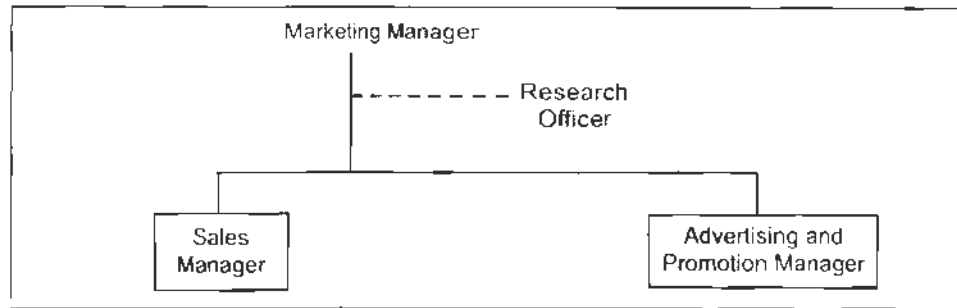
Figure 4.3: Marketing Set-up of a Company

Merits of Functional Organisation Structure

The functional form of organisation structure has many advantages:

1. It can employ experts in various functional areas.

2. It represents a very natural and logical way of grouping activities of the enterprise.

3. It can achieve specialisation easily as time and energy can be devoted on similar groups of activities.

4. It is simple and easy to understand.

5. It facilitates coordination both with the function and at the inter-departmental level. It is easier for an executive of a particular department to coordinate activities of the persons in his department, rather than to coordinate activities pertaining to different functions.

6. It is a time-proved method and can easily be justified by the management.

7. As the organisation grows, the functional structure provides scope for expansion.

Demerits of Functional Organisation Structure

This form of departmentation has certain disadvantages which are given below:

1. *Narrow outlook:* A functional manager tends to create boundaries around his own department and thinks only in terms of his own department. He may fail to see the business as a whole.

2. *Difficulty in coordination:* The loss of overall perspective results in internal frictions among various functional managers and the advantage of coordination becomes its shortcoming. The coordination between different functional areas becomes more difficult.

3. *Delay in decision making and relaying them to the lower level:* With the growth of the enterprise, centralisation tends to become excessive and it causes delay in decision making and flow of information. Decision on major problems only can be made at the top of the organisation. Communicating decisions to the bottom of the organisation pyramid further delays the process of decision making and its implementation.

4. *Promotion prospects reduced:* The enterprise cannot offer comprehensive training for all promotable managers. A manager supervising a particular function is treated as an expert in handling problems of that particular function only.

5. *Other difficulties:* This type is unsuitable where either geographical centralisation is required or emphasis on product lines is called for.

This type of departmentation is very popular with large organisations having different types of products. Here product lines are segregated and special product managers are put in charge of each line.

Example: An electronic company may have different departments dealing with light bulbs, fluorescent tubes, electric generators, household electric appliances, etc.

Thus, each product department may be responsible for manufacturing, selling and further developing one distinct product line. The Head Office can establish objectives of the various divisions in terms which are significant for the enterprise as a whole and the performance of each department can be judged accordingly.

Example: A simple diagram of product departmentation of an enterprise manufacturing different products – A, B and C would appear as follows:
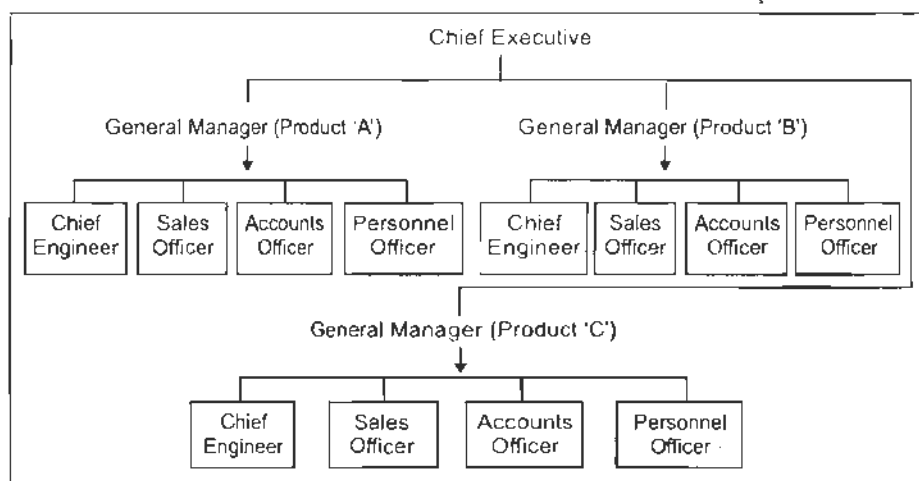
Figure 4.4: Departmentation by Products or Services

It is clear from the above diagram that the manager-in-charge of a department enjoys authority over manufacturing, sales, accounts and personnel functions relating to the particular product. Such a departmentation is known as multifunctional product departmentation because each department handles all the functions concerning it.

Departmentation by Product (Matrix Structure)

In some cases, departmentation by product, as discussed above may not be advisable. In an organisation, many products may use the same equipment or be sold by the same sales persons or distributed through the same marketing channels. In such cases, departmentation by product (matrix structure) has been suggested.

The following chart shows this type of structure.
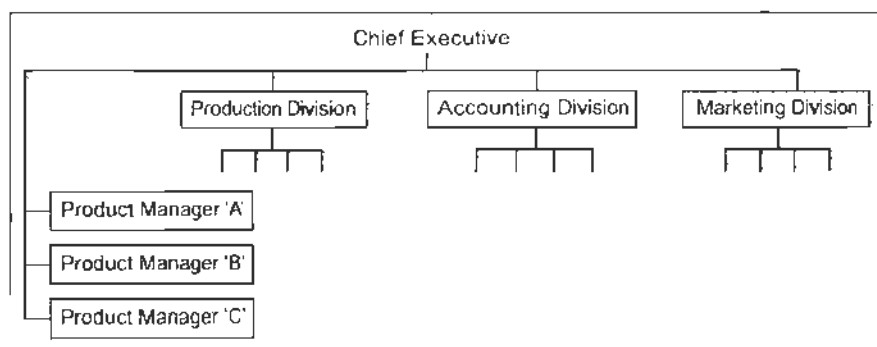
Figure 4.5: Departmentation by Product

In departmentation, product managers do not have line authority over the persons in the production, accounts and marketing departments.

Merits of Departmentation by Product

1. Product departmentation enjoys the advantage of specialised product knowledge.

2. It is easier to ascertain the performance of each product line and therefore, an unprofitable line can be dropped.

3. The manager-in-charge of the product is motivated for expansion, improvement and diversification of the product, as responsibility for performance for a particular product is entrusted to him.

4. Top management gets detailed and intimate information regarding the markets in relation to the specific products.

5. The problem of coordination present in the Functional Departmentation is removed here. The functions of manufacturing, selling, etc., of different products are performed by different executive-in-charge, and therefore, the chief executive has not to bother much about coordination. So far as coordination of different activities connected with a particular product is concerned, that is looked after by the particular executive in-charge.

6. It makes control effective because accounts are maintained separately for each department.

7. It is helpful in the development of all-round managers because a product department manager has the knowledge of each function to be performed in that department.

8. It is not at all difficult to add a new division by merely extending the line and having an executive in-charge and staff for the new product. The existing operations are in no way dislocated.

9. It is most suitable where product lines are complex and diverse and require specialised knowledge for selling and marketing as well as salesmen with specialised knowledge.

Example: When a company has the divisions shown in the chart below it may be advantageous to have departmentation by products.
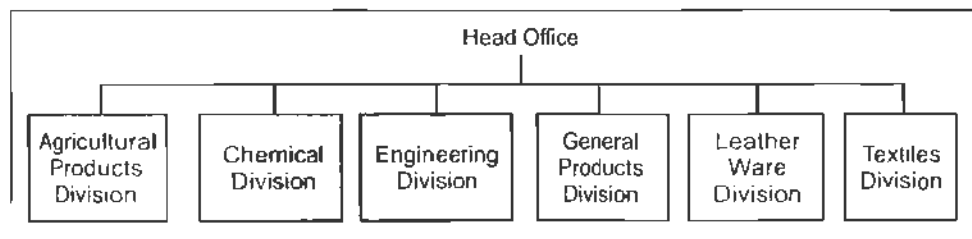
Departmentation by Products

Demerits of Departmentation by Products

1. The product departmentation may sometime lead to difficulties in coordination. Executive-in-charge of a product who has been successful in running his department may well be prompted to acquire more power for himself and thus pose a problem of coordination for the chief executive. This may lead to a 'functional decentralisation'. The drawback of functional decentralisation can be remedied through centralisation of certain key activities and major policy decisions at the top of the enterprise.

2. It involves extra costs of maintaining separate sales forces for each product group. This may also lead to duplication of certain costs such as travelling expenses. Also it may cause customer annoyance and confusion when two or more salesmen call on the same customer. However, this drawback will not affect adversely when the product lines are complex and diverse requiring salesmen with special knowledge.

Example: An enterprise selling both consumer and industrial goods may find it advantageous to have separate sales organisations for them.

The Hindustan Unilever and the Delhi Cloth and General Mills are the glaring examples. Also, big department stores in big cities are organised on this pattern.

Departmentation by Project Team (Matrix Structures)

In some organisations, departmentation by project-teams has been successful. A team may be set up within an existing organisation for the purpose of conducting a study of the particular geographic region, or design and produce a new product or industrial machinery or complete a specific assignment in time and within an estimated cost.

A project manager may be appointed to analyse the activities that must be performed to achieve established goals and manage the project. He is drawn from the management ranks of the organisation. He may select personnel from different functional departments involved in the project. When the project is completed, people may return to their original departments; or if a new project is taken, they may work on it. The departmentation by project team, in its form, is similar to the departmentation by product (matrix structure).

The manager has to give full attention to the progress of that project or product in both departmentation by product and departmentation by project.

However, there are some differences between the product and project departmentation. The product departments are usually permanent, project department is usually temporary, even though it may last for several months. In a product manager's office, only a few persons are engaged to coordinate the efforts of line departments whereas in a project manager's office, number of people employed may be larger as they are required not only for coordination but also for performing actual work.
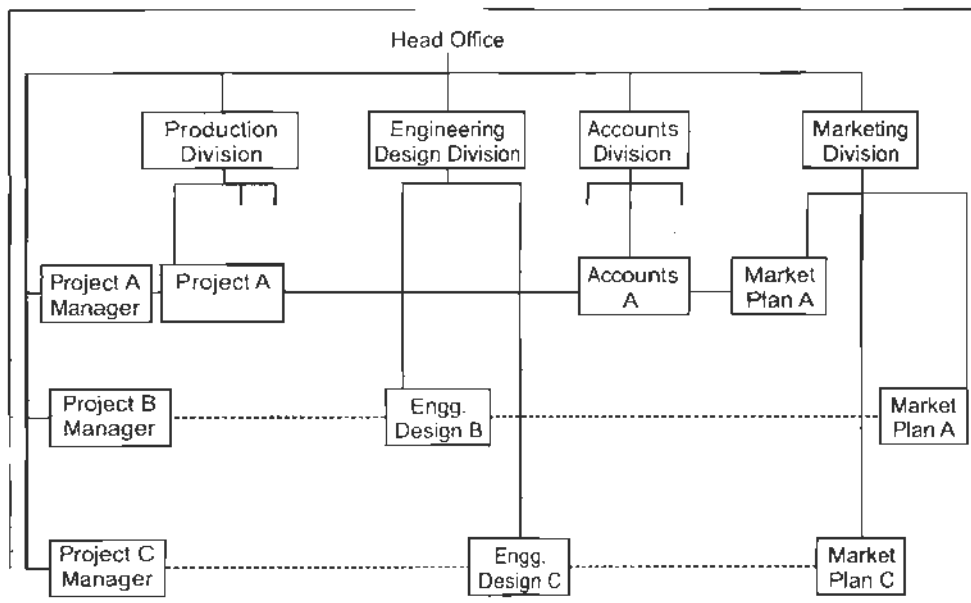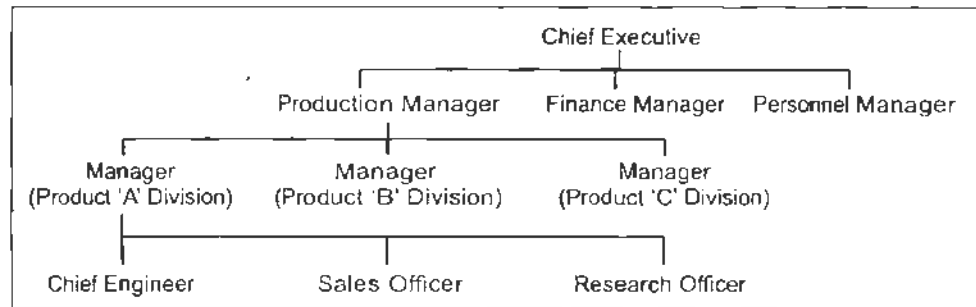

Figure 4.6: Departmentation by Project Team

Combined Type

Many business enterprises adopt composite pattern of departmentation, i.e., a combination of functional and product departmentation. Finance and personnel functions may be performed in separate departments. Remaining functions may be performed under the respective product departments.

Thus, the advantages of both the functional and product departmentation may be enjoyed by an enterprise. However, a clear distinction has to be made between the line and functional authority.

Example: In the Figure below, managers of Finance and Personnel Departments will report direct to the chief executive.

```
                                    Chief Executive

              Production Manager      Finance Manager   Personnel Manager

    Manager                 Manager                  Manager
(Product 'A' Division)  (Product 'B' Division)  (Product 'C' Division)

   Chief Engineer          Sales Officer           Research Officer
```

The above structure shows that the Finance and Personnel Departments have only functional authority but no line authority.

Departmentation by Territory/Area/Location

Territorial divisions may be created where activities are widely dispersed. Activities may be grouped area-wise and assigned to the executive in-charge of the respective areas.

For instance, production activity may be grouped area-wise by establishing separate plants in each area of operation to assemble, refine and manufacture the same product in each area.

The economies of local operation can be achieved in this way. Local plant can enjoy the goodwill of the local people some of whom are recruited as labourers. This may ensure lower transportation cost and quick delivery of the products to the customers in different areas.

Example: Sales activities of an enterprise can be organised area-wise. This is because adaptation to local situations and understanding of customer needs peculiar to a given area are facilitated under this type of departmentation. The sales managers can appoint local people as salesmen. These salesmen will naturally be familiar with the consumer preferences and language of the people. There will be no communication barrier.

```
                         Chief Marketing Manager

   Zonal Sales              Zonal Sales               Zonal Sales
 Manager (North)          Manager (South)          Manager (Central)

Sales Officer (North-East)   Sales Officer (North-West)
```
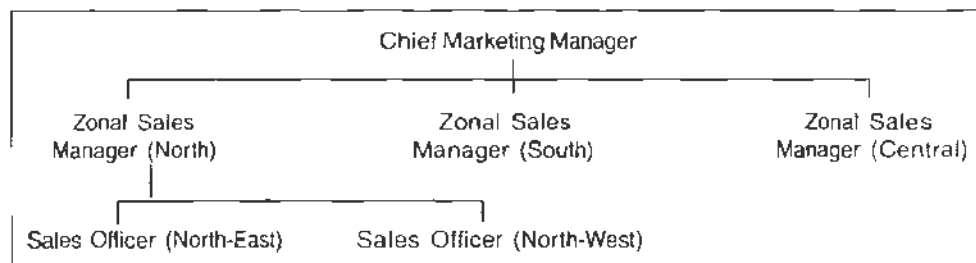
In the above chart, the market area is broken up to into three sales territories. Each territory is under the supervision of a manager. These territories may be referred to as

Zones, Districts, Divisions or Regions. The Head Office helps in long-range planning, coordination and specialised staff services such as research and advertising.

In some cases, especially in case of complicated products, specialists are even attached to territorial offices.

Pure territorial departmentation is seldom adopted in practice. In some cases, it is not advisable to group an activity area-wise, for instance, finance, personnel, purchasing, etc. It may not be worthwhile to have area-wise finance departments. Also, it may be advantageous to have a central personnel department.

Merits of Departmentation by Area/Location

1. It ensures full attention to different customer groups and thus helps build company's image and goodwill.

2. It is most suitable where the major emphasis is placed on better services to specialised types of customers using the company's products or services. This becomes possible as under this type, customers are divided into identifiable groups.

3. It helps managers in taking quick decisions and prompt action as they are aware of local conditions.

Demerits of Departmentation by Area/Location

1. It involves higher cost in operation and control due to duplication of activities in different product divisions.

2. It requires large number of personnel to task positions in different areas.

3. The relations between head office and zonal offices may not be very smooth if staff departments do not have complete understanding.

Departmentation by Customers

An enterprise may be divided into a number of departments on the basis of the customers that it serves. Thus, a marketing or sales department may be sub-divided on the basis of customers.

The sub-division can be on any one of the following basis:

- Large and small customers
- Rich and poor customers
- Government and Non-government customers
- Industrial and ultimate buyers
- Age (child, adult)
- Sex
- Income
- Taste, etc.

This type of departmentation may be particularly useful in case of companies that render specialised services or turnkey operations.
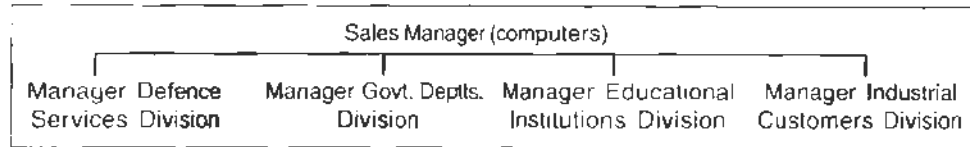
The following chart illustrates the point:

Sales Manager (computers)			
Manager Defence Services Division	Manager Govt. Deptts. Division	Manager Educational Institutions Division	Manager Industrial Customers Division

Figure 4.7: Departmentation by Customers

In practice, majority of organisations have mixed type of departmentation. The organisation structure is a combination of functional, product and service, locational and project departments.

Example: Organisation Structure of TISCO

A brief analysis of the organisation structure of Tata Iron and Steel Company Ltd. ('TISCO') would testify to this phenomenon.

Tata Iron and Steel Company Ltd. (TISCO), owns the biggest private sector steel plant in India. It also owns several mines and collieries. The Managing Director of the Company is the Chief Executive. He is assisted by:

1. Deputy Managing Director who is in-charge of manufacturing operations, research and development and projects.

2. General Manager (Services) and Director who looks after purchase, planning, social, aviation and general services.

3. Director of Industrial Relations who looks after negotiations with labour, joint management councils, wages and salaries, etc.

4. Divisional Managers (3) who are in-charge of collieries, Adityapur Complex and mines separately.

5. Director of Finance and Accounts who controls the accounts and manages company's finances.

6. Internal Audit Officer, and

7. Director of Marketing and Sales, who is in-charge of marketing function.

The organisation structure of the company is a combination of different types of departments. Most of the divisions are formed on functional basis. Some divisions are on product basis. Then there are departments which are looking after certain services. There is a full-fledged project department also. Departments on territorial basis under zonal managers or officers are also there.

Functional departments: Manufacturing operations, research and development, industrial relations, finance and marketing etc., are the functional divisions. R&D is looked after by a Director. The General Manager is in-charge of manufacturing operations. Industrial relations division is headed by a Director. Similarly, the finance and marketing functions are also looked after by separate Directors.

Product and service departments: The General Manager (operation) is assisted by Manager (Management Services), General Superintendent and Chief Personnel Manager. The Division Manager (Collieries) is assisted by Assistant Development Manager (Project), Chief Administrative Manager and Chief Mining Engineers. It would appear from the structure of the above two divisions, viz., Operations and Collieries that they are having independent departments under them for certain services. For example, the Chief Personnel Manager under General Manager (Operations) has nothing to do with the personnel problems of Collieries where personnel and welfare officers are under the Chief Administrative Manager who report

directly to the Divisional Manager (Collieries). Similarly the Assistant Development Manager (Projects) reports directly to Divisional Manager (Collieries), and not to the Director of Projects who has a full-fledged division of his own under the Deputy Managing Director.

The services departments are under General Manager (Services) and Director; social, aviation and general services such as town administration, hospitals, etc. are looked after by this division. In addition, the purchase function of the organisation is also within its jurisdiction. These departments thus provide common services to other divisions of the organisation.

Territorial departments: Sales operations are spread throughout the country. There are three Assistant Sales Managers, four Zonal Managers, and two Senior Branch Managers and twelve Branch Managers who are organising sales in different parts of the country. Controller of Purchase and Stores has an office at Kolkata also where Manager Purchase is in-charge. Mines at different places are looked after by Agent/Superintendents.

Project departments: There is a full-fledged project department under Deputy Managing Director. The department is headed by Director of Projects who is assisted by the Chief Inspection Engineer and Joint Director of Projects. Collieries have their own project division headed by an Assistant Development Manager. The project divisions have specialists and engineers to assist the management.

The structure is overall decentralised which is a must for operational flexibility in a large organisation. The number of senior executives (Deputy Managing Director, Directors and Divisional Managers and General Manager) directly reporting to the Chief Executive, the Managing Director of the company, is eight which may be considered ideal for a company of the size of Tata Iron and Steel Company Limited.
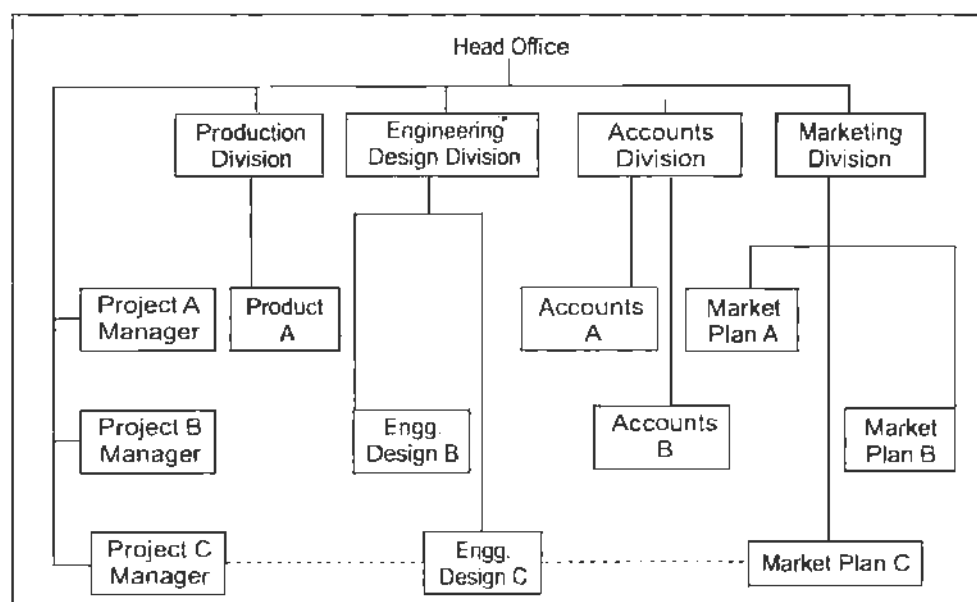

Figure 4.8: Organisation Chart of TISCO

Check Your Progress

Fill in the blanks:

1. An organisation is definitely the __ _____ of management through which operations of an enterprise are run.

2. The pattern of an organisation structure has strong influence on the development of_____.

3. A continuous _____ _____ should be made to ensure that there is a reasonable balance, the size of the various parts should be in balance and none of the functions should be given undue emphasis at the expense of others.

4. Product departmentation enjoys the advantage of _____ product knowledge.

4.9 LET US SUM UP

An organisation can be defined as a group of people who are cooperating under the direction of leadership for the accomplishment of a common end. Organising 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. The principles which a manager has to keep in view when he designs the organisation structure are accomplishment of objectives, efficiency of operation, functional similarity, balance between authority and responsibility, single accountability, unity of command, functional growth, span of control, flexibility, stability, etc.

Once an organisational structure is determined, the same can be shown in a simple way with the help of a chart. It shows important aspects of an organisation including the major functions and their respective relationships, the channels of supervision, and the relative authority of each employee who is in-charge of each respective function. Span of Control can be defined as the total numbers of individuals i.e., the employees or the subordinates that a manager can effectively supervise and control. Departmentation may be defined as the process of grouping activities into units and sub-units for purposes of administration. The administrative units and sub-units so created may be designated as divisions, units, branches, sections, jobs, etc. Departmentation can be done on the basis of Functions, by Products or Services, by Project Team, or a combination of both, by Territory or Area or Location, by Customers, etc.

4.10 LESSON END ACTIVITIES

1. Take any two companies of your choice and conduct a comparative analysis on the organising process followed by them.

2. Prepare a magazine-size article of the different types of organisation structure that you see in any particular industry of your choice. Also, mention in your article how these structures have changed overtime.

4.11 KEYWORDS

Authority: Authority is the right to act, to issue orders and exact obedience from others.

Departmentation: Departmentation refers to the organisational tool of classifying the activities or operations of an undertaking into functionalised categories.

Job Enlargement: Job enlargement is a job design technique wherein there is an increase in the number of tasks associated with a certain job.

Narrow Span of Control: Narrow span of control means a single manager or supervisor oversees few subordinates.

Organisation Chart: Charts reflect the organisational game plan for division of work; they give a complete and intelligent guide to company organisation.

Organising: Organising is the process by which employees, facilities and tasks are related to each other, with a view to achieve specific goals.

Span of Control: A span of control is the number of people who report to one manager in a hierarchy.

Strategy: A method or plan chosen to bring about a desired future, such as achievement of a goal or solution to a problem.

Wide Span of Control: Wide span of control means a single manager or supervisor oversees a large number of subordinates.

4.12 QUESTIONS FOR DISCUSSION

1. Elucidate "Organisation as a Group".

2. What are the factors to be considered in the establishment of an organisation?

3. Suggest the various bases for departmentation in a business enterprise.

4. Examine the factors that govern the choice of any particular basis of departmentation.

5. Distinguish between the departmentation by functions and departmentation by products.

6. Mention the cases where departmentation by territory can be useful.

7. What is meant by (i) formal and (ii) informal organisation structure? Do you think that both are needed?

8. Discuss the advantages and disadvantages of functional, product, territorial and customer-wise departmentation.

9. What is departmentation? State the important principles of departmentation.

10. State factors which affect 'departmentation'. It is generally conceived that authority to command and power to enforce should be fully decentralised throughout an organisation. Explain how they are made effective in a company in which 'bottom up' is an established policy.

Check Your Progress: Model Answer

1. Backbone

2. Executives

3. Survey

4. Specialised

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BLOCK II

UNIT- 5

ORGANISATIONAL RELATIONSHIPS AND PROCESSES

5.0 AIMS AND OBJECTIVES

After studying this lesson, you should be able to:

- Discuss the authority relationships
- Elaborate the line and staff organisation

- Illustrate the meaning and features of delegation of authority

- Discuss about centralisation and decentralisation

- Define committee organisation

- Identify the recent trends in organisation structures

5.1 INTRODUCTION

In the previous lesson, you have learnt the meaning and basic concepts of organising. You have also studied the structure of organisation in the last lesson. Further in the last lesson, you have read about the concept of departmentation and its basis for categorisation. Now in this lesson, you will study about the authority relationships.

Authority is the right to perform or command. It allows its holder to act in certain designated ways and to directly influence the actions of others through orders. In this lesson, we will discuss about the delegation of authority and principles of delegation. Delegation is probably the most important of all the skills a manager must possess. It is a process followed by managers for dividing his work, entrusting part of it to his subordinates and establishing the conditions that will enable him to hold them accountable for performance. Then you will be introduced with the concepts of centralisation and decentralisation.

The study of this lesson will confine with the concept of committee organisation. In business enterprises, the board of directors constitutes the committee at the highest level. The purpose of such committees is to discuss various problems and recommend solutions to the management. It is generally found to co-exist with line and staff type of organisation.

5.2 AUTHORITY RELATIONSHIPS

Managerial Authority is the right to act or direct the action of others in the attainment of organisational goals. Thus, the executive makes various decisions regarding the affairs of a company because he has been authorised to do so.

According to Henry Fayol, "Authority is the right to give orders and the power to exact obedience".

In the words of Koontz and O'Donnell, "Applied to the managerial job, authority is the power to command others to act or not to act in a manner deemed by the possessor of the authority to further enterprise or departmental purpose".

Herbert Simon regards authority as, "The power to make decision which guides the actions of others".

From the above definitions, it is obvious that the term authority denotes:

- The superior's capacity on the basis of his formal position;

- The superior's right to make decisions affecting the behaviour of subordinates;

- The superior's right to issue orders and ensure compliance thereof by the subordinates;

- Subordinates' acceptance of the superior's right to issue orders.

Example: A Manager says: All people in Department "Y" should obey the new Department Head.

Louis A. Allen has defined authority, "As the sum of the powers and rights entrusted to make possible the performance of the work delegated". He has classified authority into three categories, namely:

(i) Authority of knowledge,

(ii) Authority of position, and

(iii) Legal authority.

According to him, authority of knowledge is possessed generally by the staff specialists appointed by the company. They often influence the actions of persons in line by virtue of their knowledge. Some persons have authority by virtue of their position in the organisation. Legal authority is the authority which is entrusted to a person by the law of the land. For instance, a company is a legal person and has a right to sue others according to the provisions of the Companies Act.

5.2.1 Sources of Authority

There are three different schools of thought about the sources of authority which are discussed below:

Formal Authority Theory

According to this theory, all authority originates in the formal structure of an organisation. The ultimate authority in a joint stock company lies with the shareholders. Shareholders entrust the management of the company to the Board of Directors and delegate to it most of their authority. The Board of Directors delegates authority to the chief executive and chief executive in turn to the departmental managers and so on. Every manager or executive possesses authority because of his organisational position and this authority is known as formal authority. Authority conferred by law is also regarded as formal authority. Subordinates accept the formal authority of a manager because of his position in the organisation. The subordinates are aware of the fact that if they disregard the formal authority they will be punished according to the rules and regulations of the company. The formal authority theory further states that the superiors have the right to delegate their authority. Thus, formal authority always flows from top to bottom.

Acceptance Theory

This theory states that authority is the power that is accepted by others. Formal authority is reduced to nominal authority if it is not accepted by the subordinates. The subordinates accept the authority if the advantages to be derived by its acceptance exceed the disadvantages resulting from its refusal. The subordinates give obedience to the managers because they visualise the following advantages:

- Receipt of financial incentives
- Contribution in attaining the objectives of the enterprise
- Fulfilment of responsibilities
- Appreciation from colleagues
- Setting of an example for others
- Responsibility to leadership of superior
- Moral obligation because of regard for old age, experience, competence, etc.

According to acceptance theory, authority flows from bottom to top. A manager has authority if he gets obedience from the subordinates. Subordinates obey the manager

because of the fear of losing financial rewards. This theory emphasises sanctions that a manager can use and overlook the influence of social institutions like trade unions.

Competence Theory

The supporters of this view assert that an individual derives authority because of his personal qualities and technical competence. Many persons derive informal authority because of their competence. For instance, if a person possesses expert knowledge in a particular subject people will go to him for guidance, even though he does not have formal authority.

5.3 LINE AND STAFF RELATIONSHIP

Line and staff are two terms that are often used in ways that are loose and unclear. Attempts have been made in some organisation to dispense with them, and thus "operating" is frequently substituted for line and "auxiliary" and service is common substitutes for "staff." Clarification will be achieved if we examine the terms in the light of work done and authority exercised.

5.3.1 Line Organisation

A line or operating organisation unit is one that is actually doing the work that represents the primary mission of the larger organisation unit of which it is a part.

Each department has got responsibilities and is working as self-supporting unit.
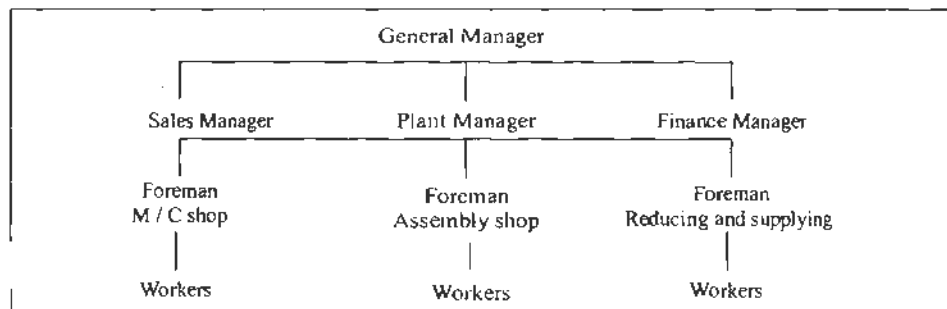
Figure 5.1: Line Organisation

A business controlled under the line form of organisation may act more quickly and effectively in changing its direction and policy than any other form of organisation. Authority is passed down from the owners through a board to directors to a general manager, to whom the heads of the various departments respond as shown in Figure 5.1. Each department in importance, is a complete self-sustaining unit, its head being responsible for the performance of its particular process, product or function. This means that the foreman must—(1) Direct its techniques, (2) Formulate the necessary work specifications, (3) Sometimes purchase materials, (4) Plan and schedule the work, (5) the necessary materials handling and (6) Keep the necessary shop cost and production records. The procedure would be repeated in all other departments with complete control centred in each head subject only to the will of the general manager, whatever little research, planning or central record keeping is required fall upon general manager.

Example: An assembly department in the manufacturing division or a selling branch in the sales division.

5.3.2 Line and Staff Organisation

A staff or service organisation unit is any unit which is helping to do its work, or making it possible for the line to do its work, but is not actually engaged in the work

itself. Today most of the industries in India and abroad are using this form of organisation. Individual industry may bring certain changes in the above said organisation system depending on the size of the industry and the situation.

Basically it is the form of line organisation where some experts are introduced at different levels in the line organisation as shown in the Figure 5.2. These experts help in carrying out the work of line executives and thus their work is lightened.

Source: http://www.scribd.com/doc/24970602/Authority-Relationship

Figure 5.2: Line and Staff Organisation

It is very difficult to express the relationship between the line executives and staff executives, but in a very simple way the concept of the duties can be expressed. Line executives do while the staff executives advise how it is to be done. In any organisation, the staff executives offer four types of services.
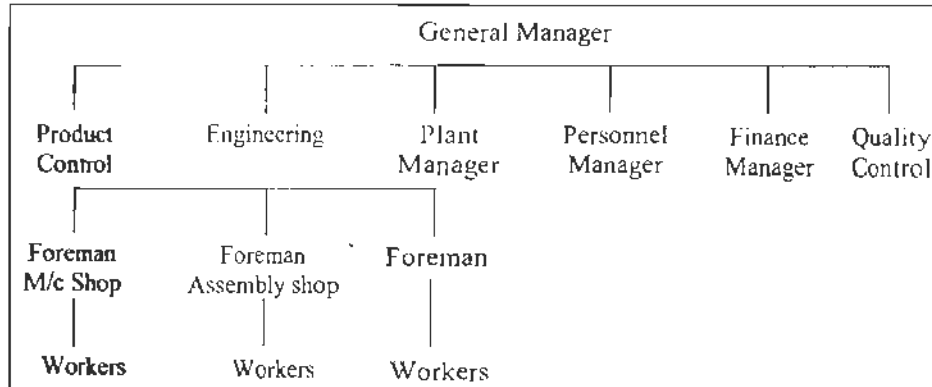
1. Advice

2. Control

3. Service

4. Coordination

The whole idea of this system is that the specialised work in connection with analysis, research, labour, standardising, costing, material, equipment, etc., should be left to experts who can solve the problem of high technical standard and thus the departmental managers are free to organise, control and supervise the productive activities.

Example: A purchasing unit, a time study unit, a payroll preparation unit, in service training unit, etc.

5.3.3 When Line, When Staff?

Misunderstandings arise from failure to realise that whether an activity is "line" (operating) or "staff" (service) depends upon whose shoes you are putting on and when you are looking at the operation. Thus, the total organisation headed up by a controller render service to all of the other organisation units in the entire company. Those other units therefore look upon this organisation unit as staff or service. The controller however, looking at his own operations can consider the various units within his organising units as far as he is concerned. He may, however, within his own organisation, set up staff units (perhaps an economist to advise him or a special analysis devoted solely to improving procedures in his own department).

5.3.4 Organisational Relations and Lines of Authority

It is frequently said that a member of a staff unit cannot tell a manager or a member of line unit to do anything rather he can only inform or suggest or advise or offer his specific services. This is largely true, but there are exceptions.

Example: A safety engineer may shut down a line activity as quality inspector.

Similarly it is often said that a line manager cannot issue direct orders to staff or service man.

This is an over simplification. Following are seven distinct types of line and staff relationships:

1. *Advisory:* Here the staff unit is one that offers advisory help, only an operating manager may or may not avail himself of it. He may request it, but the staff unit cannot foist itself from him. However, the staff unit may volunteer suggestions on the basis of observations made, even though uninvited.

2. *Services requested:* This relationship is similar to the above, but involves services rather than advice or suggestions. The relationship of the staff personnel is similar to that of an outside contractors personnel – their "boss" is their own staff unit head. Staff services rendered to an organisation unit as part of fulfilling the units mission supplied on a programmed basis.

   Example: There may be certain periodic specialised technical services rendered by headquarter engineering unit to customers served regularly by the customers' service department working out of a branch plant. There should be no question about lines of direct supervision – the direct chain of command of these specialists or technicians is to the head of the central staff unit, and the latter is responsible for the quality of their service and their mode of operating. The head of the customers' service department at the branch cannot attempt to supervise the specialists, but he can communicate directly with the head of the central staff unit if he questions the quality of their work, their adherence to schedule, etc. At the same time, the head of the central staff unit cannot dictate the degree of utilisation of the services since this is stipulated by an overall programme previously authorised at a higher level.

3. *Auxiliary services necessary to operations, regularly supplied:* The supplying organisation unit has the right to insist that the operating organisation follow officially specified rules having to do with reporting, requisitions or other information necessary to rendering the service.

   Example: Accounting and procurements.

   If established procedures are not complied with, personnel of the service unit (after normal courtesies in the form of requests to the operating personnel) have the right to insist to the operating supervisor that corrective action be taken. Personnel of the using organisation unit can communicate directly with the supplying unit to request service or information about service as long as specified initiating or confirming paper work is executed.

4. Functional relationship between a central staff unit and personnel in a counterpart staff unit attached to an operating organisation unit.

   Example: A central quality control department which operates through a quality control department at each plant, and a central personnel department which operates through a personnel department at each plant.

5. Relationship between a department head and personnel assigned to them by a staff unit—specialised personnel are often assigned to an operating unit by a staff unit which is responsible for their training and for the quality of their professional

work. They are considered as being permanently attached to their home staff unit, even though their assignment may be of relatively long duration. But they are under the administrative command of the head of the operating unit and for accounting purposes may be on the operating unit's pay-roll. They are under the professional command of the head of their staff unit. Professional command means that the staff unit head and not the operating unit head lays down the procedures and sets the standards with respect to their professional work.

6. Relationship between an operating executive and an advisory or service staff person or unit directly reporting to hxim and relationship between the staff personnel and other personnel in the organisation units under the operating executives.

The staff man or unit only supplies information and advice, and recommends. The operating executive is the one who must make the decisions and take action. The staff unit can act only in the name of that executive – it cannot tell other employees what they must do or must not do.

5.4 DELEGATION OF AUTHORITY

Every manager must delegate some tasks or duties to subordinates, since management means getting work done through others. Organisation becomes operational through delegation only. Effective managers will normally delegate as many operating tasks as possible to subordinates and concentrate their efforts on (exceptional) management tasks. Theoretically speaking, to delegate means to grant or confer; hence the manager grants or confers on others, certain duties in the form of work and authority. It is an authorisation to a subordinate manager to act in a certain manner independently.

According to F.C. Moore, "Delegation means assigning work to the others and giving them authority to do so."

According to O.S. Miner, "Delegation takes place when one person gives another the right to perform work on his behalf and in his name and the second person accepts a corresponding duty or obligation to do that is required of him."

According to Louis Allen, "Delegation is the dynamics of management, it is the process a manager follows in dividing the work assigned to him so that he performs that part which only he, because of his unique organisational placement, can perform effectively, and so that he can get others to help him with what remains."

In short, delegation is the entrustment of responsibility and authority to another and the creation of accountability for performance.

5.4.1 Features of Delegation

Some of the important features of delegation may be listed as follows:

1. *Two-sided relationship:* Delegation is a two-sided relationship. It is a demanding function; it requires sacrifices from both the assignor and the assignee. The superior must be willing to sacrifice a portion of his authority and the subordinate must be prepared to shoulder additional responsibilities.

2. *Act of trust:* Delegation is an act of trust, an expression of confidence that the individual to whom duties are assigned will discharge them in a manner which satisfies the intention of the assignor. This also involves an assumption on the part of the assignor that the individual to whom duties are assigned possesses the necessary skill and strength to be able to discharge those duties and that he possesses the requisite application and dedication to duty to be willing to discharge them.

3. *Freedom to think and act:* Delegation is a state of mind. A manager who indulges in second guessing, in being ultra-critical when mistakes are made, or in retaining inflexible and elaborate controls is virtually defeating delegation. Delegation means freedom of action sufficient to get the tasks accomplished. It means freedom to make decisions, freedom to make mistakes and freedom to use one's full capacities. This does not mean that the manager leaves the subordinate on his own to sink or swim. Nor does it mean that he gives him a life preserver. It does mean that the manager assumes the role of a coach.

4. *Dependency relationship:* Unfortunately, delegation creates a relationship of dependency between the superior and the subordinate. The subordinate is dependent on his superior for continued favour and for consistent support, to back him up if he runs into trouble, while sitting through the tasks entrusted to him. His conduct tends to be determined by the personal contacts and sentiments he forms towards his superior. In effect, his behaviour over the course of time becomes similar to that of his superior.

5. *A challenging task:* Delegation of authority is a courageous act. The fear of being ultimately responsible compels many managers to indulge in under-delegation. In fact, delegation poses an interesting paradox; the delegator gives and retains authority simultaneously and creates responsibility, yet does not escape ultimate authority.

   On the other hand, the manager is expected to adopt an attitude of hands off, once the grant of authority is made. Additionally he must create such an administrative structure where the freedom of different persons does not clash and where orderly relationships prosper.

6. *Forward-thinking principle:* Delegation, from a behavioural point of view, is the 'most forward-thinking principle'. It opens a new chapter in superior subordinate relationships. The granting of freedom to act by the superior is evidence of confidence in the subordinate. The subordinate responds by developing a constructive sense of responsibility. He is cognisant of the fact that he is an end in himself, and not simply a means towards the ends of his superior. The acceptance of responsibility by the subordinate means changed responsibilities for the superior, and each finds himself playing a new dynamic role.

5.4.2 Limitations of Delegation

Delegation of authority does not imply the complete surrender of power. The capacity of the personnel who is being delegated must also be looked into. If delegation leads to too much concentration of work then it should be withdrawn as soon as possible to avoid the futility of delegation. Delegation is needed when the volume of work to be done is in excess of an individual's physical and mental capacity.

Following are the restrictions on the process of delegation:

- The extent of delegation is limited by laws, constitution other political institutions.

- Quantity of delegation depends upon the intellectual capacity and calibre of the personnel to be delegated.

- In the event of crisis, or in the starting periods of a new organisation, the daily routine powers may not be delegated.

- Frequent changes in the conditions of work also limit the extent of delegation.

- The size of the organisation and its geographical situation also act as limiting factor to the extent of delegation.

- System of communication also acts as a factor of the extent to which authority is delegated.

- Degree of coordination required for the organisation at the various levels also acts as a restricting factor.

5.4.3 Elements of Delegation

1. *Authority:* With relation to a business organisation, authority can be described as the power and right of a person to use and allot the resources effectively, to take decisions and to pass orders so as to attain the organisational goals. Authority must be well-defined. All people who have the authority should be aware what is the scope of their authority and they shouldn't misuse it. Authority is the right to pass commands, orders and get the things conducted. The top level management has highest authority. Authority always passes from top to bottom. It describes how a superior gets' work conducted from his subordinate by obviously explaining what is anticipated of him and how he should go about it. Authority should be escorted with an equal degree of responsibility. Delegating the authority to someone else doesn't infer escaping from accountability. Accountability still lies with the person having the greatest authority.

2. *Responsibility:* It is the obligation of the person to finish the task allocated to him. A person who is provided the responsibility should make sure that he accomplishes the tasks allocated to him. If the tasks for which he was held accountable are not finished, then he should not offer explanations or excuses. Responsibility without sufficient authority results in discontent and dissatisfaction among the persons. Responsibility passes from bottom to top. The middle level as well as lower level management holds more responsibility. The person held responsible for a job is answerable for it. If he conducts the tasks allocated as anticipated, he is bound for praises. While in case he doesn't attain tasks assigned as anticipated, then also he is answerable for that.

3. *Accountability:* It depicts giving explanations for any variance in the real performance from the anticipations set. Accountability cannot be allocated.

Example: If 'A' is given a task with sufficient authority, and 'A' delegates this task to 'B' and asks him to ensure that task is done well, responsibility rest with 'B', but accountability still rest with 'A'. The top level management is most accountable. Being accountable means being innovative as the person will think beyond his scope of job. Accountability, in short, means being answerable for the end result. Accountability can't be escaped. It arises from responsibility.

5.4.4 Process of Delegation

The process of delegation of authority comprises the following three components:

1. Entrustment of responsibility (duties of work) to the subordinate for performance.

2. Granting of authority to make use of resources, take necessary decisions and so on for carrying out the responsibility.

3. Creation of an obligation or accountability on the part of the person accepting the authority to perform in terms of the standards established.

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

1. *Assignment of Duties:* The delegator first attempts to define the task as well as duties to the subordinate. He also has to identify the result anticipated from the

subordinates. Clarity of duty as well as outcome expected has to be the initial step in delegation.

2. *Granting of Authority:* Sub-division of authority occurs when a superior divides as well as shares his authority with the subordinate. It is for this purpose, every subordinate should be offered sufficient independence to conduct the task offered to him by his superiors. The managers at all levels assign authority and power which is linked to their job positions. The subdivision of powers is very vital to get effective outcomes.

3. *Creating Responsibility and Accountability:* Responsibility is said to be the factor or duty of an individual to conduct his duties in best of his capability as per the directions of superior. Hence, it is that which offers effectiveness to authority. Simultaneously, responsibility is absolute and cannot be moved. Accountability, on the contrary, is the duty of the individual to conduct his duties according to the standards of performance. Accountability comes out of responsibility and responsibility comes out of authority. Hence, it becomes vital that with every authority position an equal as well as opposite responsibility should be linked. Therefore, it is said that authority is delegated, responsibility is created and accountability is imposed.

5.5 CENTRALISATION AND DECENTRALISATION

As the organisation becomes more complex in terms of increasing size, interdependence of work flow, complexity of tasks and spatial-physical barriers within and among groups, a functional requisite for efficiency is to move decisions to the operating level (Melcher). Managers, if overworked, will prove to be wasteful and unproductive; a liability for the organisation. To avoid such an unfortunate situation, it is necessary for the manager to delegate part of his work to others and allow them to take decisions independently on various matters.

Decentralisation actually refers to the degree to which authority is delegated to lower levels. Decentralisation is an extension of the concept (more appropriately, a refinement) of delegation and cannot exist unless authority is delegated. In decentralisation, a great deal of authority is delegated and more decisions are made at lower levels. It gives added responsibility to managers at all levels below the top. Centralisation is the opposite action. Authority and responsibility are tightly held by upper levels of the organisation and are not delegated. As Fayol stated, 'everything which goes to increase the subordinate's role is decentralisation, everything which goes to reduce it is centralisation'.

5.5.1 Centralisation

According to Allen, centralisation is the systematic and consistent reservation of authority at central points within the organisation. In centralisation, little delegation of authority is the rule; power and discretion are concentrated at the top levels. Control and decision making reside at the top levels of the management. The more highly centralised the organisation, the more control and decision making reside at the top. However, absolute centralisation is untenable because it would mean that subordinates have no duties, power, or authority. Most organisations start with centralisation of authority initially. Such an arrangement helps the manager to be in touch with all operations and facilitates quick decision-making.

Example: In a business concern, the father and son being the owners decide about the important matters and all the rest of functions like product, finance, marketing, personnel, are carried out by the department heads and they have to act as per

instruction and orders of the two people. Therefore in this case, decision-making power remain in the hands of father and son.

There are certain special circumstances forcing managers to reserve authority and centralise decision-making power:

1. *To facilitate personal leadership:* Centralisation generally works well in the early stages of organisational growth. Working under a talented and dynamic leader, a small firm can derive advantages in the form of quick decisions, enterprising and imaginative action, and high flexibility. Centralisation enables a small organisation to capitalise on the loyalties, ability and experience of its most talented top management people. Under this arrangement, the manager is in touch with all operations, makes all decisions and gives all instructions. Thus, centralisation can project the personality and skills of one outstanding leader more meaningfully.

2. *To provide for integration:* Under centralisation, the organisation moves like one unit. It keeps all parts of the organisation moving together harmoniously towards a common goal. It assures uniformity of standards and policies among organisational units. The danger of actions drifting and getting off course is minimised. The manager acts like a unifying force and provides direction to enterprise activities. In the process, duplication of effort and activity are also avoided. To see that all units do the same thing in the same way or at the same time without wasteful activity, centralisation is essential.

3. *To handle emergencies:* Centralisation is highly suitable in times of emergency. The resources and information can be mobilised quickly and efficiently. Quite often, emergency situations like declining sales, introduction of a highly sophisticated competitive product, government policy changes may force the organisation to cut down costs, maintain inventories at an optimum level, utilise resources effectively and instantaneously. Centralisation of decision-making ensures prompt action necessary to meet the emergencies.

However, centralisation makes it extremely difficult for managers to process the bundles of data regarding products, markets, costs, finances, people, etc., quickly and, take decisions in an appropriate manner. The managers are burdened with a great amount of detailed and exhaustive work; they have to work for painfully long hours and take a stuffed briefcase (of problems) home with them. Centralisation forces top management to possess a broad view that may be beyond their capacity. The vast amount of power given to a few people may be abused (power corrupts absolutely, and may be used as a 'whip'). More dangerously, the fortunes of the organisation depend on the health and vitality of top management people. The organisation is highly vulnerable to what happens to its dynamic and talented top management people. Centralisation floods communication lines to a few individuals at the top of the organisation. As a result, the speed of upward communications and decisions processes are slow. Lastly, centralisation kills the initiative, self-reliance and judgment of lower level personnel. It inhibits the development of operating personnel.

Advantages of Centralisation

1. Improved quality of work is possible because of standardised procedure, better supervision and use of improved-machinery.

2. Centralisation encourages and permits personal leadership.

3. Direct control and supervision are facilitated which results in less likelihood of conflict of authority and duplication of work.

4. The standardised procedure and method helps in considerably reduction of office cost.

5. Specialisation of work as well as process and handling of the work by the staff that has specialised in the work he is handling are a few of the meaningful advantages of specialisation.

Disadvantages of Centralisation

1. Centralisation creates loss of man-hours and delay in performance of work.

2. In centralisation, there is no subordinate's initiative in work because they are required to do such works which they were asked for. Workers work like machine which results in no involvement in work and absence of zeal. All these factors stand as barrier in the development of loyalty to work.

3. Secrecy is not possible in centralised set up organisation because here orders and decisions flow from one place and is conveyed to all.

4. Bureaucracy leads to red-tapism.

5.5.2 Decentralisation

Decentralisation is the systematic effort to delegate to the lowest levels all authority except that which can be exercised at central points. It is the pushing down of authority and power of decision-making to the lower levels of the organisation. The centres of decision-making are dispersed throughout the organisation. However, the essence of decentralisation is the transference of authority from a higher level to a lower level. Decentralisation, in recent years, has come to be accepted as a 'golden calf' of management philosophy. It has come to be associated as a fundamental principle of democratic management where each individual is respected for his inherent worth and constitution.

Example: The general manager of a company is responsible for receiving the leave application for the whole of the concern. The general manager delegates this work to the personnel manager who is now responsible for receiving the leave applicants. In this situation delegation of authority has taken place. On the other hand, on the request of the personnel manager, if the general manager delegates this power to all the departmental heads at all level, in this situation decentralisation has taken place.

Generally speaking, decentralisation is said to be greater:

● When more decisions are made at lower levels.

● When more important decisions are made at lower levels.

● When more functions are affected by decisions made at lower levels.

● When the checking on the decisions made at lower levels is minimal.

Types of Decentralisation

There are three approaches to assign authority and responsibility to lower level people in an organisation. It is quite possible to provide for decentralisation in varying degrees among various departments in the organisation.

Three types of decentralisation are discussed below:

1. *Profit centres (called as a responsibility centre):* Under profit centre decentralisation, the organisation is first divisionalised on a product basis; each division is given the management and physical tools, facilities it needs to operate as an integrated and self-contained unit called as a responsibility centre. Each division operates on a competitive basis; orders its own materials, schedules its operations

and negotiates the sale of its finished products. It is accountable for the profit it earns or the loss it sustains.

2. *Cost/Expense Centres:* Where it is difficult to find out revenue with a unit but is relatively easy to determine the costs of operation, cost centres are established. In the case of corporate legal staff or accounting staff, it may be quite difficult to determine how much revenue is generated but it can be a cost centre since we can determine the costs necessary to run it. In a cost centre, a manager would be responsible for using resources within the overall cost or budgetary limitations. By keeping the costs under specified limitations, he incurs an additional responsibility to provide required support to the rest of the organisation.

3. *Investment Centres:* Investment centres are quite common in the case of multi-product enterprises.

   Example: General Motors, General Electric, Hindustan Lever Ltd. etc.

   In order to measure product performance, decentralisation by investment centres is usually advocated and the managerial response-obligations would include responsibilities for the 'acquisition, use, and disposition of fixed-use resources.' Here, budgetary performance is judged on the basis of return on investment.

Advantages of Decentralisation

1. Increased motivation and morale.

2. Decentralisation gives emphasis on care, caution and enthusiastic approach to the work which in turn results in increased efficiency and output.

3. It helps in diversification of activities.

4. The various operations and activities are co-coordinated in a decentralised set up.

5. It enables to maintain secrecy without much cost and unnecessary trouble.

Disadvantages of Decentralisation

1. It is costly because it encourages duplication of functions and equipment.

2. Specialisation suffers in decentralisation because everyone becomes jack-of-all-trades but master of none. So, specialisation is affected.

3. More specialists are needed.

4. It becomes difficult to distribute workload equitably among different employees.

5.6 COMMITTEE ORGANISATION

Committee is a group of persons to which the group is committed for a purpose. It is appointed by an authority with some delegated powers. It brings into decision-making the experience and expertise of two or more persons. In corporate enterprise committees have become popular to an extent that the companies are described as a hierarchy of committee. At the apex is the Board of Directors – the highest policy-making body of the company. The Board appoints various sub-committees to go into specific problems. Management Committees are formed for project planning, budgeting, deciding disputes, solving specific problems and review and reporting purposes.

Most boards of directors have executive committees made up of the three or four highest-ranking leaders on the board, such as president, vice president and treasurer. The same can hold true for other committees. For a committee to function effectively there must be a clear line of command.

Example: If the President misses a meeting, the Vice President should lead the meeting. The executive committee often meets between regular committee meetings to set the agenda for the next committee meeting and discuss any outstanding issues or projects.

5.6.1 The Board

The Board of Directors is the most important committee in any organisation. It is responsible for the whole organisation and has power to approve basic policies, recommend dividends and approve capital expenditure. The Board acts as a trustee for shareholders. It manages the company on behalf of shareholders and is accountable to them. The main functions of the board are to:

1. Decide about company objectives,

2. Plan for long-term stability and achievement of goals of the organisation,

3. Recruit senior executives and managers and fix their responsibilities.

4. Approve company budget and accounts,

5. Check on plans and results and

6. Decide about the distribution of earnings.

The effectiveness of the board depends upon the attitude and interest of members in managing the organisation, the type of managers it recruits and the leadership it provides to the organisation. It is rightly said that the board serves as a mirror in which management views, preens and disciplines itself. The board lays down guidelines for management. Working of the different departments, divisions and the senior managers are reviewed by it. The managers get encouraged or discouraged to follow a policy or course of an action by observing the reaction of the board to it.

The board is not effective when it does not direct properly. The fallacies in board decision-making may arise for several reasons:

1. Directors may have their own biases and prejudices. They may overlook the facts and ignore the advice of experts and decide on their own whims and fancies.

2. There may be false polarisation in board. Some members may stick to a position which may not be in the best interest of the organisation.

3. Issues may be decided on the basis of parallelism, i.e., what some other organisation has done in similar situations although it may not be relevant to the specific problem.

4. Compromises may be made in board meetings at the points which may not be in the interest of the organisation.

5. The problems are not seen in a realistic manner; instead the board members indulge into hypothetical questions.

6. Authoritative statements may be made by directors, but the same may be erroneous. The managers may lack courage to point out the facts and may accept and act on such statements.

7. If the board members are incompetent to lead, managers may exercise the powers of the boards indirectly. They may put board in dark about the happenings in the organisation and thus lead them to make wrong decisions.

5.6.2 Management Committees

The top executive may appoint committees consisting of line officers, line and staff officers or staff officers to deliberate on specified matters. These committees may be entrusted such jobs as investigating into certain incidents, finding facts and figures relating to a proposed project, negotiation with some outside agency, deciding some dispute and coordinate and control the activities of different divisions or departments. When the problem may be of technical nature and line people are involved, the committee may consist of line managers and experts. When the issue relates to various departments, the selected line and staff managers may form the committee. The management committee may also consist of staff officers when the object is to seek some advice on matters which may not be of direct concern to the line managers.

Among the managerial functions which call for group thinking and committee deliberations, policy formulation is the most important one.

The findings of a recent survey by AMA (American Management Association) on effectiveness of individual and committee action in functional activities given below confirm this view.

Table 5.1: Effectiveness of Individual and Committee Actions in Management Functions

Management Function	Can be exercised by Committee effectively	Can be exercised by Committee but more effectively by individual	Individual initiative essential, may be supplemented by Committee	Individual action essential, committee ineffective
Planning	20	20	25	35
Control	25	20	25	30
Formulating Objectives	35	35	10	20
Organisation	5	25	20	50
Jurisdictional Questions	90	10	—	—
Leadership	—	—	10	20
Administration	20	25	25	30
Execution	10	15	10	65
Innovation	30	20	20	30
Communication	20	15	35	30
Advice	15	25	35	25
Decision-making	10	30	10	50
Notes: Figures in per cent				

The survey shows that committees are most useful in deciding about the jurisdiction questions. They are also helpful in formulating objectives, planning, control, communication, etc. In all managerial functions, the superiority of individual action is recognised.

5.6.3 Merits and Demerits of Committee

Committees facilitate group deliberations and judgement. Various interests and viewpoints are represented on it. It helps in democratising the internal administration of the organisation and motivates people by providing them opportunity to express themselves in committee meetings. The committees are also an effective instrument of communication in any organisation. It can serve as a link between the authority which appoints it and the level of personnel whose problems are investigated by it. Sometimes committees are also used to postpone an issue successfully.

But then, the other side of the picture is not that bright. Committees may suffer from indecision. The matter may be unnecessarily dragged and delayed in committee meetings. The minority interests may be ignored by the members in majority. Compromises may be made on the last common denominator which may be harmful for the organisation. The committee members may shirk from responsibility on the plea that the decision is of the group and they have no choice. Over and above all this, committees incur cost which may at times be heavier than the gain from the committee deliberations.

In spite of some of the obvious limitations discussed above, committee is an effective form of organisation and is widely used in business.

5.7 RECENT TRENDS IN ORGANISATION STRUCTURES

In any organisation, the different people and functions do not operate completely independently. To a greater or lesser degree, all parts of the organisation need each other. Important developments in organisational design in the last few decades of the twentieth century and in the early part of the twenty-first century have been taken place to understand the nature of interdependence and improve the functioning of organisations in respect to this factor. One approach is to flatten the organisation, to develop the horizontal connections and de-emphasise vertical reporting relationships. At times, this involves simply eliminating layers of middle management.

Example: Some Japanese companies-even very large manufacturing firms-have only four levels of management: top management, plant management, department management and section management. Some U.S. companies also have drastically reduced the number of managers as part of a downsizing strategy; not just to reduce salary expense, but also to streamline the organisation in order to improve communication and decision making.

In a virtual sense, technology is another means of flattening the organisation. The use of computer networks and software designed to facilitate group work within an organisation can speed communications and decision making. Even more effective is the use of intranets to make company information readily accessible throughout the organisation. The rapid rise of such technology has made virtual organisations and boundary less organisations possible, where managers, technicians, suppliers, distributors, and customers connect digitally rather than physically.

A different perspective on the issue of interdependence can be seen by comparing the organic model of organisation with the mechanistic model. The traditional, mechanistic structure is characterised as highly complex because of its emphasis on job specialisation, highly formalised emphasis on definite procedures and protocols, and centralised authority and accountability. Yet, despite the advantages of coordination that these structures present, they may hinder tasks that are interdependent. In contrast, the organic model of organisation is relatively simple because it de-emphasises job specialisation, is relatively informal, and decentralises authority. Decision-making and goal-setting processes are shared at all levels, and communication ideally flows more freely throughout the organisation.

A common way that modern business organisations move towards the organic model is by the implementation of various kinds of teams. Some organisations establish self-directed work teams as the basic production group.

Example: Production cells in a manufacturing firm or customer service teams in an insurance company.

At other organisational levels, cross-functional teams may be established, either on an ad hoc basis (e.g., for problem solving) or on a permanent basis as the regular means

of conducting the organisation's work. Aid Association for Lutherans is a large insurance organisation that has adopted the self-directed work team approach. Part of the impetus towards the organic model is the belief that this kind of structure is more effective for employee motivation. Various studies have suggested that steps such as expanding the scope of jobs, involving workers in problem solving and planning, and fostering open communications bring greater job satisfaction and better performance.

Example: Saturn Corporation, a subsidiary of General Motors (GM), emphasises horizontal organisation. It was started with a "clean sheet of paper," with the intention to learn and incorporate the best in business practices in order to be a successful U.S. auto manufacturer. The organisational structure that it adopted is described as a set of nested circles, rather than a pyramid. At the centre is the self-directed production cell, called a Work Unit. These teams make most, if not all, decisions that affect only team members. Several such teams make up a wider circle called a Work Unit Module. Representatives from each team form the decision circle of the module, which makes decisions affecting more than one team or other modules. A number of modules form a Business Team, of which there are three in manufacturing. Leaders from the modules form the decision circle of the Business Team. Representatives of each Business Team form the Manufacturing Action Council, which oversees manufacturing. At all levels, decision making is done on a consensus basis, at least in theory. The President of Saturn, finally, reports to GM headquarters.

Check Your Progress

Fill in the blanks:

1. _____entrust the management of the company to the Board of Directors and delegate to it most of their authority.

2. Delegation is the entrustment of responsibility and authority to another and the creation of _____for performance.

3. Sub-division of authority occurs when a superior divides as well as shares his authority with the_____.

4. _____creates loss of man-hours and delay in performance of work.

5.8 LET US SUM UP

Authority being the sum of the powers and rights entrusted to make possible the performance of the work delegated. It also presented the concepts of centralisation and decentralisation along with their merits and demerits. Delegation is an authorisation to a subordinate manager to act in a certain manner independently. According to classicists, the delegation process involves three related steps: assignment of duties to subordinates, granting requisite authority to carry out assigned work and making them responsible for doing a good job.

In line and staff organisation, the staff members offer advice to line people and line people bear the final responsibility for achieving the enterprise objectives. The role of staff is quite clear; it provides service to the line and it is devoid of the right to command. However, in actual practice, drawing the curtain between line and staff is not easy. The policing duties of staff often clash with the help duties. There are other tension points too. Demarcation between line and staff may be possible at the initial stage of the organisation, but when it grows, the initial stage of the organisation and its functions become more and more complex, the demarcation between line and staff functions becomes progressively fuzzier.

5.9 LESSON END ACTIVITY

Think of a few instances when a delegation of authority may not be necessary and give a presentation on it.

5.10 KEYWORDS

Authority: It means assigning a certain task to other person providing proper authorisation keeping in mind it should be effective and result oriented.

Centralisation: Centralisation is the process by which the activities of an organisation, particularly those regarding planning and decision-making, become concentrated within a particular location and/or group.

Decentralisation: Decentralisation is the process of redistributing or dispersing functions, powers, people or things away from a central location or authority.

Departmentation: Departmentation is a means of dividing a large and complex organisation into smaller, flexible administrative units.

Line and Staff Organisation: Line and staff organisation is a modification of line organisation and it is more complex than line organisation.

Line Organisation: A line organisation is an organisational structure in which authority rests with the top management and flows in a chain of command to the last person in the organisational hierarchy.

5.11 QUESTIONS FOR DISCUSSION

1. Define "delegation". Why is it essential for the smooth functioning of an enterprise?

2. "The matrix organisation design is complex and difficult to implement successfully". Why then, do so many organisations use it?

3. Distinguish between "over-delegation and under-delegation."

4. Define departmentation. What is the need for departmentation in present-day big organisations?

5. Give a critical analysis of line and staff organisation and how it combines the advantages of line as well as functional organisation.

6. Mention a few evidences of conflict between line and staff officials. What can be done to develop them into an integrated team?

7. What are the factors determining the effectiveness of committee form of an organisation?

8. To what extent, in your opinion, is management by committee effective as a means to facilitate coordination and promote cooperation?

9. How do your account for the widespread use of committees in business concerns?

10. Discuss the recent trends in organisation structures.

Check Your Progress: Model Answer

1. Shareholders

2. Accountability

3. Subordinate

4. Centralisation

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UNIT-6

MOTIVATION

CONTENTS

6.0 AIMS AND OBJECTIVES

After studying this lesson, you should be able to:

- Describe the concept of motivation

- Highlight the importance of motivation

- Explain the different determinants of motivation

- Describe the theories of motivation

- Discuss the techniques of motivation

6.1 INTRODUCTION

It can be noted that human resource of a company can make it or break it. They can produce results that are stunningly better than others. If properly motivated, ordinary people can deliver extraordinary results. And that is why every manager is rather compelled to pay close attention to the 'people management' question more closely. Thus for every manager it is important to know what is motivation and what are the

benefits that it will provide to an organisation. The theories and techniques of motivation thus come as a rescue for managers of today.

Keeping in mind the importance of motivation in an organization, this lesson has been designed to give you a proper understanding of the concept of motivation, importance of motivation to an organisation, the different determinants of motivation, theories and techniques of motivation.

6.2 CONCEPT OF MOTIVATION

Motivation is the set of forces that cause people to behave in certain ways. As rightly pointed out by Griffin, on any given day, an employee may choose to work as hard as possible at a job, to work just hard enough to avoid a reprimand, or to do as little as possible.

The goal for the manager is to maximise the occurrence of the first outcome and minimise the occurrence of the last one. In this sense, you can say that motivation is the work a manager performs to inspire, encourage and impel people to take required action.

According to Scott, "Motivation is a process of stimulating people to action to accomplish desired goals".

The process of motivation is characterised by the following:

- *Motivation is an internal feeling* within individuals that drive them to behave in certain ways.

- Motivation produces *goal-directed behaviour*.

- *Motivation contains systems orientation* as it considers those forces in the individuals and in their surrounding environments that provides feedback to the individuals either to reinforce the intensity of their drive or to dissuade them from their cause of action and redirect their efforts.

- Motivation can be either *positive or negative*.

  Example: The examples of Positive motivation or the carrot approach includes additional pay, incentives, praise, etc., for satisfactory performance.

  Examples of Negative motivation or stick approach include penalties while controlling performance like reprimands, threat of demotion, etc.

- *Motivation means bargaining* as it focuses on workers and organisations endeavouring to find what payouts (inducements) to workers in exchange for what degree of cooperation (contributions) from workers will be satisfactory to both parties.

- Motivation is a complete process as:

  ❖ First, motive is a hypothetical construct. It cannot be seen.

    Example: You might have observed individuals putting a great deal of overtime. You cannot definitely state whether they are doing it because of additional income they receive or simply because they enjoy their work. Individual may have a host of needs that are continuously changing, and, sometimes, in conflict with each other. It becomes exceedingly difficult to observe or measure motivation with certainty.

  ❖ People satisfy their needs in many different ways.

    Example: A salesperson may work hard to earn money; a second salesperson may be spurred by his achievement motive and so on.

❖ By simply observing individuals in action. it is not easy to differentiate between these groups.

❖ Promoting an employee to a new and more challenging task may intensify the drive to work harder in anticipation of the next promotion.

❖ Finally, goal directed behaviour does not always lead to need satisfaction.

● *Motivation is different from Job Satisfaction* as motivation is the drive to satisfy a want or goal but satisfaction refers to the contentment experiences when a want is satisfied.
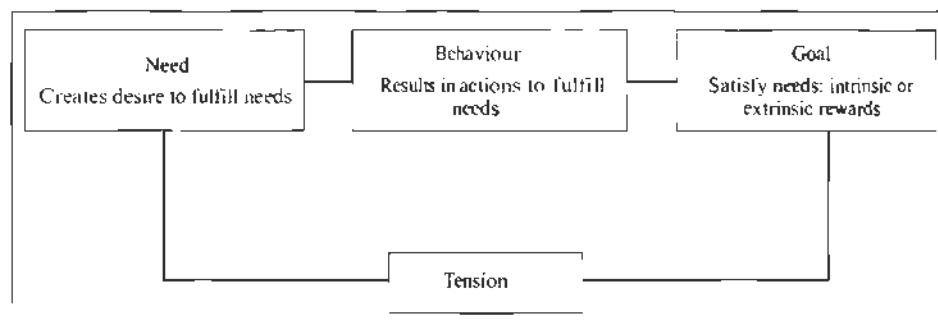

Figure 6.1: A Simple Model of Motivation

The motivation framework in the above Figure 6.1 is a good starting point for understanding how motivated behaviour occurs.

Example: A worker feels that he is underpaid; he experiences a deficiency and a need for more income (Tension). In response to this need, the worker searches for ways to satisfy it, such as working harder to get a raise in pay or seeking a new job.

Next, he chooses an option to pursue. After working harder (the chosen option in this case) for a reasonable period of time, he then evaluates his success. If his hard work resulted in a pay raise, he continues to work hard (Tension reduction). If no raise has been offered, he is likely to try another option.

A need, thus, is a strong feeling of deficiency in some aspect in a person's life that creates an uncomfortable tension. The deficiency compels the person to take actions to satisfy the need, reduce the tension and diminish the intensity of the motivating force. When a need is satisfied, it is no longer a motivator of behaviour.

6.3 IMPORTANCE OF MOTIVATION

The following points bring out the importance of motivation in modem organisations:

1. *Productive use of resources:* The utilisation of physical and financial resources of an organisation depends on the willingness of people to work. Motivation enables people to convert physical and financial resources into useful products. It helps management to get the best out of human as well as non-human resources.

2. *Increased efficiency and output:* Motivation enables people to work enthusiastically. Motivation bridges the gap between the ability to work and the willingness to perform wholeheartedly and thereby increases the overall efficiency and output. This, ultimately, helps in reducing the cost of operations.

3. *Achievement of goals:* Motivation causes people to move in a desired direction and earn rewards. In organisations, where managers try to understand the needs of employees and institute appropriate incentive systems, accomplishment of goals is fairly easy. If employees are not properly motivated, no useful purpose can be served by planning, organising and staffing functions.

4. *Development of friendly relationships:* The needs of employees are met through attractive rewards, promotional opportunities, etc. Employees begin to take more interest in organisational work. They begin to think that the enterprise belongs to them and there is no difference between the interests of the enterprise and their own interests. This eventually helps in developing cordial relations between management and workers.

5. *Stability in workforce:* Attractive motivational schemes satisfy the need of employees. As a result, their commitment to organisational work increases Employees do their tasks loyally and enthusiastically. Further, employees attend to their work regularly and sincerely so as to earn rewards. The organisation benefits because it is able to maintain a stable workforce. The skill and competence of employees continue to be available to the organisation. This enhances the image of the firm and helps it to secure the services of competent people.

6.4 DETERMINANTS OF MOTIVATION

It is true to say that a man works to fulfil a variety of needs. Three types of forces generally influence human behaviour:

1. Forces operating within the individual,

2. Forces operating within the organisation, and

3. Forces operating in the environment.

Let us now discuss these determinants of motivation one by one.

1. *Individual:* Human needs are both numerous and complex. Some of these needs cannot be described and identified, because people hide their real needs under the cover of socially accepted behaviour.

    Further, each person is different and a variety of items may prove to be motivating: depending upon the needs of the individual, the situation the individual is in, and what rewards the individual expects for the work done.

    It is the duty of the manager to match individual needs and expectations to the type of rewards available in the job setting.

    Example: Some employees might feel motivated due to financial rewards, status, praise and acknowledgment and others might work more productively due to factors like competition, job security, fear, perfectionism, etc.

2. *Organisation:* The climate in the organisation must be conducive to human performance. Climate plays an important part in determining worker's motivation. The climate in an organisation is determined by a number of variables such as its leadership style, autonomy enjoyed by members, growth prospects, emotional support from members, reward structure, etc.

    Example:

    Employee Motivation "INFOSYS"

    Infosys has three-pronged approach when it comes to ensuring employee motivation.

    (a) Learning Value — add through opportunities for continuous learning and exposure to technology and assignments as Infosys partners with clients in Transforming their business.

(b) Financial Value – add through competitive salaries, valuable pay philosophy. asset generation opportunities.

(c) Emotional Value – add through a fair and rewarding work environment and a culture that has been built in Infosys through various initiatives and systems.

3. *Environment:* On-the-job experiences and off-the-job experiences of an employee are inextricably interwoven and cannot be separated into water-tight compartments. Culture, norms, customs, images and attributes accorded by society to particular jobs, professions and occupations and the worker's home life—all play a strong motivational role.

    Example: An individual may prefer to do the job of an officer (because it has social status and gives lot of power) rather than serve as a college teacher (powerless position). Factors such as individual needs, organisation climate, social status and social acceptance play an important role in shaping the motivations of people.

6.5 THEORIES OF MOTIVATION

Three kinds of theories have evolved, over the years, to capture the essence of these approaches: namely, content theories, reinforcement theories and process theories.

These are explained below in a sequential order:

6.5.1 Content Theories

Content theories offer insight into the needs of people in organisations and help managers understand how needs can be satisfied in the workplace.

Let us now understand the different content theories.

Maslow's Hierarchy of Needs Theory

Maslow's Hierarchy of needs theory proposes that people are motivated by multiple needs and that these needs exist in a hierarchical order.

Maslow identified five general types of motivating needs in order of ascendance, as illustrated in Figure 6.2.
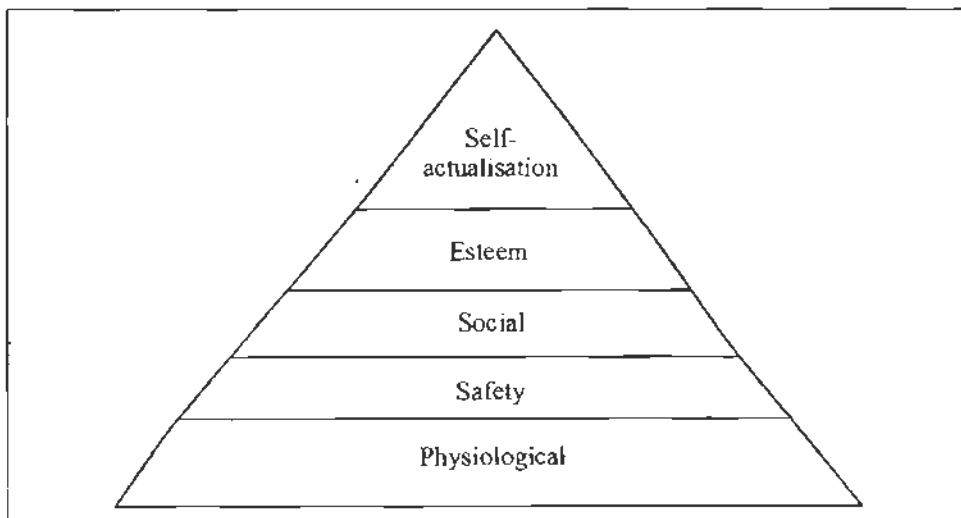

Figure 6.2: Maslow's Hierarchy of Needs

The five general types of motivating needs in order of ascendance given by Maslow can be stated as under:

1. *Physiological needs:* Physiological needs are the biological needs required to preserve human life; these needs include needs for food, clothing and shelter.

2. *Safety needs:* Once physiological needs become relatively well gratified, the safety needs begin to manifest themselves and dominate human behaviour. These include (i) protection from physiological dangers (fire, accident); (ii) economic security (fringe benefits, health, insurance programmes); (iii) desire for an orderly, predictable environment; and (iv) the desire to know the limits of acceptable behaviour. Maslow stressed emotional as well as physical safety.

   Example: Organisations can influence these security needs either positively – through pension schemes, insurance plans – or negatively by arousing fears of being fired or laid off. Safety needs are motivational only if they are unsatisfied. They have finite limits.

3. *Social/Higher order needs/Love needs:* After the lower order needs have been satisfied, the social or love needs become important motivators of behaviour. It includes need to belong, to associate, to gain acceptance from associates, to give and receive friendship and affection. Social needs tend to be stronger for some people than for others and stronger in certain situations.

4. *Esteem needs:* Esteem needs are two fold in nature: self-esteem and esteem of others. Self-esteem needs include those for self-confidence, achievement, competence, self-respect, knowledge and for independence and freedom.

   The second group of esteem needs is those that relate to one's reputation: needs for status, recognition, appreciation and the deserved respect of one's fellows/associates.

5. *Self-actualisation needs:* These are the needs for realising one's own potentialities for continued self-development, for being creative in the broadest sense of that term. Self-fulfilling people are rare individuals who come close to living up to their full potential for being realistic, accomplishing things, enjoying life and generally exemplifying classic human virtues.

   Self-actualisation is the desire to become what one is capable of becoming. Self-actualisation is a 'growth' need.

   Example: A musician must compose music, a poet must write, a general must win battles, a painter must paint, a teacher must teach – if he is to be ultimately happy.

   Self-actualisation is a 'growth' need.

Alderfer's ERG Model

Clayton Alderfer's modified need hierarchy collapses Maslow's five hierarchical levels into three: Existence, Relatedness and Growth (ERG).

Table 6.1: Alderfer's Need Hierarchy Model

Physiological and Safety Needs	*Existence needs:* Needs required to preserve human life. They include all of that Maslow termed as physiological needs relat-ing to material safety.
Social Needs	*Relatedness needs:* They refer to all socially intended needs, i.e., how people relate to their surrounding social environment. These include the need for meaningful social and interpersonal relationships.
Esteem and Self-actualisation Needs	*Growth needs:* They reflect the individual's desire to be self-confident, productive and creative; the desire to engage in tasks that require the full utilisation of abilities and that develop additional capabilities/skills.

Alderfer's ERG theory is a less restrictive model of the motivation process.

Alderfer's ERG Model represents a simplification of Maslow's need priority theory, not only by reducing the number of need categories but by removing the restriction about the activation of needs in any hierarchical order.

Alderfer suggested that more than one need may be operative or activated at the same point of time. He argued that two or more sets of needs can be active at one time. When an individual is continuously frustrated in his attempts to appease his growth needs, relatedness needs may re-emerge as primary and the individual may redirect his efforts towards these lower level needs.

Example: What will happen when one set of needs is suddenly threatened?

A few years ago people were enjoying at a Boston Night Club called Coconut Grove when fire suddenly broke out. People rushed to exit in a panic, only to find the doors opened inward than outward. The doors could not be opened due to panic and terrific rush. They literally clawed, fought with and trampled each other in their effort to escape flames. Relatedness gave way to the struggle for existence and the result was that hundreds of people died.

Like Maslow, he proposed satisfaction progression, i.e., as you satisfy one need, you will move on to another need. In addition, he proposed frustration regression indicating downward movement in the hierarchy.

Achievement Motivation Theory or Three-Need Theory

According to McClelland the profounder of Achievement Motivation Theory, achievement, power and affiliation are three important needs that help to understand human motivation in organisational settings. He categorised needs for motivation as:

- *Power need* is the need to dominate, influence and control people. Power speaks about the ability to manipulate or control the activities of others to suit one's own purposes. People with a high need for power look for positions of leadership. They like to set goals, make decisions and direct activities.

- *Affiliation need* is a social need, for companionship and support, for developing meaningful relationships with people. Persons who have a high need for affiliation view the organisation as a chance to form new and satisfying relationships. They are motivated by jobs that demand frequent interaction with co-workers. Such people are not likely to succeed well at tasks that force them to work in isolation.

- *Achievement need* is the need for challenge, for personal accomplishment and success in competitive situations.

McClelland's theory has significant implications for managers. If the needs of employees can be measured accurately, organisations can improve the selection and placement processes.

Example: People with a high need for achievement may be placed on challenging, difficult jobs.

People with a high need for power may be trained for leadership positions.

According to McClelland, in addition to pumping achievement characteristics into jobs, people should be taught and offered training in achievement motivation.

Herzberg's Two Factor Theory

Frederick Herzberg of Case-Western Reserve University provided an interesting extension of Maslow's Need Hierarchy theory and developed a specific content theory of work motivation called "The Two factor Theory".

The two factor theory originally was derived by analysing "critical incidents" written by 200 engineers and accountants in nine different companies in Pittsburgh Area, USA.

Herzberg and his associates conducted extensive interviews with the professional subjects in the study and asked them what they liked or disliked about their work.

The theory states that when people talk about feeling good or satisfied they mentioned features intrinsic to the job and when people talk about feeling dissatisfied with the job they talk about factors extrinsic to the job. Herzberg called these, Motivation and Maintenance factors, respectively.

Hygiene Factors (Maintenance Factors)

Hygiene factors represent the need to avoid pain in the environment. They are not an intrinsic part of a job, but they are related to the conditions under which a job is performed. They are environment-related factors – hygiene. Like physical hygiene, they do not lead to growth but only prevent deterioration.

Maintaining a hygienic work environment will not improve motivation any more than garbage disposal or water purification.

Example: Mr. XYZ who is in excellent health, will not become any healthier by eating food but if he does not eat food he may become sick and die.

Hygiene factors produce no growth in worker output, but they prevent loss in performance caused by work restriction.

Motivators

Motivators are associated with positive feelings of employees about the job. They are related to the content of the job. They make people satisfied with their job. If managers wish to increase motivation and performance above the average level, they must enrich the work and increase a person's freedom on the job.

Motivators are necessary to keep job satisfaction and job performance high. On the other hand, if they are not present they do not prove highly satisfying.

Thus to sum up, you can say that providing hygiene factors will eliminate employee satisfaction but will not motivate employees to high achievement levels. On the other hand, recognition, challenge, growth opportunities are powerful motivators and will promote high satisfaction and performance.

Table 6.2: Herzberg's Motivation-Maintenance Factors

Hygiene Factors	Motivators
1. Company Policy and Administration	1. Achievement
2. Relationship with Supervisor	2. Recognition
3. Work Conditions	3. Work itself
4. Salary	4. Responsibility
5. Relationship with Peers	5. Advancement
6. Personal Life	6. Growth
7. Relationship with Subordinates	
8. Status	
9. Security	
10. Supervision	

The manager's role is to eliminate dissatisfies–that is, to provide hygiene factors sufficient to meet basic needs – and then use motivators to meet higher – order needs and propel employees towards greater achievement and satisfaction.

McGregor's Theory X and Theory Y

Douglas McGregor proposed two distinct sets of assumptions about what motivates people–one basically negative, labelled Theory X; and the other, basically positive, labelled Theory Y.

The assumptions of Theory X and Theory Y are mentioned below in the following Table 6.3.

Table 6.3: Assumptions of Theory X and Theory Y

Theory X Assumptions	Theory Y Assumptions
Employees inherently dislike work and will try to avoid it.	Employees can view work as being as natural as rest or play.
Since employees dislike work, they must be coerced, controlled and threatened with punishment to achieve goals.	People will exercise self-direction and self-control if they are committed to the objectives.
Employees will shirk responsibilities and seek formal direction, whenever possible.	Under proper conditions, employees do not avoid responsibility.
Most employees want security above-all in their work and display little ambition.	People want security but also have other needs such as self-actualisation and esteem needs.

Theory X

Theory X contends that people have an inherent dislike of work and will avoid it whenever possible. Most people, being lazy, prefer to be directed, want to avoid responsibility and are relatively less ambitious. They must be coerced, controlled, directed or even threatened with punishment to get them to work towards organisational goals.

External control is clearly appropriate for dealing with such unreliable, irresponsible and immature people. Managers have to be strict and authoritarian if subordinates are to accomplish anything.

Theory X thus, assumes that lower-order needs (Maslow) dominate human behaviour.

Money, fringe benefits and threats of punishment play a great role in putting people on the right track under this classification scheme.

Theory Y

Theory Y presents a much more optimistic view of human nature. It assumes that people are not, by nature, lazy and unreliable. They will direct themselves towards objectives if their achievements are rewarded.

If the organisational climate is conducive, people are eager to work; and they derive a great deal of satisfaction from work, and they are capable of doing a good job.

Theory Y, thus, assumes that higher-order needs (Maslow) dominate human behaviour. In order to motivate people fully, McGregor proposed such ideas as participation in decision making, responsible and challenging jobs and good group relations in the workplace.

6.5.2 Process Theories

Process theories focus on why people choose certain behavioural options to satisfy their needs and how they evaluate their satisfaction after they have satisfied these goals.

These are explained in detail as follows:

J. Stacy Adam's Equity Theory

Adam's Equity theory is one of the popular social exchange theories and is perhaps the most rigorously development statement of how individuals evaluate social exchange relationships.

Basically, the theory points out that people are motivated to maintain fair relationships with others and will try to rectify unfair relationships by making them fair.

This theory is based on two assumptions about human behaviour.

1. Individuals make contributions (inputs) for which they expect certain outcomes (rewards).

   Example: Inputs include such things as the person's past training and experience, special knowledge, personal characteristics, etc. Outcomes include pay, recognition, promotion, prestige, fringe benefits, etc.

2. Individuals decide whether or not a particular exchange is satisfactory, by comparing their inputs and outcomes to those of others in the form of a ratio. Equity exists when an individual concludes that his/her own outcome/input ratio is equal to that of other people.

The major components of Equity Theory are discussed in the Box 6.1 given below.

Box 6.1: Major Components of Equity Theory

1. *Person:* These are the people who perceive themselves in relation to other people.
2. *Other:* These are the people that are the basis of the comparisons made.
3. *Inputs:* These are the total of the individual's assets brought to the work environment. They include educational level, work experience, seniority, skills and talents.
4. *Outcomes:* These are all the outcomes or rewards individuals derive from their jobs. They include pay, benefits, promotional opportunities and status.

The major postulates of the theory are as follows:

● Perceived inequity creates tension in the individual.

● The amount of tension is proportional to the magnitude of the inequity.

● The tension created in the individual will motivate him/her to reduce it.

● The strength of the motivation to reduce inequity is proportional to the perceived inequity.

In other words, the presence of inequity motivates the individual to change the situation through various means to return to a condition of equity.

Equity theory generally argues that it is the perceived equity of the situation that stimulates behaviour and satisfaction. Employees' perception of the situation is more important here than objective 'reality'.

Vroom's Expectancy Theory

Victor Vroom presented the expectancy theory (1964) as an alternative to content theories. Expectancy theory represents a comprehensive, valid and useful approach to understanding motivation.

The features expectancy theory can be summarised as under:

1. Expectancy theory is one of the most ambitious theories developed in the area of organisational behaviour. It accommodates a number of motivational determinants in its theoretical framework.

2. It is one of the most complete theories for detailing not only how people feel and behave but also why they react as they do.

3. It is sufficiently general so as to be useful in a wide variety of situations. It considers employee needs, organisational rewards and task performances as well as their contingency relationships in particular work situations.

4. It is a cognitive model, i.e., based on conscious thoughts about the situation. Individuals are viewed as thinking reasoning beings, who have beliefs and anticipations concerning future events in their lives.

5. It is a predictive theory of motivation, a heuristic decision tool to guide managers in dealing with the complexity of employee motivation in organisations.

6. It is a theory based on self-interest, wherein each individual seeks to maximise his expected satisfaction.

7. The expectancy model is a choice-based model, for the individual chooses to behave according to the expectancy process.

The expectancy theory is built around three concepts: Valence, Expectancy and Instrumentality. They can be explained below:

- *Valence:* It refers to the personal value workers place on the rewards they believe they will receive for performing. It reflects the strength of a person's desire for or attraction to the outcome of a particular course of action.

  Example: Let us illustrate it taking a hypothetical example. An individual desires promotion and feels that superior performance is a strong factor in achieving that goal. His first level outcomes are then superior, average or poor performance. His second level outcome is promotion. The first level outcome of high performance thus acquires a positive valence by virtue of its expected relationship to the preferred second level outcome of promotion.

  According to this example, a person would be motivated towards superior performance because of the preference to be promoted. The superior performance (first level outcome) is being seen as instrumental in getting promotion (second outcome).

- *Expectancy:* It refers to the perceived relationship between a given level of effort and a given level of performance. It refers to the extent to which the person believes that his efforts will lead to the first level outcome, i.e., performance.

- *Instrumentality:* It refers to the relationship between performance and reward. It provides answer to such questions "Will I be rewarded if I perform the job well?"

  If people perceive that their performance is adequately rewarded the perceived instrumentality will be positive. On the other hand, if they perceive that performance does not make any difference to their rewards, the instrumentality will be low.

Example: In the example given above, instrumentality refers to the person's perception of the relationship between high performance (first-level outcome) and promotion (second-level outcome).

On the basis of the concepts of expectancy, valence and instrumentality, it is possible to build the general model of behaviour as presented in Figure 6.3.

Vroom's concept of force is essentially equivalent to motivation. Expectancy and valence combine multiplicatively to determine motivation. If expectancy and valence are both equal to zero, motivation will also be zero. The model shows motivation as the force and individuals to expend effort. However, effort will be expended only if the individual believes or feels confident that effort will lead to some performance level (performance-outcome expectancy indicated by the arrow). The level of performance is highly important in obtaining desired outcomes, which have positive valences.
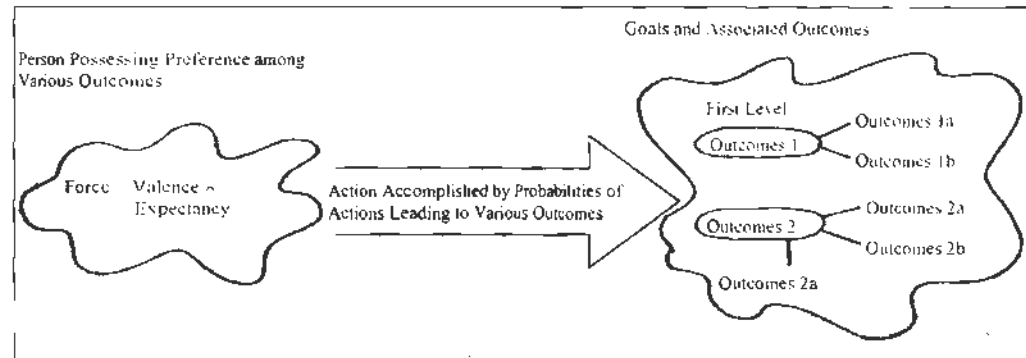

Figure 6.3: Vroom's Motivation Model

As shown in Figure 6.3, the person would be motivated towards superior performance because of the desire to obtain promotion. Here, superior performance is viewed as being instrumental in obtaining promotion. Thus, willingness to expend effort depends on the negative or positive valence attached to an outcome. Generally speaking, the more likely people feel that a performance level will lead to desired outcomes; the more likely they will be to expend effort to perform at that level (effort-performance expectancy).

Expectancy Theory – The Porter and Lawler Model

Porter (1968) and Lawler (1973) promoted the thesis that performance causes satisfaction. They tried to explore the complex relationship between motivation, satisfaction and performance and pointed out that effort does not directly lead to performance.

Performance in organisation, according to Porter and Lawler, appears to be a function of three important factors, viz.:

1. An employee must want to perform; the desire of the employee to do the assigned jobs. One must be motivated.

2. Motivation alone will not ensure task performance. A person must have the necessary abilities and skills. One must have necessary abilities or traits.

3. Finally, a person must usually have an accurate knowledge of the requirements of the job if he is expected to devote his energies fully on the assigned tasks. One must have fairly clear role perceptions.
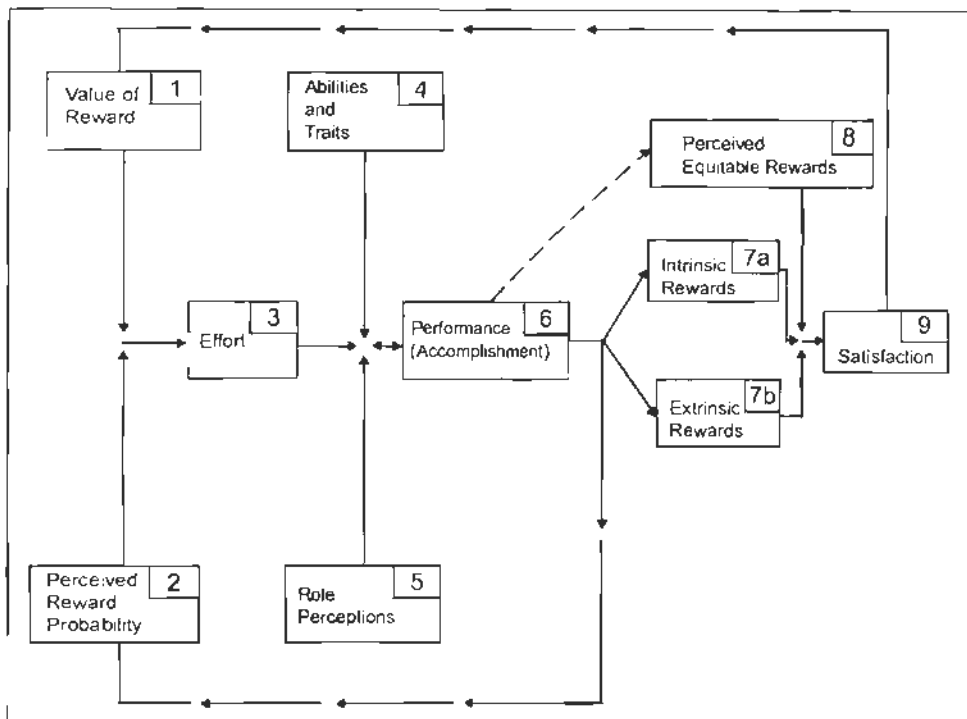
Figure 6.4: The Porter and Lawler's Model of Motivation

The key variables in the model of expectancy theory are discussed below:

1. *Motivation, satisfaction and performance:* These are all separate variables.

2. *Effort:* Effort will not directly lead to a specific level of performance. Effort signifies the amount of energy exerted by an individual on a specified task. Effort is a result of the attractiveness of the reward and the way in which the individual perceives the linkage between effort and payoff.

   Example: If the employee places a high value on a reward and if he perceives a high probability that his effort will lead to this reward, then he will exert great quantity of effort.

   Motivation is seen as the force on the employee to expend effort.

3. *Performance:* Performance results from a combination of the effort that an individual puts forth and the level of ability which he has and the way he perceives the role he should take. Effort and performance cannot be equated and quite often a discrepancy between effort and performance may result.

   Example: Most of the students who burn the midnight oil fail to obtain a satisfactory grade due to a lack of ability to comprehend things properly or misdirected effort due to bad planning and eventually turn losers than winners.

4. *Rewards:* The model clearly shows that performance leads to rewards – intrinsic and extrinsic. Intrinsic rewards are given to a person by himself for good performance.

   Extrinsic rewards (pay, promotion, job-security, status) are given by organisation and are indicated by a *wavy* line because they are imperfectly related to performance.

   In addition, the perceived equitable rewards vitally affect the performance-satisfaction relationship. This variable refers to the amount of rewards an individual feels he should receive as a result of his performance.

Example: If Ram and Rahim are paid ₹ 500 for similar jobs, but Ram feels that he does the job better than Rahim, then Ram may not be very satisfied with the rewards he is receiving from the organisation.

Porter and Lawler viewed satisfaction as a deficiency measure.

Where:

Actual rewards>Perceived rewards = satisfaction results in

Actual rewards <Perceived rewards = dissatisfaction results in.

5. *Satisfaction:* Thus, satisfaction is only one of the variables and is derived from the extent to which actual rewards fall short, meet or exceed the person's perceived equitable level of rewards.

Goal-setting Theory

According to Edwin Locke, motivation is a result of rational and intentional behaviour. The direction of the behaviour is a function of the goals individuals set and their efforts towards achieving these goals.

The theory suggests that managers and subordinates should establish goals for the individual on a regular basis. These goals should be moderately difficult and very specific. Moreover, they should be of a type that the employee will accept and commit to accomplishing.

Goal acceptance is simply the degree to which individuals accept goals as their own. Goal commitment is the dedication which individuals extend towards reaching the set objective. Rewards should be linked directly to reaching the goals.

Thus, the theory maintains that relevant and challenging goals which take care of individuals' capabilities should be developed. The task before managers becomes one of guiding employees in the development and attainment of goals which will provide satisfaction to both the employee and the organisation.

This process is facilitated by the involvement of workers in organisational goal-setting, the setting of challenging and specific individual goals, the provision of continual performance feedback, and the establishment and implementation of appropriate rewards for describable performance.

6.5.3 Reinforcement Theories

Reinforcement theories focus on employee learning of desired behaviours. They argue that behaviour that results in rewarding consequences is likely to be repeated, whereas behaviour that results in punishing consequences is less likely to be repeated.

Reinforcement theory is discussed as under:

Reinforcement Theory and Behaviour Modification

Reinforcement theory states that behaviour results in rewarding consequences is likely to be repeated, whereas behaviour that results in punishing consequences is less likely to be repeated.

Hence, four types of reinforcement strategies are generally used by managers to influence the behaviour of employees:

1. *Positive reinforcement:* It is the administration of a pleasant and rewarding consequence following a desired behaviour.

Example: A good example of this is immediate praise for an employee who arrives on time and completes the assigned work. 'A pat on the back' on such occasions will spur the employee to repeat such behaviours time and again.

People generally will expend considerable energy to gain positive rewards (pay, bonuses, recognition, time off with pay, commendations. promise of raise, etc.), which they desired. Of course, for positive reinforcement to have the desired impact, feedback must be consistent and frequent.

2. *Negative reinforcement:* Sometimes termed as avoidance learning. negative reinforcement occurs when an unpleasant or undesirable situation is removed or withdrawn following some behaviour.

Example: A supervisor. for example, may continually reprimand an employee until the employee begins performing a job correctly, at which point such actions stop.

If the employee continues to perform the job correctly in the future, then the removal of the unpleasant situation is said to have negatively reinforced effective job performance.

3. *Extinction:* It refers to non-reinforcement. It is based on the principle that if a response is not reinforced, it will eventually disappear.

Example: Let us understand the concept of extinction with the help of a student and teacher example. If a teacher ignores a noisy student, the student may drop the attention-getting behaviour.

Extinction is less painful than punishment because it does not involve the direct application of an aversive consequence.

Example: Students who perform well are praised quite often by the teachers. If they begin to slack off and turn out poor performance, the teacher may try to modify their behaviour by withholding praise. Here, the teacher is not trying to punish the students by imposing fines or rebuking openly in the class or expelling them. The student is simply denied any feedback.

Extinction is a behavioural strategy that does not promote desirable behaviours but can reduce undesirable behaviours.

Example: If the students eventually show good work, the teacher may again praise them (positive reinforcement) but if poor performance is again resulting in, extinction will be re-employed.

4. *Punishment:* Punishment is a control device employed in organisations to discourage and reduce annoying behaviours of others. It can take either of two forms: (i) there can be withdrawal or termination of a desirable or rewarding consequence or (ii) there can be an unpleasant consequence after a behaviour is performed.

Punishment reduces the response frequency; it weakens behaviour. The use of aversive control is the most controversial method of modifying behaviour because it produces undesirable by-products.

Behaviour Modification

Organisation Behaviour Modification (OB Mod) is the name given to the set of techniques by which reinforcement theory is used to modify human behaviour. The basic assumption underlying OB Mod is the *law of effect* which states that behaviour, that is positively reinforced tends to be repeated, and behaviour that is not reinforced tends not to be repeated.

To effectively implement OB Mod programmes, the following steps are suggested (K. E. Chung):

1. *Define the target behaviour:* The target behaviour refers to a specific behaviour that management wants to modify. It can be attendance, co-operation or actual production.

2. *Develop performance goals:* The target behaviour need to be translated into specific performance goals, such as improving attendance, increasing sales or expanding market shares.

3. *Assess performance progress:* Performance should be assessed periodically to provide employees with feedback on their progress. If they know that they are doing well, this knowledge reinforces their behaviour; if they are not, they can take corrective action.

4. *Match performance with rewards:* Unless rewards are tied to performance, they quickly lose motivational effect. Rewards can be tied to performance on an individual or a group basis. An individual-based reward system is used to encourage competition; a group-based system is to encourage co-operation.

6.6 TECHNIQUES OF MOTIVATION

People can be motivated through the use of number of techniques of motivation. Carrot and Stick approach are most commonly used for motivating employees. Carrot implies positive reinforcement and on contrary stick implies negative reinforcement. In addition to such a carrot and stick approach, management can also think of motivating people through job rotation and job enrichment efforts.

How to Offer Rewards?

Rewards can be offered keeping in mind the following:

1. *Reward only desirable behaviour:* You should give rewards to your employees only when they exhibit desired behaviour. That is, the reward must be contingent on the desired behaviour (the law of contingent reinforcement).

   Example: You should praise your employees not for showing up for work on time (an expected part of any job) but for showing up early.

2. *Give rewards as soon as possible:* The reward must be given as soon as possible after the desired behaviour (the law of immediate reinforcement). Thus, you should praise an early-arriving employee as soon as he or she arrives, not later in the week. The more time that elapses after the behaviour occurs, the less effective will be the reward.

3. *Clarify what kind of behaviour is desired:* You should tell employees exactly what kind of work behaviours are desirable and what the employees should do to earn rewards.

4. *Find whether the reward has any value for the employee:* The reward will be effective only when it has some value from the employee's point of view.

   Example: Money would be less of an enforcer to an employee who expects praise and recognition for his effort more.

5. *See that the size of the reward is large enough to entice employees:* The reward offered must be fairly large and visible to employees clearly. It must tempt people to run the race ahead of others—to the best of their abilities.

6. *Have different rewards and recognise individual differences:* Recognising that different people respond to different kinds of rewards. you should have different rewards available. It is always better to have positive rewards individually tailored so as to facilitate repetition of desired behaviours.

Example: You can offer a word of praise verbally to X, send a congratulatory e-mail to Y. and even send flowers to Z to indicate how delighted you are with their performances.

How to Administer Penalties?

Rewards can be practiced by considering the following:

1. *Be clear about what behaviour is unacceptable:* Inform employees about what kinds of work behaviours are undesirable. In a way, this is nothing but defining the limits.

   Example: Being late means reporting to work beyond the permissible 30 minutes from the scheduled time.

2. *Punish only undesirable behaviour:* You should give punishment only when employees show frequent undesirable behaviour.

   Example: You should reprimand employees who show up, say, a half hour late for work but not 2 or 5 minutes late. If you begin the bombardment every time they are late, say, by 2 or 5 minutes, they begin to look at you negatively as a tyrannical boss.

3. *Punish the specific undesired behaviour, not the person:* If it is directed at the person, punishment produces strong negative reactions leading to frustration, anger, resentment and hostility. The purpose of punishment should not be to undermine a person's confidence or sense of adequacy as a person.

4. *The punishment should be enough to extinguish the undesired behaviour:* Under-punishment will not deter the behaviour. Over-punishment may produce undesirable by-products.

5. *Punishment should quickly follow the undesirable behaviour:* It is more effective when applied at the time the undesirable behaviour is actually performed than at a later time.

   Example: Calling subordinates into the office to give them a warning for breaking a rule the week before is not effective.

6. *Punishment should be administered privately:* A private reprimand can be constructive. There is no use depreciating the worth of an employee in front of others. Those who get punished in public turn resentful and constantly look for opportunities to retaliate violently at the slightest possible provocation. Also, to avoid feelings of resentment towards the punishing agent, punishment should be administered by an agent other than the rewarder.

7. *Combine punishment and positive rewards:* To avoid undesirable side effects of punishment, persons administering it must always provide an acceptable alternative to the behaviour that is being punished. That is, if you are reprimanding an employee, then be sure to say what he is doing right and state what rewards the employee might be eligible for.

   Example: While reprimanding someone for being late, say that a perfect attendance record over the next few months will put that employee in line for a raise or promotion. If managers fail to provide such a desirable alternative path,

the undesirable behaviour will tend to reappear and will unnecessarily cause fear and anxiety in the person being chosen for punishment.

Job Design

In order to optimise performance and extract the best out of people, managers will have to design jobs taking employee expectations and changing organisational needs into account. Properly designed jobs will certainly have a positive impact on both employee satisfaction and quality of performance.

6.7 FACTORS OF MOTIVATION

The motivational factors that motivate a person to work and which can be used to enhance their performance can be classified into two categories:

6.7.1 Monetary Factors

Monetary factors are extrinsic to work, such as the following:

1. *Salary or wages:* This is one of the most important motivational factors in an organization. Salaries and wages should be fixed reasonably and paid on time.

2. *Bonus:* Bonus is an extra payment over and above salary, and it acts as an incentive to perform better. It is linked to the profitability and productivity of the organization.

3. *Financial incentives:* The organization provides additional incentives to their employees such as medical allowance, travelling allowance, house rent allowance, hard duty allowance and children educational allowance.

4. *Promotion (monetary part):* Promotion is attached with increase in pay, and this motivates the employee to perform better.

5. *Profit sharing:* This is an arrangement by which organizations distribute compensation based on some established formula designed around the company's profitability.

6. *Stock option:* This is a system by which the employee receives shares on a preferential basis which results in financial benefits to the employees.

6.7.2 Non-monetary Factors

Non-monetary factors are rewards intrinsic to work, such as the following:

1. *Status:* An employee is motivated by better status and designation. Organizations should offer job titles that convey the importance of the position.

2. *Appreciation and recognition:* Employees must be appreciated and reasonably compensated for all their achievements and contributions.

3. *Work-life balance:* Employees should be in a position to balance the two important segments of their life—work and life. This balance makes them ensure the quality of work and life. A balanced employee is a motivated employee.

4. *Delegation:* Delegation of authority promotes dedication and commitment among employees. Employees are satisfied that their employer has faith in them and this motivates them to perform better.

5. *Working conditions:* Healthy working conditions such as proper ventilation, proper lighting and proper sanitation improve the work performance of employees.

6. *Job enrichment:* This provides employees more challenging tasks and responsebilities. The job of the employee becomes more meaningful and satisfying.

7   *Job security:* This promotes employee involvement and better performance. An employee should not be kept on a temporary basis for a long period.

Check Your Progress

Fill in the blanks:

1. _____ bridges the gap between the ability to work and the willingness to perform wholeheartedly and thereby increases the overall efficiency and output.

2. The climate in the organisation must be _____ to human performance.

3. _____ need is a social need, for companionship and support. for developing meaningful relationships with people.

4. _____ theory generally argues that it is the perceived equity of the situation that stimulates behaviour and satisfaction.

6.8 LET US SUM UP

Motivation is the set of forces that cause people to behave in certain ways. As rightly pointed out by Griffin, on any given day, an employee may choose to work as hard as possible at a job, to work just hard enough to avoid a reprimand, or to do as little as possible. It is true to say that a man works to fulfil a variety of needs. Three types of forces generally influence human behaviour: forces operating within the individual, forces operating within the organisation, and forces operating in the environment. Three kinds of theories have evolved, over the years, to capture the essence of these approaches: namely, content theories, reinforcement theories and process theories. Content theories offer insight into the needs of people in organisations and help managers understand how needs can be satisfied in the workplace. These theories include Maslow's Hierarchy of Needs Theory, Alderfer's ERG Model, Herzberg's Two Factor Theory and McGregor's Theory X and Theory Y.

Process theories focus on why people choose certain behavioural options to satisfy their needs and how they evaluate their satisfaction after they have satisfied these goals. These theories include J. Stacy Adam's Equity Theory, Vroom's Expectancy Theory, Expectancy Theory – The Porter and Lawler Model and Goal-Setting Theory Reinforcement theories focus on employee learning of desired behaviours. Reinforcement theory states that behaviour that results in rewarding consequences is likely to be repeated, whereas behaviour that results in punishing consequences is less likely to be repeated. Organisation Behaviour Modification (OB Mod) is the name given to the set of techniques by which reinforcement theory is used to modify human behaviour. Carrot and Stick approach are most commonly used for motivating employees. In addition to such a carrot and stick approach, management can also think of motivating people through job rotation and job enrichment efforts.

6.9 LESSON END ACTIVITY

You are working as an HR Manager in a reputed organisation. You are invited by a management institute to deliver a lecture on role of motivation in employees work life. Prepare a summary of the points that you will be discussing in your lecture.

6.10 KEYWORDS

Extrinsic Motivation: Extrinsic motivation reflects the desire to do something because of external rewards such as awards, money and praise.

Intrinsic Motivation: Intrinsic motivation reflects the desire to do something because it is enjoyable.

Motivation: It is the process of stimulating people to actions to accomplish the goals.

Negative Motivation: Negative motivation aims at controlling the negative efforts of the work and seeks to create a sense of fear for the worker, which he has to suffer for lack of good performance.

Positive Motivation: Positive motivation induces people to do work in the best possible manner and to improve their performance.

Reinforcement: Reinforcement is a psychological term that refers to the way behaviours increase or decrease according to whether people associate it with a positive experience (a "reward") or a negative experience (a "punishment").

6.11 QUESTIONS FOR DISCUSSION

1. 'Magic power of liquid cash is still an important motivator'. Comment.

2. Discuss Maslow's concept of need hierarchy. What factors motivate managers in Indian industries?

3. Critically examine Maslow's need priority model. How far up the hierarchical ladder do most people progress?

4. Categorise the following needs into Maslow's hierarchy of needs:

   (a) Absence of pain

   (b) Shelter

   (c) Clothing

   (d) Friendship

   (e) Love

   (f) Personal achievement

   (g) Personal growth

   (h) Belonging

   (i) Food

   (j) Safety

   (k) Stability

   (l) Threat

   (m) Illness

   (n) Self-fulfilment

   (o) Self-respect

   (p) Realisation of one's full potential

   (q) Recognition from others.

5. Identify some situations where you were highly motivated to perform because you expected to perform well and some situations where you did not pursue a goal because of feeling that there was no chance of success.

6. "Maslow rightly argues that needs may be partially satisfied and partially dissatisfied". Give your views.

7. "Herzberg found that the aspects which motivate a person are internal and not external". Do you agree with the point? Comment.

8. What are the ways with the help of which an organisation can retain its employees for long term? Also discuss Porter-Lawler's expectancy model. What should managers, according to this model, do to improve employee's performance?

9. "There is a high correlation between Maslow's and Herzberg's models". Interpret.

10. How could a theory of motivation be applied to solving a practical problem in motivation in an organisation? What problems in applying the theory would you expect to encounter?

Check Your Progress: Model Answer

1. Motivation

2. Conducive

3. Affiliation

4. Equity

6.12 SUGGESTED READINGS

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UNIT-7

Leadership

CONTENTS

7.0 AIMS AND OBJECTIVES

After studying this lesson, you should be able to:

- Describe the meaning of leadership

- Discuss the various theories of leadership

- Identify the qualities of leadership

- Highlight the functions of a leader

- Describe the styles of leadership

7.1 INTRODUCTION

Leadership is an important abstract quality of the leader that sets apart a successful organisation from an unsuccessful one. Without leadership an organisation is nothing more than a mass of men, machines and materials. Leadership inspires; creates confidence; helps the teammates to give their maximum for the attainment of objectives. Every organisation – family, group, society, business, government or any other organisation – needs a leader who leads the organisation to the best of his ability. Thus, leadership is an essential ingredient for a successful organisation. Dynamic and effective leadership is one major attribute of a successful organisation.

After getting awareness of the basics of leadership we will enhance the study with the leadership styles and leadership qualities. Moreover an understanding of few models and styles of leadership will be given in the later sections of this lesson. The purpose of this awareness is to make you getting indulge with the core aspects of leadership.

7.2 MEANING OF LEADERSHIP

Leadership is the process of influencing others towards the accomplishment of goals.

According to Koontz and O'Donnell, "It is the ability of a manager to induce subordinates to work with zeal and confidence."

In short, it is the activity of influencing people to strive willingly for group objectives. Leadership, more importantly, is a continuous process of influencing behaviour. A leader breathes life into the group and motivates it towards goals. The lukewarm desires for achievement are transformed into a burning passion for accomplishment. It should also be noted that leadership is something a person does, not something he has. Leadership is something that emerges, that grows and that is achieved.

7.2.1 Characteristics of Leadership

Leadership is viewed as a role and refers to either the traits or the behaviour of the person implementing that role. This role need not be formal or official since individuals carry out functions of a leader not formally defined within their job functions.

The following major characteristics become quite apparent for leadership:

- *Influencing Process:* Leadership is a quality to influence others. Here influencing means bringing others under one's own influence. A leader behaves with his followers in such a way that they automatically come under his influence. They start working as they are told by their leader. It is said that the exercise of influence is the essence of leadership.

- *Behaviour-changing Process:* Leadership has the power to change the behaviour of their followers. A manager who has this ability gets a better work performance from his subordinates.

- *Interpersonal Relations between Leader and Followers:* The requirement of leadership is the presence of followers. One cannot think of leadership without followers. Without followers a leader has no existence.

  In order to make leadership meaningful, it is imperative to have followers to work with him. Therefore, leadership indicates interpersonal relations between the leader and the followers.

- *Achieves Common Goals:* A prominent feature of leadership is the achievement of common goals. It means it achieves not only the objectives of the organisation but also individual goals.

- *Continuous Process:* A manager has to use his leadership ability continuously. It means that it is needed not on any particular occasion but is needed all the time.

7.2.2 Importance of Leadership

Leadership is an important function of management which helps to maximize efficiency and to achieve organisational goals. The importance of leadership is:

Table 7.1: Importance of Leadership

Initiates action	Leader is a person who starts the work by communicating the policies and plans to the subordinates from where the work actually starts.
Motivation	A leader proves to be playing an incentive role in the concern's working. He motivates the employees with economic and non-economic rewards and thereby gets the work from the subordinates.
Providing guidance	A leader has to not only supervise but also play a guiding role for the subordinates. Guidance here means instructing the subordinates the way they have to perform their work effectively and efficiently.
Creating confidence	Confidence is an important factor which can be achieved through expressing the work efforts to the subordinates, explaining them clearly their role and giving them guidelines to achieve the goals effectively.
Building morale	A leader can be a morale booster by achieving full cooperation so that they perform with best of their abilities as they work to achieve goals.
Builds work environment	An efficient work environment helps in sound and stable growth. So, human relations should be kept into mind by a leader who should listen to problems and solve them.
Coordination	Coordination can be achieved through reconciling personal interests with organisational goals.

Example: TD Industries Avoids Bankruptcy by Trusting Employees

TD Industries is employee-owned and consistently on Forbes' Best Companies to Work for list. But the company almost didn't make it through the late 1980s without savvy leadership.

Many Texas banks were failing in the late 1980s, and TD Industries was hurt greatly by the lack of funds needed to do large construction jobs. The company leadership informed employees that instead of filing for bankruptcy, they were going to pay out the Defined Retirement Plan to its employees, and asked employees to use that money to reinvest into the company.

Because of the company's transparency and trust in their employees, the employees responded by giving back 30 per cent more than what the company asked for. The money helped stabilise the company, and they weathered the rough financial spell.

7.2.3 Functions of a Leader

The leader has many diverse of functions. These are more dependent on the kind of management structure to which he belongs. He has the role of carrying forward the objectives of the company. The function of a leader in an organisation or business is different from a leader of a political or a religious group or committee. Even the leaders who may be the General of the Army or Navy have a different role to play. None of them can be the same.

The important functions for a leader are:

- *He makes the target and objectives for the group:* A leader has an important task of making the objectives or policies for his group. He needs to make the objectives or the target and encourage the workers to move forward for accomplishing the goals.

- *He is the planner:* The leader also performs the function of a planning. He finds different ways and methods to get to the goal of the company. He makes plans which are for long-term as well as short-term plans. After which he makes the way to get to the target. He needs to organize himself and plan for the different and difficult situations that he can face.

- *He is the main executive:* There is no point in making the goals or organizing yourself unless the plans are executed in the right manner. It is the leader's job to ensure that the plans get implemented in the correct manner. He needs to relate and connect the different activities of the group for implementing his plans. He has to do all that by himself and make sure it is done well.

- *He represents his company everywhere:* He represents his company internally as well as externally. He is the spokesperson for the company. All the communication inside and outside the company are his responsibility. The other people from different organisations deal with him as the sole representative of the group.

- *He takes care of inter personal relationships:* The leader initiates and controls the relationship among the people of his group. E-communication in the group is under his control and he makes sure people connect with him to work in a group. He encourages group unity and people work together in harmony under him.

- *He controls the awarding and punishing:* The leader makes use of his authority for the rewarding and punishing the people. He works at inspiring and encourageing them to move forward and also takes care of the discipline within the group. He has the power of punishing the people when they break the rules and he even rewards them for good performance. The rewards are in form of cash incentives or in kind and the punishment could be in form of penalties or taking away of duties from the people.

- *He takes care of solving the problems:* The leader is the mediator in times of conflicts in a group and also plays the part of solving problems within the group. He does that in an unbiased manner. So that there is unity amongst the people and they work together in a coordinated way.

- *He works as an example:* The leader is the role model for the people in his team. He serves as an example to the others and sets high goals and aspirations for others to follow. It is important for the leader to 'walk the talk.' He should himself show and implement the beliefs and values and aspirations which he wants his team to follow.

- *He is the respected person:* The leader has to play the respectable and an emotional role for the people in his group. The people look up to him as a father figure and respect him. He has to be inspiring and motivating for the people in the group. He influences and guides the people in his team. He also sometimes takes care of their personal issues. He hears their complaints and finds solutions for them. He sometimes acts as a punching bag for them.

- *He is answerable for others faults:* The leader is answerable for the faults of the others in his team. Since he is heading the group he is responsible for the good and bad of the group. In case the group is doing well then he gets the accolades for it and if it is under performing he is held responsible for it. Therefore become a scapegoat for all his group activities.

- *He makes sure the team works effectively:* He makes sure that the team works effectively for the attainment of the set goals. For this he needs to distribute the tasks among his people. He needs to guide and instruct them in their tasks. He has enough resources available to him to reward them for good work. The reward makes them motivated enough to work well for him. He involves them in decision making and makes them feel responsible.

- *He creates a unity:* The important function of a leader is to create a team spirit and unity among his people. They should work together as a team. There should be harmony in their working atmosphere and they should enjoy working for him.

- *He acts as a guide and counsels the people:* The leader acts as a guide and counsels them when there is a problem. They may face difficulties at work and these issues can be handled by him in the proper manner of talking with them. He inspires them to work and takes care of their problems by finding solutions and supporting them.

7.2.4 Qualities of a Good Leader

The various traits that make a good leader are:

The profile of a leader is a perfect kind of personality who has the traits of a confident person. He should be smart and talented with experience of human relationship skills, and mental ability to carry out his job well. He should have a good personality and be able to influence others working under him.

Though it has been seen a number of times that a leader maybe successful in a situation may not be the same in another situation. Hence, the ability or a trait of leadership should be able to handle different situations. Therefore, the leadership quality is not limited to a single situation. It works in other diverse situations. It is a combination of number of abilities which combine together for being a leader.

- Being able to motivate

- Ability to communicate

- Quick decision making power

- Integrity
- Full of courage
- Self confidence
- Flexibility of mind
- Ability to apprehend the feelings of others
- Sense of responsibility
- Tolerance
- Alertness
- Technical ability
- Psychological expert
- Human ability
- Physical and mental fitness
- Creative and fresh approach to problems
- Should be knowledgeable and have information about different fields
- Being biased in his dealings and mature in handling situations
- Foresight
- Enthusiastic, constructive and optimistic attitude
- Have the drive and initiation to move ahead

It is not possible to find a leader with all the inborn traits and behaviour. Therefore, it is wise to train them as required for the different areas and knowledge required. It is not possible to have them pre-trained to be handling varied situations.

7.3 PRINCIPLES OF LEADERSHIP

The principles of leadership are: Basically to let you 'be' and to 'know' yourself and to 'do' as you are told to do.

- *On knowing ourselves and looking for self-betterment:* To know ourselves we should be able to understand: attributes in terms of 'being' and 'knowing' what needs to be 'done'. On constantly doing and continuing with it we can improve ourselves in the right direction. It can be attained through studying or interacting with others or through experience.

- *To be amply qualified:* We should be able to understand and connect with the people and be able to direct them on the basis of our knowledge and information.

- *By being responsible for our ways and activities:* The leader should be innovative to think of new ideas on guiding his people. In case there are problems he should be able to find solutions for them. He should study the issue at hand and look for proper ways of moving ahead.

- *Be able to find the right answers at the right rime:* The leaders should be quick in their actions and be able to resolve problems with the right methods.

- *We should be role model:* Leaders should be able to set an example and act as perfect inspiration for the workers. They should be encouraged with their attitude and want to follow the same.

- *We should take care of workers well-being:* The leaders should think about the wellbeing of the workers and care for them.

- *Should keep the communication open:* The leaders should be good communicators and should be able to get across to their workers amiably.

- *Should develop a feeling of responsibility:* The leaders should be able to inspire the people to be responsible. They should effectively carry out their tasks.

- *Should be clear and definite about their work:* They should be able to clearly define their work and be able to communicate the same to the employees.

- *Should have a team spirit:* The leaders should inspire the employees to work as a team. They should put in work in a united way and stay connected with the leader to be well guided by him.

- *Be able to amply use the resources of the company:* They should be guiding the people in a united way and use the resources available for moving ahead in their attainment of the organisation's goals.

Attributes of Leadership – 'BE', 'KNOW' and 'DO'

Leaders concentrate on Be, Know and Do (U.S. Army, 1983):

- What they are 'be' (such as beliefs and character)

- What they 'know' (such as job, tasks and human nature)

- What they 'do' (such as implementing, motivating and providing direction).

BE is being a professional. *Examples:* To be faithful to the organisation, perform selfless service, and should be able to take individual responsibility.

BE is a professional who own good character traits. *Examples:* Honesty, competency, commitment, integrity, courage, openness, imagination.

KNOW should know the four aspects of leadership—follower, leader, communication, situation.

KNOW Be able to know ourselves. *Examples:* Strong point and weak points of your character, knowledge and expertise.

KNOW To know the human nature. *Examples:* Should be aware of human needs, emotions, and how people respond to anxiety.

KNOW Should know our job. *Examples:* To be proficient and be able to train others in their responsibilities.

KNOW To know our organisation. *Examples:* We should know where to go for help, know its climate and culture and who the unofficial leaders are.

DO This gives directions. *Examples:* In terms of goal setting, problem solving, decision-making and forecasting.

DO This helps to implement. *Examples:* In terms of communicating, synchronizing, administering and assessing.

DO This helps to motivate. *Examples:* To develop morale and spirit in the organisation, train, counsel.

7.4 THEORIES OF LEADERSHIP

Numerous studies have been conducted and considerable amount of research has been done to find out how a leader becomes effective. Various theories have been postulated from time to time to zero in on the factors that influence the effectiveness of leaders. The most important are discussed here in further sub topics.

7.4.1 Trait Theory

Traits theory defines leadership characteristics on the belief that, 'effective leaders are expected to own more of certain traits than ineffective leaders', and moving with the belief that there are certain inborn traits that makes an individual a good leader.

The scholars taking the trait theory attempted to recognize physiological, demographic, personality, intellective, task-related, and social features and relate them with the leader characteristics and leader success.

The traits of a person define him as a leader. Therefore, a good and successful one has a number of personality traits in terms of their capabilities and interests. The not so successful ones have lesser degrees of these traits. The last three decades of the 20th century has had many researchers finding different personality traits for a good leader. There are requirements for a good leader and some of the traits mentioned here are important for good leadership skills.

According to Stogdill, the characteristics of a good leader, based on several research outcomes are:

- *Achievement drive:* There is a high level of motivation to achieve.

- *Inspiring leadership:* The desire to be a good and inspiring leader is to get the goals.

- *Be honest and trustworthy:* Should be reliable and honest in their behaviour and dealings with people.

- *Should be confident:* They should be confident of their abilities and ideas.

- *Good judgment:* Should be confident of their skills and judgment and ability.

- *Should be well qualified:* They should have proper knowledge on different aspects of the industry and business.

- *Be mature:* They should be mature enough to be handling the different situations.

- *Other talents:* They should have the innovative and creative skills and the charisma to lead the people.

Advantages of Trait Theory

The various strengths and advantages of trait theory are as follows:

- It is a comfortable and amply easy going theory.

- It is considered as correct because a lot of researches have been done and proved the theory.

- It sets an important standard where the important qualities of a leader can be judged.

- It gives good information and knowledge of the qualities of a leader.

Limitations of Trait Theory

According to the Trait theory, there is bound to be some subjective judgment in defining who is considered as a 'good' or a 'successful' leader.

These are normally a generalized theory on the different personality traits of a good leader. The lists of the traits projected are very long. There are more than hundred traits which are found in leaders. This is just a general opinion. Many people differ in their views and are not able to decide the most effective and significant traits of a good leader.

This theory makes attempts to relate physical aspects of height and weight, to that of being an effective leader. These are mostly relating to the situations. For example, a person with certain required height and weight are needed to do the tasks of a military leader. These are not the required criteria for a leader in a business oriented situation.

This theory has many dimensions and is multifaceted.

Implications of Trait Theory

The trait theory gives different constructive knowledge regarding being a good leader. The traits can be used in different situations in an organisation. It can be used by people at different levels in all types of organisations. The manager can go through this information and can confirm their roles in the organisation. It gives them a good insight on the roles they have to play and how they can make their position stronger and better in the enterprise. It gives them a good understanding of their role and how they can improve themselves.

Conclusion

The traits approach speculates on the qualities of a leader. They are unable to decide whether leadership is an inborn quality or were trained or whether it is an art or some kind of science. It can have little of all aspects. The definite skills and the methods make it like an art. They could even have some inborn qualities of being a good leader. Whatever may be the reasons they still need to be inspiring and developed. They need to honest and trustworthy. A good leader needs to have his confidence in place for carrying out his functions. He has to be innovative and needs a lot of enthusiasm to lead the people. All these inputs are important traits of a good leadership and they need to be developed well.

7.4.2 Likert's Behavioural Theory of Leadership

Rensis Likert and his associates studied the patterns and styles of managers for three decades at the University of Michigan, USA, and identified a four-fold model of management systems. This theory was developed on the basis of a questionnaire administered to managers in over 200 organisations and research into the performance characteristics of different types of organisations.

According to Rensis Likert, "Organisational effectiveness depends significantly on successful leadership provided by managers. By involving the process of employee participation in structuring the work and the work environment, a manager can effectively lead people towards achieving organisational goals."

Therefore by involving employees in decision making and by building an effective communication system, providing opportunities enabling employees to fulfil their personal and the group needs, an effective leader can create a supporting environment for employees to realize their sense of personal growth.

According to Likert, there are four main styles of leadership: Exploitative, Benevolent authoritative, Consultative and Participative or Democratic.

- *System 1 – Exploitative Authoritative:* The main responsibility is in the hands of the people at the upper levels of the pyramid. The superior or the upper management have no faith and confidence in their workers. The decisions are forced on the workers and they do not have a good relationship with the manager and do not like to discuss things about the work with their manager. They are mostly threatened to work and their motivation level is low and there is little communication between them.

  This leadership style is very professional and dealing more with productivity. They do not involve the employees in decision making. The leaders threaten the workers with penalties or threats to force them to agree or work.

- *System 2 – Benevolent Authoritative:* The responsibility is at the managerial levels and not at the lower levels of the organisational pyramid. The superior has a lot of confidence and faith in the workers. The employees are no comfortable to discuss things about the work with their superior. The superior is helpful to allow the workers in some part of decision making and uses rewards or penalties for getting work done from them. There is very little communication and less motivation and coordination and the performance is based on the rewards.

- *System 3 – Consultative:* The sense of responsibility is spread through the organisational pyramid. The superior has enough but not complete confidence in their workers. They discuss some part of the job functions with each other. Their motivation level depends on the job functions and also on rewards. The communication takes place vertically and horizontally and there is some coordination also there. This consultative Leadership Style is shown by managers who have confidence in their workers and involve them in the process of decision making before deciding anything about the different jobs in the organisation.

- *System 4 – Participative:* The responsibility for getting to the organisational objectives is widespread throughout the organisational pyramid. There is good confidence level between the superior and the subordinates. The level of communication and coordination is very good and the subordinates are also involved in various decision making activities.

The leaders in this style of working believed in proper communication with the group and involvement of the workers in making decisions. They work together as a group and achieve to attain the organisations goals. It is the most effective and working kind of leadership since it encourages the people to perform and give their best performance for the organisation.

The nature of these four management systems has been described by Likert through a profile of organisational characteristics. In this profile, the four management systems have been compared with one another on the basis of certain organisational variables which are:

- ❖ Leadership processes
- ❖ Motivational forces
- ❖ Communication process
- ❖ Interaction-influence process
- ❖ Decision-making process
- ❖ Goal-setting or ordering
- ❖ Control processes

On the basis of this profile, Likert administered a questionnaire to several employees belonging to different organisations and from different managerial positions. His studies confirmed that the departments or units implementing management practices within Systems 1 and 2 were the least productive, and the departments or units implementing management practices within Systems 3 and 4 were the most productive.

Advantages

With the help of the profile established by Likert, it became possible to measure the outcome of the work done in the field of group dynamics. Likert theory also enabled the measurement of the "soft" zones of management, such as trust and communication.

Conclusion

According to Rensis Likert, the nearer the behavioural characteristics of an organisation approach System 4 (Participative); it is more likely this will lead to long-term improvement in staff turnover and high productivity, low wastage, low outlays and high incomes. And the Behavioural Approach regards leadership as behavioural, situational or related to the interaction between the leader and the group. According to this approach, leadership should be defined as what leaders do rather than 'what leaders are'.

7.4.3 Managerial Grid Theory

This theory of effective management is also popularly known as the "Managerial grid." Developed by Blake and Mountain, it focuses on various combinations of leadership styles. According to Blake, there are two critical dimensions of effective leadership:

(i) Concern for people

(ii) Concern for production

According to him, a manager can rate high on either of the two, or both or any other combination of these two dimensions that are independent. He can rate high on one dimension and low on the second. In fact, any combination is possible.

The two dimensions of the grid show concern for production, on one side and concern for people, on the other side, indicating the extent of concern for production and people. With varying permutation and combination of these two dimensions i.e., concern for production and concern for people, 81 styles of leadership are possible. However, of these only five styles are emphasized by Blake; the one in the centre of the grid and the four in the corners.

These styles are:

(i) 1, 1 - Manager

(ii) 1, 9 - Manager

(iii) 9, 9 - Manager

(iv) 9, 1 - Manager

(v) 5, 5 - Manager

- The 1, 1 — The manager here shows very little concern for production as well as people. He puts in minimum effort to get the required work done in a proper way and let matters drift. His efforts are merely aimed being in the organisation but he is not bothered about the satisfaction level of the employees and neither the production levels of the organisation.

- The 1, 9 — The manager here functions with the thinking that if he takes good care of his people they will in turn care for the production of the company. Therefore, he keeps the workers happy and gives them harmonious conditions to work and they are satisfied in their working conditions. So, he gives his full attention to the needs of the employees and keeps them happy by providing an atmosphere that is comfortable and friendly with satisfying relationships. He shows little care for production of the organisation and is busy satisfying the employees.

- The 9, 9 — The manager here is the optimal management according to Blake. Therefore, the committed workers along with their own goals linked to the organisation goal encourage the work accomplishment. This kind of model emphasises on interdependence of the employee involvement, satisfaction of their

needs and production. The model further focuses on developing of relationships of respect and trust, unity among the people and developing of managers as good leaders.

- The 9, 1 – The manager here is production oriented as he shows maximum concern for production and minimum concern for the people who will be involved with the production. He works as using his full authority and demands efficiency in work operations by his powerful leadership, using threats for getting work done.

- The 5, 5 – In this, the manager emphasizes on adequate organisation performance by balancing the employee needs as well as production requirements. The employees are involved in decision making. They look at work as 'Maximum' is not the effort put it, only a satisfactory level is maintained. It provides grounds for employee's satisfaction. It lacks in its efforts to optimize on either of the two areas.
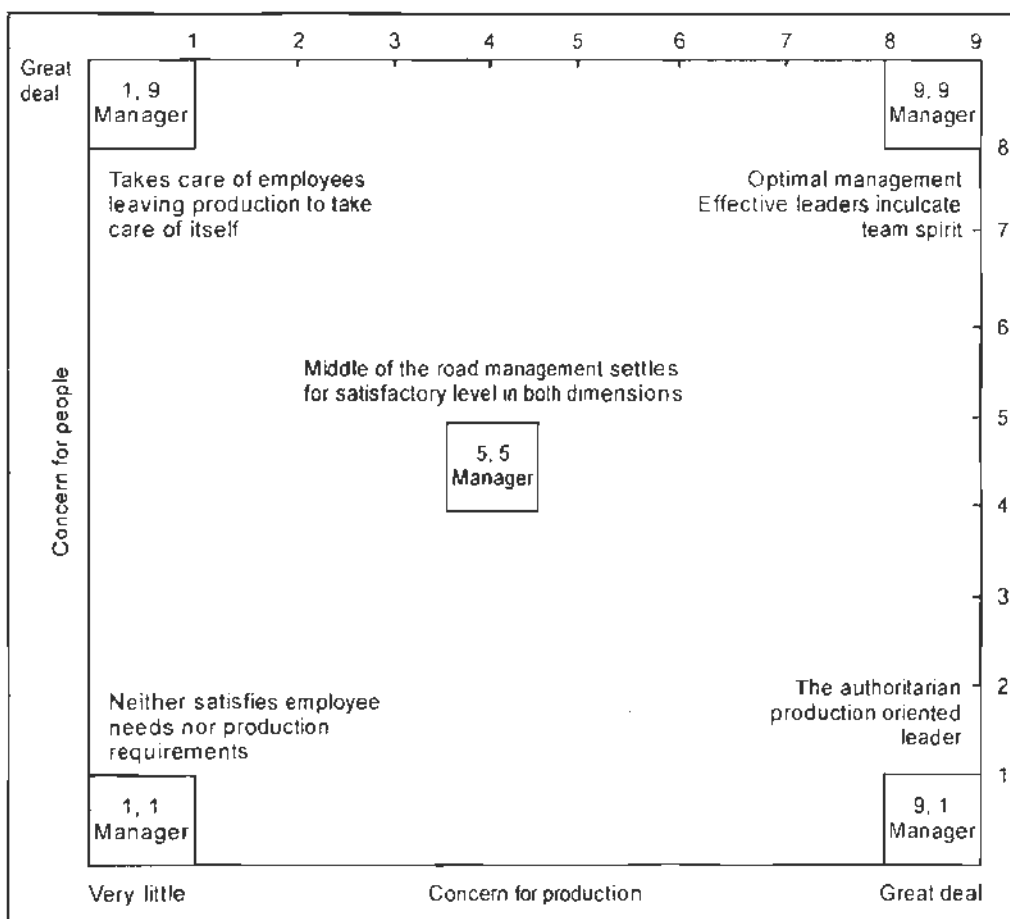
Source: R.R. Blake et. al., Break through in Organisation Development, Harvard Business Review, 1964 (Nov.-Dec.)

Figure 7.1: Managerial Grid Theory

7.4.4 Continuum of Leadership Behaviour

The leadership continuum was originally written in 1958 by Tannenbaum and Schmidt and was later updated in the year 1973. Their work recommends a continuum of probable leadership behaviour available to a manager and along which several leadership styles may be placed. The continuum grants a range of action related to the degree of authority used by the manager and to the area of freedom available to non-managers in arriving at decisions. A comprehensive range of leadership styles

have been portrayed on the continuum in the middle of two extremes of autocratic and free rein (see figure 7.2). The left side displays a style where control is maintained by a manager and the right side displays the release of control. However, neither extreme is absolute (complete) and authority and freedom is never without their limitations.

The Tannenbaum and Schmidt continuum can be related to McGregor's supposition of Theory X and Theory Y. Boss-centred leadership is towards theory X and subordinate-centred leadership is towards theory Y.
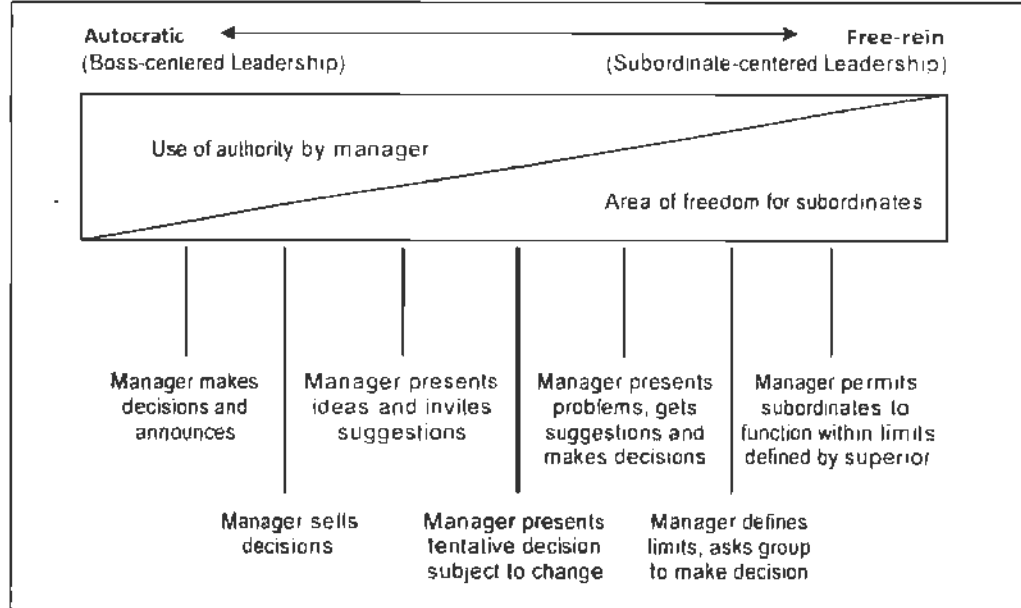
Figure 7.2: Continuum Leadership Behaviour

A manager is characterized according to a degree of control that is maintained by him. According to this approach, four key styles of leadership have been recognized:

1. **Tells:** The manager recognizes a problem, selects a decision and declares this to subordinates. The subordinates are not a party to the decision making process and the manager wants them to execute his decisions as soon as possible.

2. **Sells:** The decision is selected by the manager only but he understands that there will be some amount of confrontation from those faced with the decision and therefore makes efforts to convince them to accept it.

3. **Consults:** Though the problem is recognized by the manager, he does not take a final decision. The problem is presented to the subordinates and the way outs are suggested by the subordinates.

4. **Joins:** The manager outlines the limits within which the decision can be taken by the subordinates and then makes the ultimate decision along with the subordinates

According to Tannenbaum and Schmidt, if one has to choose the leadership style which is feasible and appropriate, then that will depend upon the subsequent three factors:

1. **Forces in the Manager:** The behaviour of the leader is influenced by his personality, background, knowledge and experience. These forces include:

   (a) Value systems

   (b) Confidence in subordinates

(c) Leadership predispositions

(d) Feelings of security in an uncertain condition

2. **Forces in the Subordinate:** The personality of the subordinates and their expectations from the leader influences their behaviour. The factors include:

   (a) Willingness to assume responsibility in decision-making

   (b) Degree of patience for ambiguity

   (c) Interest in the problem and feelings as to its significance

   (d) Strength of the needs for independence

   (e) Knowledge and experience to tackle the problem

   (f) Understanding and identification with the goals of the organisation

   If these factors are on a positive side, then more freedom can be allowed to the subordinate by the leader.

3. **Forces in the Situation:** The environmental and general situations also affect the leader's behaviour. These include factors like:

   (a) Kind of organisation

   (b) Group efficiency

   (c) Nature of the problem

   (d) Time pressure

When the authors updated their work in 1973, they suggested a new continuum of patterns of leadership behaviour. In this, the total area of freedom shared between managers and non-managers is redefined continuously by interactions between them and the environmental forces. This pattern was more complicated in comparison to the previous one.

Conclusion

According to Tannenbaum and Schmidt, successful leaders know which behaviour is the most suitable at a particular time. They shape their behaviour after a cautious analysis of self, subordinates, organisation and environmental issues.

7.4.5 Fiedler's Contingency Theory

Fred E. Fiedler's contingency theory of leadership effectiveness was based on studies of a wide range of group effectiveness. He concentrated on the relationship between leadership and organisational performance. This is one of the earliest situation-contingent leadership theories given by Fiedler. According to him, if an organisation attempts to achieve group effectiveness through leadership, then there is a need to assess the leader. It can be done according to an underlying trait, the situation faced by the leader. Thereafter construct a proper match between the two.

Leader's Trait

In order to assess the attitudes of the leader, Fiedler developed the 'least preferred co-worker' (LPC) scale in which the leaders are asked about the person with whom they least like to work. The scale is a questionnaire consisting of 16 items used to reflect a leader's underlying disposition towards others. The items in the LPC scale are pleasant/unpleasant, friendly/unfriendly, rejecting/accepting, unenthusiastic/enthusiastic, tense/relaxed, cold/warm, helpful/frustrating, cooperative/uncooperative, supportive/hostile, quarrelsome/harmonious, efficient/inefficient, gloomy/cheerful,

distant-close, boring/interesting, self-assured/hesitant, open/guarded. Each item in the scale is given a single ranking of between one and eight points, with eight points indicating the most favourable rating.

Friendly _____ _____ ____ Unfriendly

8	7	6	5	4	3	2	1

Fiedler states that leaders with high LPC scores are relationship-oriented and the ones with low scores are task-oriented. The high LPC score leaders derived most satisfaction from interpersonal relationships. They therefore evaluate their least preferred co-workers in fairly favourable terms. These leaders think about the task accomplishment only after the relationship need is well satisfied. On the other hand, the low LPC score leaders derived satisfaction from performance of the task and attainment of objectives. Only after tasks have been accomplished, these leaders work on establishing good social and interpersonal relationships.

Situational Factor

According to Fiedler, a leader's behaviour is dependent upon the favourability of the leadership situation. Three factors work together to determine how favourable a situation is to a leader. The three factors are given below:

1. **Leader-member relations:** This is the degree to which the leaders is trusted and liked by the group members. Hence there will be willingness of the group members to follow the leader's guidance.

2. **Task structure:** It is the degree to which the group's task has been defined i.e., whether as structured or unstructured. Thereafter the extent to which it can be carried out by detailed instructions.

3. **Position power:** The total power of the leader is by the virtue of the organisational position. The degree to which the leader can exercise authority on group members in order to comply with and accept his direction and leadership, makes his position.

With the help of these three variables, eight combinations of group-task situations were constructed by Fiedler. These combinations were used to identify the style of the leader.

Leadership Effectiveness

The effectiveness of a leader's is determined by the interaction of the leader's style of behaviour and the favourable situational characteristics. The most favourable situation is when leader-member relations are good. The task is highly structured, and the leader has a strong power position.

Research on the contingency model has shown that task-oriented leaders are more effective in highly favourable (1, 2, 3) and highly unfavourable situation (7, 8), whereas relationship-oriented leaders are more effective in situations of intermediate favourableness (4, 5, 6).

Fiedler also suggested that leaders may act differently in different situations. Relationship-oriented leaders generally display task-oriented behaviours under highly favourable situations and display relationship-oriented behaviours under unfavourable intermediate favourable situations. Similarly, task-oriented leaders frequently display task-oriented in unfavourable or intermediate favourable situations but display relationship-oriented behaviours in favourable situations.
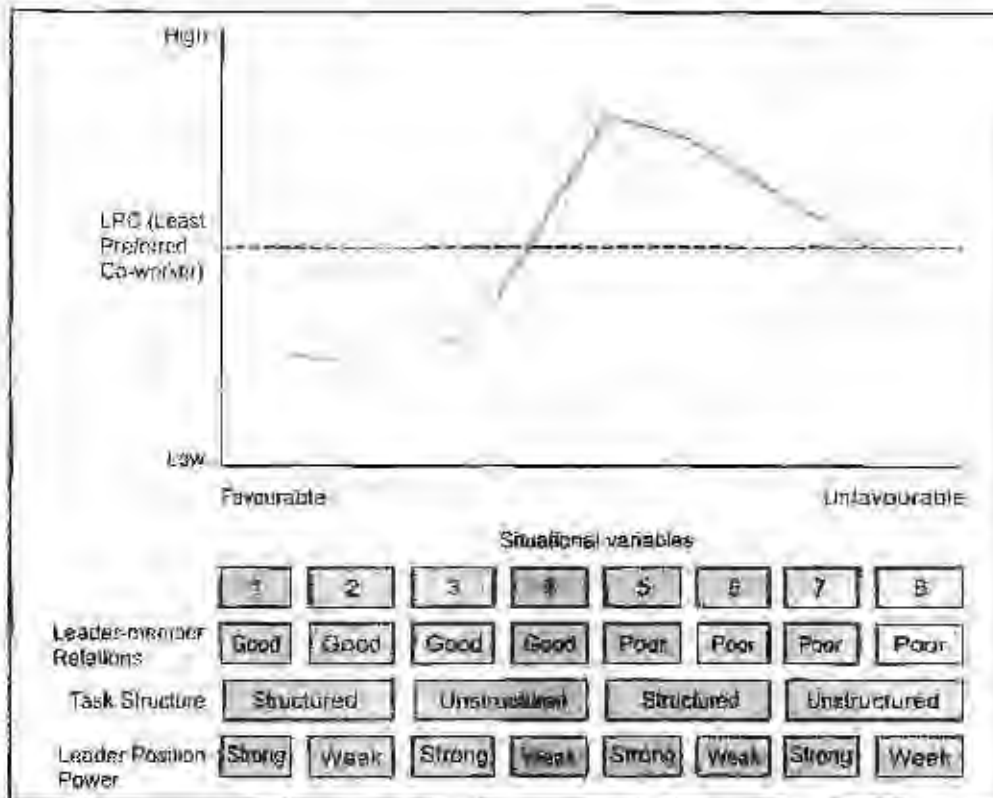
Figure 7.3: Correlation between Leader's LPC Scores and Group Effectiveness

7.5 STYLES OF LEADERSHIP

Authoritarian, Democratic and Laissez-Faire leadership are some important leadership style.

7.5.1 Authoritarian/Autocratic Leadership

In the authoritarian type of leading, it is the leader who is involved in making the policies and plans for the organisation. He has the power of dominating over the workers and orders them which have to be accepted by them. He has the total authority and the decision making powers for the company. He does not consult the employees before giving the tasks and duties. The leader has the complete responsibility for his decisions.

The functioning of autocratic leadership is not correct because it is based on fears and punishment for the people. The subordinates are very unhappy and they act as he directs and leads them. He believes that he is the sole authority and only he has the power of deciding. He does not care for the people's views nor lets them influence his decision. His style of leading is dependent on close supervising and directing of the employees. But it also has fast decisions and prompts. There can also be a case of too much power would lead to strikes and disagreements in the system. This likely to frustrate the people and lead to low productivity in the system.

This style of leadership is less likely to be effective because:

• The new generation is more self-confident and do not like to be dominated by the others.

• The people look for working and satisfying their own egos from their work.

• The need for growing big has changed the people's behaviour.

Classification of Autocratic Leadership

- **Stern and Rigid Autocrats:** They are very rigid in their work and have a negative influence. He uses the system of force of fear and punishment in working with the people and moving them towards the objectives. The employees become very frustrated and unhappy in this situation.

- **Kind Autocrat:** They function mainly on being kind and have a positive influence. He uses the reward and incentives to empower the people to work and move towards the organisational goals. This ways he gets the workers to work for him.

- **Smart Autocrat:** They make the workers feel that they are contributing in decision-making, but it is their own decisions. McGregor labels this style as Theory X.

Characteristics of Autocratic Leadership

The following are the characteristics of the autocratic leadership style:

- **Central Level of Authority:** In this style of working, the manager is the central authority and he is not willing to share his authority and responsibility with the employees. Therefore it is a centralized way of working.

- **Individual Decisions:** In this style of leadership, it is the manager who takes all the decisions for the enterprise. He does not need anyone else to help him.

- **Incorrect Vision for the Employees:** The manager thinks that unless he uses the stick the people will not work. They need a tough control and do not need care and love. They take the help of the centralized style of leading.

- **Limited Communication:** In this style of working, the ideas of the workers are of no use. Therefore, there is downwards level of communicating which means that the managers only tell and is not interested in hearing them.

Advantages of Autocratic Leadership

Autocratic leadership style has the following advantages:

- **Fast and Immediate Decisions:** The decisions are quick and fast. This is because all the decisions are taken by the manager due to centralized authority, and there is no delay in actions.

- **Accepted Work:** Under this situation, the work of the people is well accepted since it is done under strict control.

- **Important for Uneducated Employees:** This style of working is possible with less educated people. They are uneducated and have no capability of taking decisions.

Disadvantages of Autocratic Leadership

This style has the following disadvantages:

- **Lack of Inspiration:** In this style of working, the manager are motivated but the employees are de-motivated. This is because of working in an atmosphere of fear and punishment brings down their morale.

- **Dissatisfied Employees:** In this style of working, the employees are not involved in making decisions. They are made to work like puppets and are very dissatisfied in the working atmosphere. The employees do not like this kind of leadership and oppose it.

- **Possibility of Being Biased:** In this style of working, the manager is biased with some employees since the authority is centralized with single person. He tries to

help his favourite employees and gives them less difficult work to do. Such a feeling of partiality brings in a feeling of bitterness and unhappiness among the employees.

7.5.2 Democratic Leadership

In this style of working, the leader guides and inspires all the workers to take responsibilities. He has a very open way of functioning by involving and guiding them in attaining the goals. The different decision and guidelines are together decided by the whole group along with their leader. The group decides on the various method and techniques and actions to be taken.

The democratic leader plays an important role in encouraging and strengthening the inter relationships among the employees. The people are happy working under him and there are no intra-group problems and tensions. But again this kind of leadership is not correct for the organisation. He only coordinates some functions and works to make sure that the organisation functions efficiently. The workers are not dependent on him and so the organisation can work without him too.

The democratic leadership has decentralized authority. It has active participation of the workers in making the plans and policies. He leads the subordinates largely through persuading them to work and has no place for fear and force. McGregor labels this style as Theory Y.

Characteristics of Democratic Leadership

The following are the characteristics of democratic leadership style:

- *Interactive Relations:* The style of functioning has total cooperation among the managers and the employees. The involvement of the employees in the management decisions gives the feeling of confidence and they are ready to co-operate in every way.

- *Trust in the Employees:* The managers have the belief that employees like to work. They trust them to put in their good work with interest. This belief and trust in the people enhances their morale.

- *Two Way Communication:* This style of working has a two way communication. The communication is open between the employees and the manager. The manager is happy communicating with the people.

Advantages of Democratic Leadership

Democratic leadership style has the following advantages:

- *Good Morale:* Under this style of working, the morale of the people is high and they like to work in this environment.

- *Increases Productivity:* In this style of working, the employees take part in decision making. They are happy in this atmosphere and they work well and this increases the productivity of the organisation.

- *Availability of Time:* Under this kind of functioning, the manager has a lot of time on hand. Since their work load has become less and they can use their time in constructive ways of making the expansion and growth of the enterprise is possible.

Disadvantages of Democratic Leadership

The following are the disadvantages of the democratic leadership style:

- *Requirement of Technical People:* The important part in this leadership style is that the employees help in taking decisions. Therefore it is important for them to be technically qualified to take good and proper decisions.

- *Time Taking Decisions:* Since the decision making process involves the employees it takes time for actions to take place. Since it becomes a lengthy process.

- *Un-responsible Managers:* Sometimes the managers avoid responsibility since the decisions were taken by the employees. So they feel that the employees should be answerable for their decisions.

7.5.3 Laissez-faire Leadership

'Laissez-faire' factually means, "Let (people) do or make (what they select) or no leadership". In this type of leadership style, the leader is in name only. He keeps busy with office work and is not connected with the day to day working of the system and he stays from his employees. He is not part of any decision making or making the plans for the system. The workers are free to work and take their own decisions. The organisations working with this kind of system are normally very unstable and have hardly any productivity.

This style of working has the leaders give up on authority and have no responsibility. The laissez-faire or non-interfering type of leader has no effort in managing the system since the responsibility for decision-making is with the employees. He is not involved in providing any guidance to the group. The group is working by their own decision making and forming their own goals.

The leader here is of the feeling that when an individual is left on his own he learns to survive and can handle the situation well and the goals can be attained this way for the organisation. He plays no role in the working of the system.

Characteristics of Laissez-faire Leadership

The following are the characteristics of the free-rein leadership style:

- *Trust in the employees:* The important feature in this is the trust in employees, they are considered right enough for taking decisions for the organisations. The managers are of the thinking that the employees are smart and dynamic and responsible and they have full trust in them.

- *Employees are the Decision-makers:* In this style of working, the decisions for managing are taken by the employees instead of the managers. The managers can be consulted when required.

- *Un-centralized power:* In this style of working, the power is with the employees who make the decisions. The managers give this power to the employees and they also set the goals for the company. The managers are involved only in the coordination and on general control of the system.

- *Controlled by the employees:* Once the objectives are made and the plans are set then the system is run by the employees. The manager is only concerned with problems of conflicts or hostile situations. The total supervision and control is taken care by the workers.

Advantages of Laissez-faire Leadership

Free-rein leadership style has the following advantages:

- *Confident Employees:* Since the employees are in control of the system they have the confidence and are capable of taking decisions. It creates self-confidence in the workers. They perform better in their work.

- *Well Motivated:* In this style of working, the manager gives the employees all the power by showing total confidence in them. They are seen as important part of the organisation. Due to this feeling they are well motivated.

- *Growth of the Organisation:* The manager has a lot of time on hand to think of increasing the productivity of the enterprise. They spend all their energies for looking at different avenues.

Disadvantages of Laissez-faire Leadership

This leadership style has the following disadvantages:

- *Not Synchronized:* There is no proper supervision and control by the managers. The system is moving on its' own with the employees. Sometimes it is difficult because the employees may have conflicting views and this becomes a problem. The manager has no coordination and synchronization among such employees.

- *Manager is Not Important:* In this functioning of leadership, the post of a manager is not important because he does not make any plans, or take any decision or working of the system.

- *Applicable only for the qualified employees:* This style is applicable only for the educated employees. So that the work can be given to them with confidence. This style of leadership is not right for the uneducated employees.

7.5.4 Paternalistic Leadership

In the paternalistic type of managing, the leader is seen as the fatherly or paternal figure. The relationship between the leader and the group is the same as the relationship between the head of the family and the members of the family. The leader takes care of the employees and he directs and defends his employees like his family members.

He takes care of them and gives them decent working environment and aids as the family head. Therefore it is expected that the workers will work harder out of gratitude. This style of leadership prevails in the small firms of India. However, this kind of paternalistic approach does not work with the mature adult employees who don't like a 'godfather' taking care of them. Instead of the feeling of gratitude, it might create resentment and wrong feelings in the subordinates.

7.6 TYPES OF LEADERS

The various types of leadership are discussed below:

7.6.1 Transactional Leadership

The transactional style of leadership was first defined by Max Weber in 1947 and then by Bernard Bass in 1981. This style is most often used by the managers. This discusses about the core management process of monitoring, organizing and short-term planning.

Transactional leadership style worked on motivating and guiding the people mainly for taking care of their own self-interest. The leader inspired the people through

various systems of rewards and punishment. If the employee worked well, he was rewarded. If he did not go as per the desires of the leader, he was punished. Here, the exchange between leader and employees are like a routine system. The power of these transactional leaders came in due to their official authority and responsibility in the organisation. The important thing was to obey the leader and move according to his directions. The style can also be very dominating and more like the 'telling style'.

The employees cannot have job satisfaction under transactional leadership. The leader could give rewards to the employees and force them to work towards even higher standards or greater yield. He could also use other means of "management by exception", where instead of giving rewards to the people he would further take actions if the required standards were not met by them. Transactional leadership is not the correct way of leading it merely is a method of managing. It's main emphasis is on short-term tasks.

The assumptions of transactional theory are:

- The workers are encouraged by ways of rewarding and punishing.

- The employees have to follow the orders of the leader.

- The employees are de-motivated. They have to be directed and supervised for getting work done.

7.6.2 Transformational Leadership

The transformational leadership style is the most prevailing kind of leadership. A person with this leadership style is a true leader who motivates his group with a proper shared vision for the future to come. The transformational leaders are very concerned for their employees and they spend their time communicating with them. They believe in giving duties to the people and direct them.

7.6.3 Autocratic Leadership

The autocratic leadership is an extreme form of transactional leadership, where a leader dominates and exercises high levels of authority over the workers and group members. People working with them have no role in giving suggestions within the team and for the organisation's interest.

The people are very unhappy with this kind of leadership. They do not like being treated like this. This results in people leaving and high levels of staff turnover. The company is unable to benefit from the creativity and the experience of the workers and group members. These may work for a while but it is not the best kind of leadership for any organisation.

7.6.4 Bureaucratic Leadership

Bureaucratic leaders are more the kinds to follow by the book. They have the employees follow them according to the book. This is more applicable in technical areas where one is working with machines and it involves safety measures and serious safety risk. They could also be connected to serious toxic substances or working at heights or where huge sums of monies are involved such as cash-handling. They are very rigid in their ways and do not like making changes. It can have a bad effect on the organisation where they do not involve the employees in any plans. They also may not be quick to react to changes in the external environment.

7.6.5 Charismatic Leadership

A charismatic leadership style is very similar to a transformational leadership style. In that the leader brings in an appeal in terms of his charisma into his team. It is his personality which is very enthusiastic and drives the others forward.

However, a charismatic leader can be very selfish in his working as he believes more in himself than rather than in the team. If the leader was to leave then the entire project or the whole organisation might breakdown. The leader is the one who pushes the employees to accomplish their goals. The charismatic leadership carries great responsibility, and the employees look for long-standing commitment from the leader.

7.6.6 Democratic Leadership or Participative Leadership

In this style of working, the democratic leader makes the ultimate decision but he requests the other employees also to contribute to the decision-making process. It involves a level of job satisfaction by involving the employees. Simultaneously, it also works at developing their skills. Employees and team members feel happy about working and work hard with more than just a monetary reward.

This is a slow process of leadership as the employee's participation and taking decisions takes time than an autocratic approach. It works better where the team working is more important and quality matters more than speed.

7.6.7 Intellectual Leaders

Intellectual leaders are those who win the assurance of their followers by their superior intellect or knowledge. In the entire large organisation, there are experts whose knowledge is sought on matters in which they are experts. They may be the purchase professionals, a production expert, a job analyst or an advertising specialist. Regardless of the function, he is able to get outcomes through others because of his superior knowledge.

7.6.8 Persuasive Leaders

The persuasive leaders have a magnetic character that makes them influence his employees to follow him and do things. He is the enthusiastic kind who would just say "Let's go, guys" and the entire group will follow him since they love and respect him and have confidence in him.

7.6.9 Creative Leaders

The creative leader uses creative ways to be leading the people. The way of 'circular response' so ably designated by Follett to inspire ideas to flow from the group to him as well as from him to group. He knows how to pull out the best from the employees without showing any personal influence on the people. The creative leader works with a united group who voluntarily work and are ready to adhere with his working. He works at creative ways for reaching the goals of the enterprise.

7.6.10 Institutional Leaders

An Institutional leader is important because of the prestige attached to his office. This position helps him to influence his followers. They follow him more because they are asked to do so and sometimes due to the respect of his position. Sometimes he is followed because the employees are dependent on the leader for help in their work.

7.6.11 Formal Leaders

A formal leader is one who is selected by the management to be there. He has the organisational authority to direct and control the actions of the workers. He has the power to give guidelines and instructions to the workers because of his position in the organisation. The examples of this kind of leadership are CEO of a company or an instructor of a school or he could be the head of a department. It is his function to utilize the resources and work out the methods and inspire the people of the team to work and perform their duties to the best of their capabilities.

7.6.12 Informal Leaders

An informal leader is the one who is selected by the employees and is not selected by the top management, as in case of a formal leader. The employees look to him for motivation and encouragement. He shares their vision and goals and has the experience of handling situations. The CEO may be the head of a company but the employees like to follow the leader chosen by them because he identifies with them. Even though these leaders are not in a formal position of leadership, they are still accepted as a leader by the employees.

7.7 MANAGEMENT SYSTEMS AND LEADERSHIP

Renesis Likert's research findings confirm the superiority of democratic or participative style of leadership over other styles. He found the principle of supportive relationships to be most effective for improving productivity and workers' satisfaction. According to him, the leadership process of the organisation must be such as to ensure a maximum probability that in all interactions and in all relationships within the organisation, each member in the light of his background, values, desires and expectations, will view the experience as supportive and one which builds and maintains his source of personal worth and importance.

A leader with participative approach is able to create confidence and trust among his subordinates who feel free to discuss important things about their jobs with him. He invites their opinion and suggestions on the problems and makes constructive use of them. In contrast to this, a leader with authoritative style has no trust and confidence in subordinates who are afraid of discussing things with him or giving their opinion and ideas to solve the problems. While authoritative style may bring quick results at times, its gains are short-lived.

Participative approach generates constructive cooperation which is vital for the long-term success and growth of any organisation.

Example: Azim Premji Management System and Leadership

Wipro was initiated as a small hydrogenated fat for cooking, manufacturing company along with a few consumer items. Presently, Wipro is a leader in India among IT companies and also has a global presence as a world class company in IT businesses. All these responsibilities were handled by a single man, Azim Premji, who changed the scenario of the company from soap manufacturer to software developer.

The only secret mantra, propagated by Premji is that of striving towards excellence continuously and he has always practiced this as his personal belief. Designated with plenty of awards, of which one is Padma Bhushan, he has had heaps of praises by various entrepreneurs across the world as well as in India.

7.7.1 Management Systems of Organisation

In Table 7.2, the leadership process under different systems of organisation is described.

- The system 1 refers to the exploitative-authoritative management in which leader follows dictatorial approach. He makes all decisions himself without consulting the subordinates and is least concerned with their views and ideas about the job and the problem.

- In system 2, the leader is benevolent-autocratic. On all occasions, he may listen to his people and reward them for good job, but by and large he behaves like a dictator.

- The system 3 refers to the consultative management. The leader invites suggestions and ideas, shows his willingness to listen to his subordinates and may consider their views. He may, however, like to keep control on decisions.

- In system 4, the leader manages with full consent and cooperation. He respects the group decisions and enjoys full confidence and trust of his people who feel responsible for organisation's goals and behave in ways to implement them. There is extensive and friendly interaction among the group members and decision making is widely done throughout the organisation.

Table 7.2: Leadership Process under Different Management Systems

	Organisational Variable	System 1 Exploitative Authoritative	System 2 Benevolent Authoritative	System 3 Consultative	System 4 Participative Group
1	Extent to which superiors have confidence and trust in subordinates.	Have no trust and confidence in subordinates	Have condescending confidence and trust such as a master has to his servant.	Substantial but not complete confidence and trust, still wishes to keep control of decisions.	Complete confidence and trust in all matters.
2	Extent to which supervisors behave so that subordinates feel free to discuss important things about their jobs with their immediate superior.	Subordinates do not feel at all to freely discuss things about the job with their superior	Subordinates do not feel very free to discuss things about the job with their superiors.	Subordinates feel rather free to discuss things about the job with their superior.	Subordinates feel completely free to discuss things about the jobs with their superiors.
3	Extent to which immediate superior in solving job problems generally tries to get subordinates ideas and opinions and make constructive use of them.	Seldom gets ideas and opinions of subordinates in solving job problems.	Sometimes gets ideas and opinions of subordinates in solving job problems.	Usually gets ideas and opinions and usually tries to make constructive use of them.	Always gets ideas and opinions and always tries to make constructive use of them.

7.7.2 Charismatic Leader

A person who has 'Charisma' – that people are attracted to him is a charismatic leader. Such a person is perhaps born great. There is something "magic-like" in him that people are influenced by him.

There are some managers who cannot be fitted to any of the styles of leadership mentioned above, but they are very efficient and effective. It is very difficult to analyse the reason for their being so. There are some latent qualities in them, not so much visible, as a result of which employees cooperate willingly with them ungrudgingly.

Example: J.F. Kennedy, F.D. Roosevelt. General George Patton; and in India Mahatma Gandhi, Jawaharlal Nehru, etc.

In any case, such managers acquire experience over a period of time, cultivate certain habits and adopt certain attitudes which help them in getting co-operation from their subordinates.

7.7.3 Reddin's Three-Dimensional Model

Reddin is the first person to introduce effectiveness dimension which has a pragmatically amorphous meaning so far. In his model, Reddin uses three dimensions of task-orientation, relationship-orientation, and effectiveness. He contends that the manager who exhibits the leadership style in congruity with the situation is called effective leader (otherwise ineffective).

William J. Reddin may be called the apostolic father of the three dimensional theory of leadership.

Taking the Blake and Mouton's managerial grid as a useful platform, Reddin went beyond this by adding effectiveness dimension. He suggests that all the four styles of leadership in the grid are effective or ineffective depending on the situation. The four styles on the upper right are effective as they achieve the output requirements of the manager' job and four styles on the left of the diagram are ineffective (Figure 7.4).

These eight styles show different degrees of effectiveness of the basic styles.

Ineffective Styles	Basic Styles	Effective Styles
Missionary ←	Relegated →	Developer
Deserter ←	Separated →	Bureaucrat
Autocrat ←	Dedicated →	Benevolent
Compromiser ←	Integrated →	Executive

Figure 7.4: Effective and Ineffective Leadership Styles

Effective Styles

- *Executive:* He attaches maximum importance for work and people. Manager using this style is a good motivator, utilises team effectively, sets high standards, and is highly successful in accomplishing goals.

- *Developer:* He gives maximum importance for people and minimum concern for work. He trusts people and is mainly concerned with developing them as individuals.

- *Benevolent autocrat:* He allocates more time for work and has less concern for people. He knows what is to be done and how is to be done without causing resentment.

- *Bureaucrat:* Here the manager shows minimum concern for both, people and work. He wants to control the situation by the rules and is often disliked by subordinates.

Ineffective Styles

- *Compromiser:* He recognises the importance of both people and work and thus has a great deal of concern for both. even in situations that require emphasis on any one of these. He is a poor decision maker because of the pressures that are pounced on him.

- *Missionary:* He is relationship-oriented where the situation demands otherwise. He is basically a do-gooder.

- *Autocrat:* Here the manager is task-oriented where the situation warrants otherwise and his style is inappropriate. Manager is unpleasant and has no confidence in others. He is interested only in the immediate job.

- *Deserter:* Here the manager is neither task-oriented nor relationship-oriented. Manager is passive and largely escapist.

Reddin maintains that no style is good or bad in itself. It depends on the situation as to which style is best or appropriate. If the basic style is used appropriately it becomes effective, otherwise ineffective.

Reddin's model is appreciated on two accounts:

1. For introducing the effectiveness dimension to the earlier concepts of Blake and Mouton's task-orientation and relationship-orientation.

2. For integrating the behaviour of the leader with the situation.

Reddin has just tried to provide a variety of styles that may be effective or ineffective depending on the situation. His 3-D approach incorporates all the three theoretical bases – leader, group and situation – and stresses that the manager should have an adaptive style that leads to effectiveness. Reddin's model helps in identifying a particular style a manager is using, but could not explain how a manager can improve his style.

Check Your Progress

Fill in the blanks:

1. _____ more importantly, is a continuous process of influencing behaviour.

2. The _____ theory gives different constructive knowledge regarding being a good leader.

3. The _____ leader plays an important role in encouraging and strengthening the inter relationships among the employees.

4. _____ leaders are those who win the assurance of their followers by their superior intellect or knowledge.

7.8 LET US SUM UP

The concept of leading goes in a set direction and ensures that those directions are followed by the others. Leading can be applied to leading oneself, or leading group of people in a society or an organisation. The basic concept of the kind of leading depends on the situation. It can also depend on the kind of people and what is required from them. A leader is able to influence others with their ways of leading. They also have power that allows them to reward and punish the people. They could be either selected or they come up on the basis of their personalities. They are able to influence others and inspire them with their position. Leaders can even influence others to

perform even beyond the actions planned by the organisation. Leadership is a vital role in any organisation. It involves defining the direction of a team and communicating it to people, motivating, inspiring and empowering them to contribute to achieving organisational success. Leadership requires being strategically focused and applying behavioural techniques to build commitment and attain the best work from your people. The ingredients of effective leadership are complex and are widely agreed to depend on the specific leadership situation, considering the difficulty of tasks, the degree of a leader's authority and the maturity and capabilities of subordinates.

Leadership skills often take time to learn, because they are multi-faceted, behavioural and context dependent. Becoming an effective leader is challenging too many new managers, but offers the rewards of successfully orientating peoples work to be most effective and achieving excellence in team performance. An understanding of the principles of strategic thinking, direction setting, communications and motivation provides a springboard for developing skills and an effective management style to suit your personality and leadership situations.

7.9 LESSON END ACTIVITY

Identify the developmental experiences you have had that may have strengthened your ability to lead. What did those experiences taught you? Also, identify some developmental experiences you need to acquire and how you will seek them.

7.10 KEYWORDS

Authoritarian Leadership: A leadership style in which the leader dictates policies and procedures, decides what goals are to be achieved, and directs and controls all activities without any meaningful participation by the subordinates.

Charisma: A form of interpersonal attraction that inspires support and acceptance.

Charismatic Leader: The guidance provided to an organisation by one or more individuals seen as heroic or inspiring and who have therefore been granted the organisational power to make dramatic changes and extract extraordinary performance levels from its staff.

Communication: Communication is the act of transferring information through verbal messages, the written word, or more subtle, non-verbal signals.

Leadership Style: It refers to the consistent behaviour patterns of a person as perceived by those around him.

Leadership: The ability to influence people towards the accomplishment of organisational goals.

LPC Scale: Least Preferred Co-worker scale is a measure of a person's leadership style based on a description of the person with whom respondents have been able to work least well.

Managerial Grid: A graphical plot of a leader's assessment of the importance of a task versus the importance of employees, which can be used to determine leadership style.

7.11 QUESTIONS FOR DISCUSSION

1. What is leadership? What is the importance of leadership? Also, explain how leadership is related to the communication?

2. "Leadership is a function of the leader —, the followers   and other situational variables (s)". Comment.

3. Discuss the leadership and communication model. Classify business leaders and point out some important qualities that make for successful leadership.

4. What role does a leader play to build up the morale of his employees? Discuss the relationship between motivation, morale and leadership.

5. Explain the concept of 'Managerial Grid.' Do you think that the most desirable leader behaviour (9, 9) is effective in all circumstances?

6. How far is it correct to assume that the leadership is concerned with the development of zeal and confidence in subordinates? What can the management do in this direction?

7. Identify the major styles of leadership and mark the features of each style. Will you favour any one style of leadership as the best for all situations?

8. Explain the Hersey and Blanchard's situational leadership model.

9. "A dedicated leader is less effective when he works like an autocrat; he is more effective when he behaves like a benevolent autocrat". Elucidate.

10. Explain all the principles of leadership.

Check Your Progress: Model Answer

1. Leadership

2. Trait

3. Democratic

4. Intellectual

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UNIT-8

DIRECTING AND CONTROLLING

CONTENTS

8.0 AIMS AND OBJECTIVES

After studying this lesson, you should be able to:

- Describe the meaning of direction/leading
- Discuss the importance of leading/direction
- Explain the principles of direction
- Describe the techniques of direction
- Discuss the elements of direction

- Explain the concept of control, its characteristics and importance
- Describe the process of controlling
- Identify the various types of controls
- Describe management control system and its techniques

8.1 INTRODUCTION

Direction is the managerial function of guiding, motivating, leading and supervising the subordinates to accomplish desired objectives. Acquiring physical and human assets and suitably placing them will not suffice; what is more important is that people must be directed towards organisational goals. Without proper direction and supervision, employees become inactive, dull and inefficient and consequently the physical assets like machinery and plant will be put to ineffective use.

The next and most important aspect of management is control. It refers to the process of comparing actual performance with established standards for the purpose of taking action to correct deviations. Planning, organising, coordinating, staffing and directing are only preparatory steps for getting the work done; it is only through the process of control that management is able to maintain the "equilibrium between ends and means, output and effort." A properly designed system of control alerts managers of the existence of potential problems and allows them to take corrective actions when necessary. Control is not just score-keeping; it is not just plotting the course and getting locations reports. It is rather, steering the ship.

8.2 MEANING OF DIRECTION

Directing function is said to be the heart of management process and therefore, is the central point around which accomplishment of goals take place.

A few philosophers call Direction as "Life spark of an enterprise". It is also called as on actuating function of management because it is through direction that the operation of an enterprise actually starts.

Directing is said to be a process in which the managers instruct, guide and oversee the performance of the workers to achieve predetermined goals. Planning, organising, staffing has no importance if direction function does not take place.

Directing initiates action and it is from here, actual work starts. Direction is said to be consisting of human factors. In simple words, it can be described as providing guidance to workers in doing work. In the field of management, direction is said to be all those activities which are designed to encourage the subordinates to work effectively and efficiently. According to Human, "Directing consists of process or technique by which instruction can be issued and operations can be carried out as originally planned". Therefore, Directing is the function of guiding, inspiring, overseeing and instructing people towards accomplishment of organisational goals.

According to G.R. Terry, "Directing means moving to action and supplying simulative power to a group of persons". Thus, the plan is put into operation through the organisation by the process of direction. Another term used to describe this function is "Activating". In the words of G. R. Terry, "Activating means moving into action — supplying simulative power to the group".

According to Dale, "Direction is telling people what to do and seeing that they do it to the best of their ability. It is through leading that managers get the work done through people.

It consists of:

- Issuing orders and instructions by a superior to his subordinates.

- Guiding, advising and helping subordinates in the proper methods of work.

- Motivating them to achieve goals by providing incentives, good working environment, etc.

- Supervising subordinates to ensure compliance with plans.

To carry out physically the activities resulting from the planning and organising steps, it is necessary for the manager to take measures that will start and continue action as long as they are needed in order to accomplish the task by the members of the group. The process of leading or activating involves:

- Providing effective leadership

- Integrating people and tasks and convincing them to assist in the achievement of the overall objectives

- Effective communication

- Providing climate for 'subordinate' development

8.2.1 Nature of Direction

Direction is one of the most important functions of management. A good plan may have been checked out, sound organisation may have been evolved and a sound team of workers may be employed, but all these will not produce any result until there is proper direction of the people in the use of various resources. Direction helps in achieving coordination among various operations of the enterprise. It is only after the performance of direction function that the purpose of planning, organising and staffing is achieved.

Leading is the process around which all performance revolves. It is the essence of operation and coordination is a necessary by-product of good managerial leading.

8.2.2 Pervasiveness of Direction

Direction is a pervasive function of management. It exists at every level, location and operation throughout an enterprise. Some people think that only the managers at the lower level, who deal directly with the workers, perform the direction function. This point of view is not correct. Direction function must be performed by every manager at different levels of the enterprise.

Example: Chief executive of a company interprets the objectives and policies of the company and delegate's authority to the departmental managers, the direction function is part and parcel of these activities. Every manager, regardless of the number of subordinates, performs this function because he is busy in giving instructions to the subordinates, guiding them and motivating them for the achievement of certain goals.

8.2.3 Continuing Function

Like any other function of management, leading is a continuing activity. A manager never ceases to direct, guides and supervises his subordinates. A manager who issues orders and instructions and thinks his job is complete is committing a very serious error. He must continuously supervise the execution of his orders or instructions by the subordinates. He should also provide them effective leadership and motivation. Thus, he will have to continue to devote considerable time on the direction function.

8.3 IMPORTANCE OF DIRECTION

The importance of leading or direction in an organisation can be viewed by the fact that every action is initiated through direction. It is the human element which handles the other resources of the organisation. Each individual in the organisation is related with others and his functioning affects others and, in turn, is affected by others. This makes the functioning of direction all the more important.

Being the central character of enterprise, it provides many benefits to a concern which are as follows:

- *Direction Integrates Employees' Efforts:* The individual efforts need to be integrated so that the organisation achieves its objectives. No organisational objective can be achieved without the function of direction. Through direction, the superiors are able to guide, inspire and instruct the subordinates to work. For this, efforts of every individual towards accomplishment of goals are required. It is through direction the efforts of every department can be related and integrated with others. This can be done through persuasive leadership and effective communication. Integration of efforts brings effectiveness and stability in a concern.

- *Direction Initiates Action:* It is through direction that the management makes individuals function in a particular way to get organisational objectives. Directions are the function which is the starting point of the work performance of subordinates. It is from this function the action takes place; subordinates understand their jobs and do according to the instructions laid. Whatever are plans laid, can be implemented only once the actual work starts. It is there that direction becomes beneficial.

- *Direction Gets Output from Individuals:* Every individual in the organisation has some potentials and capabilities which can be properly utilised through the function of direction.

- *Direction Facilitates Changes:* To manage change, management must motivate individuals to accept these changes which can be accomplished through motivation. It is a human behaviour that human beings show resistance to change. Adaptability with changing environment helps in sustaining planned growth and becoming a market leader. It is leading function which is of use to meet with changes in environment, both internal as external. Effective communication helps in coping up with the changes. It is the role of manager here to communicate the nature and contents of changes very clearly to the subordinates. This helps in clarifications, easy adaptions and smooth running of an enterprise.

  Example: If a concern shifts from handlooms to power looms, an important change in technique of production takes place. The resulting factors are less of manpower and more of machinery. This can be resisted by the subordinates. The manager here can explain that the change was in the benefit of the subordinates. Through more mechanisation, production increases and thereby the profits. Indirectly, the subordinates are benefited out of that in form of higher remuneration.

- *Means of Motivation:* Direction function helps in achievement of goals. A manager makes use of the element of motivation here to improve the performances of subordinates. This can be done by providing incentives or compensation, whether monetary or non-monetary, which serves as a "Morale booster" to the subordinates. Motivation is also helpful for the subordinates to give the best of their abilities which ultimately helps in growth.

- *It Provides Stability:* Stability and balance becomes very important for long-term survival in the market. This can be brought upon by the managers with the help of four tools or elements of direction function – judicious blend of persuasive leadership, effective communication, strict supervision and efficient motivation. Stability is very important since that is an index of growth of an enterprise. Therefore a manager can use all the four traits in him so that performance standards can be maintained.

- *Efficient Utilisation of Resources:* Direction helps in clarifying the role of every subordinate towards his work. The resources can be utilised properly only when less of wastages, duplication of efforts, overlapping of performances, etc., don't take place. Through direction, the role of subordinates become clear as manager makes use of his supervisory, the guidance, the instructions and motivation skill to inspire the subordinates. This helps in maximum possible utilisation of resources of men, machine, materials and money which helps in reducing costs and increasing profits.

  Example: An office manager has to supervise the activities of his subordinates, i.e., typists, office assistants, dispatchers, accounts clerks, etc. He has to issue instructions to them and describe and illustrate the work and related activities. He has to tell them what to do, and how to do it. The office manager can plan, organise and appoint people, but he cannot get things done, unless he assigns specific duties to his subordinates and motivates them to perform well. All these activities of a manager constitute the leading function.

From the above discussion, one can justify that direction, surely, is the heart of management process. According to Earnest Dale, "Directing is what has to be done and in what manner through dictating the procedures and policies for accomplishing performance standards". Therefore, it is rightly said that direction is essence of management process.

8.4 PRINCIPLES OF DIRECTION

For effective direction, following principles may be used:

- *Principle of Leadership:* Ability to lead effectively is essential to effective direction.

- *Principle of Informed Communication:* The management should recognise and utilise informal organisation constructively.

- *Principle of Direct Supervision:* The manager should supplement objective methods of supervision and control with direct personal supervision to ensure personal contact.

- *Principle of Direct Objectives:* The manager should communicate effectively and motivate the subordinates for most effective performance.

- *Principle of Harmony of Objectives:* The manager should guide the subordinates so that their individual interest harmonises with group interests.

- *Principle of Unity of Command:* For most effective direction, subordinates should be responsible to one superior.

- *Principle of Managerial Communication:* The manager being the principal medium of communication, should keep lines of communication open.

- *Principle of Comprehension:* The communication should ensure that the recipients of the information actually comprehend it.

- *Principle of Direct Communication:* The direct flow of information is most effective for communications.

8.4.1 Principles of Issuing Orders

The following points should be observed while issuing orders to the subordinates:

- *Few Orders:* Issue as few orders as possible. More orders than those that are absolutely necessary, if issued, will result in loss of independence and thus initiatives of subordinates will be suppressed.

- *Clear Orders:* The orders should be absolutely clear. They create confidence in the mind of the subordinates about the clear understanding by the order given.

- *Brief but Complete Orders:* The orders should be as brief as possible but complete orders to convey fully what is intended to be done.

- *Promptness:* Professional form and proper tone should be in orders. Prompt issuing of order and proper use of technical words and phrases are essential for effective leading. Proper tone in issuing the orders should be observed.

- *Legitimate Scope of Orders:* The manager issuing the order should keep within his own domain. He must not encroach upon the sphere of the receiving executive.

- *Follow up Orders:* Another important principle of direction is that once orders or instructions are issued, they should be followed up to see that they are executed or the instructions should be countermanded or withdrawn.

Example:

Leadership Lessons from Azim Premji

Wipro started off as a small company manufacturing hydrogenated cooking fats and consumer products. It is now one of India's top IT companies and a world-class player at the global level. There is one man who is almost single-handedly responsible for making this miraculous transition from soaps to software happen: Mr Azim Premji. A recipient of numerous awards, including the coveted Padma Bhushan award, his leadership style is lauded by entrepreneurs not just in India, but across the world. The mantra for his success of his organisation is:

1. Teamwork
2. Perseverance
3. Dealing with Stress
4. Building a collective self-confidence

8.5 TECHNIQUES OF DIRECTION

A manager has at his disposal three broad techniques of direction.

- *Consultative Direction:* In this method, executive consults with his subordinates concerning the feasibility, the workability and the extent and content of a problem before the superior makes a decision and issues a directive.

    The following advantages are claimed in this type of method:

    ❖ Participation occurs on every level of organisation.

    ❖ Better communication.

    ❖ Least resistance from subordinates, experience and knowledge of subordinate also can be used to arrive at right directives.

    ❖ It induces better motivation and morale.

    ❖ It leads to better coordination and effective results.

This method has the following disadvantages:

* ❖ It is time consuming.
* ❖ Subordinates may consider it their right and prerogative to be consulted before a directive is given to them by their superiors.
* ❖ Sometimes unnecessary arguments arise leading to wastage of time.

* *Free Rein Direction:* The free rein technique encourages and enables the subordinate to contribute his own initiative, independent thought, drive, perspicacity and ingenuity to the solution of the problem. The free rein technique of direction will probably show the best and quickest results, if the subordinate is highly educated, brilliant young man a sole performer, who has a sincere desire to become a top level manager.

* *Automatic Direction:* In this method, manager directs in a clear and precise order to his subordinates, with detailed instructions as how and what is to be done allowing no room for the initiative of the subordinate.

  Example: A consultative manager will ask views and opinions from their staff, allowing them to feel involved but will ultimately make the final decision. Such direction motivated employees as well as bring sense of belonging among the staff.

8.6 ELEMENTS OF DIRECTION

Directing means giving instructions, guiding, counselling, motivating and leading the staff in an organisation in doing work to achieve organisational goals. The process of direction function involves the following four elements:

1. **Supervision:** This refers to the guidance and control of subordinates in the performance of their tasks. Supervision is an important part of direction function of management. Supervision assures that the work is being done in accordance with the plans and instructions. It helps the subordinates in solving their work-related problems. Effective supervision ensures greater output of high quality. It assists subordinates the way their tasks are to be performed.

   Example: The foreman of the factory or the office superintendent in the office, both of them are members of the management team, but only they have direct contact with operatives in the workshop and clerical staff in the office. They are the mouth piece of management for communicating its ideas, plans and policies to the workers and employees. At the same time, they have to play the role of princepal spokesmen of their subordinates to communicate their feelings and grievances to the management. Thus, it is only the supervisor who, as a member of the management team, is capable of linking management to workers.

2. **Motivation:** This is an act of stimulating individuals to get a desired course of action. Motivation activities individuals' action for the achievement of organisational goals. Motivation stimulates to act. Higher motivation leads to job satisfaction of employees and makes them committed to the organisation. It energises individuals to work more. A successful manager can motivate employees properly to work harmoniously for the attainment of organisational goal. A manager motivates subordinates to follow his instructions and work accordingly in the given direction.

(a) A person whose physiological needs are not fulfilled may be motivated to work with a promise of increase in pay, whereas another person may be motivated if he is given a very challenging job to perform regardless of the pay.

(b) A worker, who earns wages for his work and satisfies his basic needs, may work more efficiently if he gets higher wages for his performance. But for the same worker, other needs may become more important once his basic needs are satisfied. He may seek recognition and appreciation for the good work done and if these needs are not satisfied, he may not devote himself fully to the work. His earlier needs and desires may no longer be effective as motivating factors at that stage.

3. **Leadership:** This is an important element of the leading process (i.e., to lead and guide the activities of subordinates). Leadership is the process of influencing the behaviour of subordinates to work willingly for the achievement of the organisational goal. Managers, at all levels, act as leaders because they have subordinates who follow them. The success of an organisation depends to a great extent on the quality of leadership. A successful leader can influence people to act willingly with confidence and zeal for mutual benefits. A leader guides and educates his subordinates the way of doing a given job.

Example: In an organisation, the management decides to install some new machines to which the workers are resisting. One of the workers takes the initiative, explains the fellow workers the benefits of working with the new machines and moulds them to accept the management's decision. Now he is said to be leader as he is able to influence a group of workers who followed him.

4. **Communication:** This is an act conveying information from one person to another. Communication refers to the exchange of ideas, feeling, emotions, knowledge and information between two or more persons. Communication is an important element of leading process. A manager tells his subordinates what to do, how to do and when to do. He issues orders and instructions to his subordinates regarding the work being performed by them. He guides and educates subordinates the way of performing a given job. This is achieved by the process of communication. The success of business depends upon the effectiveness of communication. Communication facilitates direction function by providing proper interaction between managers and their subordinates. It improves superior–subordinates relationship by providing opportunities to employees to express their opinions and viewpoints.

Example: The office manager may issue instructions to the typist to type certain documents by lunch time. The typist may understand it to mean typing after 2 o'clock in the afternoon. Here, communication is not effective and the manager may not get the typed material in time. This may result in delaying related actions or postponing the action. It may also create misunderstanding between the superior and subordinates. The message in the communication must be clear.

8.7 CONCEPT OF CONTROL

Control is the fundamental management function that ensures work accomplishment according to plans. It is concerned with measuring and evaluating performance so as to secure the best results of managerial efforts. The management control system serves as a warning signal of the difficulties ahead and maps out plans to avoid them. Thus, you can say that control is a technique by which actual performance is measured

against predetermined standards of performance with a view to ensure adequate progress and satisfactory performance.

In 1916, Henri Fayol formulated one of the first definitions of control as it pertains to management:

"Control of an undertaking consists of seeing that everything is being carried out in accordance with the plan which has been adopted, the orders which have been given, and the principles which have been laid down. Its object is to point out mistakes in order that they may be rectified and prevented from recurring."

Control function is closely linked with planning. The management control system serves as a warning signal of the difficulties ahead and maps out plans to avoid them. This function is partly covered under planning. The control function is a process which ensures that performance takes place in conformity with plans. Effective planning ensures effective control and control facilitates planning.

Controlling is the process managers go through to control. It is the process of regulating organisational activities so that actual performance conforms to expected organisational standards and goals (Newman). Thus, controlling means that managers develop:

(i) Appropriate standards,

(ii) Compare on-going performance against those standards and

(iii) Take steps to ensure that corrective actions are taken when necessary.

A good controlling system is generally designed to keep things from going wrong, not just to correct them afterwards. Like a ship's rudder, controlling keeps the organisation moving in the proper direction (Griffin).

8.7.1 Characteristics of Controlling

The major characteristics of control function are as follows:

1. *It is Closely Linked with Planning:* Control begins with planning. Control can be exercised only with reference to and on the basis of plans which establish the objectives. Actual performance is compared with the objectives established and deviations measured. Then the manager has to take corrective measures which may require modification in plans.

2. *Control is Exercised at all Levels of Management:* The top-level management is concerned with administrative control which is exercised through broad policies, plans and other directives. The middle-level managers are concerned with the execution of the broad policies laid down by their supervisors. At the lower management level, the basic problems related to control are usually operational. The process of management is incomplete without controlling.

3. *It is a Continuing Process:* It is not a one-step action plan. As pointed by Koontz, "Just as the navigator continually takes readings to ascertain where he is relative to a planned course, so should the business manager continually take readings to assure him that his enterprise or department is on course".

4. *Control is Forward Looking:* Control involves a post-mortem examination of past events. Hence, it is often viewed negatively, as a policing or watchdog kind of job. The whole exercise of looking back is meant to improve performance in future as past cannot be controlled. Control does not wait till the train gets derailed; it seeks to prevent the train going off the track. Through a close examination of past events, future remedial actions are indicated. In fact, a successful control process

is one that effects corrections to the organisation before the deviations become serious.

5. **Control Process is Dynamic:** Control is not static; it is dynamic, in the sense it is amenable to change and hence, highly flexible. Between the time a goal is established and the time it is reached, many things can happen in the organisation and its environment to disrupt movement towards the goal or even to change the goal itself. "A properly designed control system can help managers anticipate, monitor and respond to changing circumstances."

6. **Control is Goal-Oriented:** Control guides activities (along desired lines) towards predetermined goals. The primary focus is on achieving results, checking deviations, if any, and initiating timely remedial steps. Control, thus, is not an end in itself but only a means to achieve predetermined goals.

8.7.2 Importance of Control

Control is an essential part of every organisation. The management process is incomplete and, sometimes, meaningless without control function. Targets remain on paper, people tend to use resources recklessly and managers find everything chaotic.

The absence of control could be very costly and unproductive.

A good system of control, however, puts an end to all of these and offers the following advantages:

- **Achievement of Goals:** Controlling is a goal-oriented process. It keeps activities on the right track. Whenever things go off the rails, remedial steps are undertaken immediately. Every attempt is made to conform to the events, to set targets and thereby achieve results efficiently and effectively.

- **Execution and Revision of Plans:** It is through controlling that appropriate steps are taken to ensure that each plan is implemented in a predetermined way. Controlling measures progress, uncovers deviations, indicates corrective steps and thus, keeps everything on track. Of course, when conditions change dramatically, controlling helps to review, revise and update the plans. It offers valuable feedback information, reveals shortcomings in plans and thereby helps in preparing other plans for future use.

- **Brings Order and Discipline:** In an organisation, while pursuing goals, managers and their subordinates often commit mistakes.

  Example: Problems are diagnosed incorrectly, lesser quality inputs are ordered, wrong products are introduced, and poor designs are followed, and so on.

  A control system helps check such tendencies before they turn into serious problems. It has a healthy impact on the behaviour of subordinates. They become cautious while discharging their duties since they are aware that their actions are observed at every stage.

- **Facilitates Decentralisation of Authority:** When managers delegate work to lower levels, they must also ensure that the subordinates do not deviate from a predetermined course of action. A system of control ensures this by forcing subordinates to conform to plans. The feedback information helps managers check whether actions taken at lower levels are in line with what has been planned or not. It helps to measure progress, check deviations and adjust operations from time to time.

- **Promotes Coordination:** Control facilitates coordination between different departments and divisions by providing them unity of direction. Individuals and

their activities are tied to a set of common objectives. Such a unified focus ensures accomplishment of results, efficiently and effectively.

• **Cope with Uncertainty and Change:** The environment in which organisations operate is complex and ever changing. New products emerge, innovations come on, and new regulations are passed, and so on. The organisation needs to keep a watchful eye on such developments and respond intelligently. A control system helps in checking whether the diversified product lines are giving healthy margins, the sales from each region are improving, the products are accepted in the market place or not. Constant monitoring of key areas helps management encash opportunities that are thrown open from time to time. Timely actions can also be initiated to prevent mistakes from becoming serious threats.

Hence, after discussing the above points, you can say that controlling function of management is very important to keep other functions going in a planned manner.

8.8 CONTROLLING PROCESS

The process of control includes four steps namely, establishment of standards, measurement of performance through comparison of actual and standard performance, correction of deviation and follow through actions.

Figure 8.1: Steps in Control

The steps in controlling process which is shown in Figure 8.1 are as follows:

8.8.1 Establishment of Standards

Any control system has the following basic elements:

i   **Establishment of standards or objectives:** The control process implies existence of a standard, goal, objective or target against which the actual performances of managerial or operational activities are measured. They may be in quantitative terms or qualitative measures. They may be tangible or intangible, vague or specific. So far as possible, they must be stated in quantitative terms.

Requirements of Performance Standards

(a) Set in precise quantitative terms.

(b) Flexible enough to modify whenever required.

(c) Acceptable range of deviations be laid down.

(d) Clear and understandable to all.

(e) Workable and acceptable.

(f) Take care of all strategic points that cover the entire organisation.

(g) Revise periodically and keep up to date.

2. *Measurement of actual performance:* The manager has to measure the actual performance in units similar to those in which standards are expressed.

Example: If the production standard of a particular machine for some period is fixed at 100 units, then it is easy to compare the actual production during that period. But where the standards are intangible, the actual performance may be measured in terms of costs, profits, time, etc. In any case, whether the targets are fixed in tangible or intangible terms, they must be expressed in a manner that people concerned understand them.

Standards act as roadmaps to which all people in the enterprise must turn for direction and guidance. Therefore, it should be laid down objectively. Also it should be set at strategic control points. The strategic control standards should be objective.

Example: The performance of an industrial relations manager can be measured in terms of the attitude of labour union, the number of strikes, the duration of strikes, morale of the subordinates, etc.

The measurement of performance is not only difficult in the case of intangible standards, but also in the case of managerial activities. In case of operational activities, the measurement of performance is easy. For assessment of personnel management hierarchy, the quantitative measurement becomes increasingly difficult. The tools of control useful at this stage in the control process may be observation, inspection and reporting, test checking, test auditing, etc.

3. *Comparing actual performance against the standards of performance:* Once the actual performance is measured directly or indirectly, it is to be compared with the standards established. The comparison may reveal some deviations from the standards established as it is rare that standards are achieved perfectly. The manager has to fix a range of tolerance within which normal performance should lie.

4. *Determining the reasons for deviation:* The manager responsible for control has to determine the reasons for deviation. The deviation may be due to error in project design, management implementation and/or in operative performance. It may be temporary or permanent, increasing or diminishing.

5. *Taking corrective action:* Measurement of performance and its comparison with the standards established is not a mere post-mortem of past events. In case there is a deviation between the standard and the actual performance, action is to be taken immediately.

Corrective action includes curative as well as preventive control measures such as:

(a) Re-planning or redrawing of objectives or targets;

(b) Reallocation or classification of duties;

(c) Changing the organisation structure;

(d) Improving upon the current techniques;

(e) Proper selection and training of employees;

(f) Providing positive motivation and incentives.

6. *Feedback:* The object of any control system is to provide the required information through the process of feedback so that future deviations can be corrected. For this, the information gathered through observation, reporting or inspection has to be analysed and reviewed. The promptness of such review and feedback will make control effective. A forward-looking control can even, sometimes, predict the probable deviations from the standard well in advance. Through such prediction, preventive measure can be taken without waiting for the actual event to occur.

8.9 TYPES OF CONTROL

Three types of control are distinguished when control is exerted:

1. *Feed Forward or Predictive Control:* Here, the control system anticipates problems that the management encounters in future.

   Example: Cash budget is an example of this type where the finance manager is in a position to estimate the next year's flow of cash. If there is a shortage of funds in a particular month, he can arrange for bank loan or some other alternative.

   Predictive control is also frequently termed 'feedforward control' as it also attempts to anticipate problems or deviations from the standard, in advance of their occurrence. It is, thus, a more aggressive and proactive approach to control allowing corrective action to be taken ahead of the occurrence of the problem. One notable characteristic of feed forward control is that it anticipates problems and permits action to be taken before a problem occurs.

2. *Concurrent or Steering Control:* This technique immediately considers any problem and analyses it to take necessary and corrective steps before any major damage is done. Control chart is an example of this type of control. Concurrent controls are also known as 'steering controls' and occur while an activity is taking place.

   Examples:

   (i) When the navigator of an aircraft adjusts the aircraft's movements that is an example of concurrent control.

   (ii) When you ride a bicycle, you must adjust your steering constantly, depending on the turns in the road, obstacles, and changes in the terrain to keep your vehicle upright and move towards your destination.

3. *Feedback or Historical or Post Control:* It is the process of gathering information about a completed activity, evaluating that information and taking steps to improve similar activities in the future. It enables managers to use information on past performance to bring future performance into line with planned objectives.

8.10 MANAGEMENT CONTROL SYSTEM

A Management Control System (MCS) is a system which gathers and uses information to evaluate the performance of different organisational resources like human, physical, financial and also the organisation as a whole considering the organisational strategies. Finally, management control system influences the behaviour of organisational resources to implement organisational strategies. It might be formal or informal. The term 'management control' was given of its current connotations by Robert N. Anthony (Otley, 1994).

Management control systems are methods of collecting information that are used to guide and direct the behaviour of staff members and management in order to achieve a company's goals. A management control system may use a variety of techniques to evaluate various areas to improve performance and productivity. Some areas addressed by management control systems may include accounting methods, employee incentive programs and performance measurement.

Robert N. Anthony (2007) defined Management Control as the process by which managers influence other members of the organisation to implement the organisation's strategies. Management control systems are tools to aid management for steering an organisation towards its strategic objectives and competitive advantage.

According to Horngren et al. (2005), Management Control System is an integrated technique for collecting and using information to motivate employee behaviour and to evaluate performance. According to Simons (1995), Management Control Systems are the formal, information-based routines and procedures managers use to maintain or alter patterns in organisational activities.

Example: A manager's review of purchases prior to approval prevents inappropriate expenditures of office funds.

There are various techniques that are used in management control system. These techniques are used by managers nowadays to ensure better control over the use of resources at various levels. The most commonly used techniques are discussed in the section below:

8.10.1 Management Control Techniques

A number of tools and techniques have been developed over the years for the purpose of management control. They are as follows:

Break-even Analysis

Break-even analysis or cost-volume-profit (CVP Analysis) is a specific method of presenting and studying the inter-relationships between costs, sales volume and profits. It is an important tool of financial analysis whereby the impact on profit of the changes in volume, price, costs and mix can be found out with a certain amount of accuracy. A business is said to be at break-even when its total sales are equal to its total costs. It is a point of no profit or no loss. At this point, contribution (sale price minus variable cost) is equal to fixed costs.

Example: The calculation of break-even point can be illustrated by taking a hypothetical example.

Assume that: Sales = ₹ 8,00,000; Direct labour = ₹ 1,00,000; Direct Material = ₹ 1,10,000; Direct expenses = ₹ 90,000; Fixed expenses = ₹ 2,00,000.

$$\text{Break-even (sales)} = \frac{\text{Sales} \times \text{Fixed Cost}}{\text{Sales} - \text{Variable Cost}}$$

$$= \frac{8,00,000 \times 2,00,000}{8,00,000 - 3,00,000} = ₹\ 3,20,000$$

Verification:

Sales   = ₹ 3,20,000

– Variable Cost   = ₹ 1,20,000

– Fixed Cost   = ₹ 2,00,000

Profit or Loss   = Nil

Budgetary Control

A budget is a financial and/or quantitative statement prepared prior to a definite period of time, of the policy to be pursued during that period, for the purpose of attaining a given objective.

The essential features of a budget are given below:

- It is a statement in terms of money or quantity or both.
- It is prepared for a definite future period.

- It is prepared in advance.

- Its purpose is to attain a given objective.

A budget presents the plans. objectives and policies of an enterprise in numerical terms. It is a short-term operational plan used as a tool by management for planning as well as controlling the activities of the organisation and also to ensure the coordination among the different departments in the organisation to achieve its predetermined goals. The use of budget to monitor and regulate the operational activity of the organisation in a systematic manner is called 'budgetary control'.

Meaning of Budgetary Control

The Institute of Cost and Management Accountants, London, defines budgetary control as "the establishment of budgets, relating the responsibilities of executive to the requirements of a policy and the continuous comparison of actual with budgeted results either to secure by individual action, the objective of that policy or to provide a firm basis for its revision." A budgetary control system secures control over costs and performance in various parts of an enterprise by:

- Establishing budgets,

- Comparing actual results with budgeted ones, and

- Taking corrective action or revising the budget, if required.

The primary objectives of budgetary control may be stated thus:

(a) To provide a detailed plan of action for a business over a period of time;

(b) To coordinate the different units and activities of the organisation with a view to utilise resources judiciously;

(c) To motivate organisational members to perform well; and

(d) To exercise control over cost through comparison of actual results with budgeted ones and initiating rectificational steps promptly.

Zero-based Budgeting (ZBB)

Zero-based Budgeting (ZBB) is a relatively new approach to budgeting. This is increasingly employed in the budget preparation of such items as the administrative costs, special programmes, and other clearly identifiable projects. The key element in ZBB is future objective orientation of past objectives instead of taking the last year's budgets and adjusting them for finding out the future level of activity and preparation of budgets therefrom. ZBB forces managers to review the current on-going objectives and operations. ZBB is, therefore, a type of budget that requires managers to rejustify the past objectives, projects, and budgets and to set priorities for the future. The essential idea of ZBB that differentiates from traditional budgeting is that it requires managers to justify their budget request in detail from scratch without any reference to the level of previous appropriations. It tantamounts to recalculation of all organisational activities to see which should be eliminated, funded at reduced level, funded at the current level or increased finances must be provided.

ZBB process runs into the following steps:

- *Decision package:* Decision package summarises the scope of work, requirements, anticipated benefits, time schedule, expected consequences if the element is not performed, etc. The decision package provides a running commentary of all the activities in a particular project.

- **Ranking:** Each decision package is ranked against packages for other proposed projects or activities. and the projects that are running currently. Decision packzages are ranked on the basis of benefits to the total organisation.

- **Resource allocation:** The above ranking leads to an organisation-wide list of prioritised and priced out decision packages built from zero-base or ground up. Resources are then allocated to the packages according to preferential rank in the organisation.

When properly executed, ZBB provides an opportunity for the managers to carefully examine, evaluate and prioritise each organisational activity and see whether modification, continuance or termination of a project is feasible.

Human Resource Accounting

Human Resource Accounting (HRA) tries to place a value on organisational human resources by formulating a human resources balance sheet. Here human resources are presented as assets, not as expenses. HRA, thus, shows the investment the organisation makes in its people and how the value of these people changes over time. According to the American Association of Accountants (AAA), HRA is "a process of identifying and measuring data about human resources and communicating this information to interested parties". Flamholtz defined HRA as "accounting for people as an organisational resource. It involves measuring the costs incurred by organisations to recruit, select, hire, train and develop human assets. It also involves measuring the economic value of people to the organisation".

Objectives

According to Likert, the objectives of HRA are:

- Provide cost/value information about acquiring, developing, allocating and maintaining human resources so as to meet organisational goals.

- Enable management to effectively monitor the use of human resources.

- Find whether human assets are appreciating or depreciating over a period of time.

- Assist in the development of effective management practices by classifying the financial consequence of various practices.

Standard Costing

Standard costing is a sophisticated technique of costing under which the standards are determined in advance, and actual costs are compared with the standards so that corrective action may be taken for any unfavourable variances. Standard costing is an indispensable tool for controlling costs and ensuring efficiency. It serves as an important benchmark for controlling, coordinating, planning and directing various activities in an organisation. Standard costs are normative or specific costs, these are predetermined costs based on a technical estimate for materials, labour, and overhead for a prescribed set of conditions (ICMA, London). These are, therefore, scientifically predetermined costs of products, processes, components and operations. Standard costing, as ICMA, London, defines, "is the preparation and use of standard costs, their comparison with actual costs and the analysis of variances to their causes, and points of incidence". "Standard costing system is one", according to J.B. Say, "which is designed to show in detail how much each product should cost, produce and sell when the business is operating at a stated level of efficiency and for a given volume of output." Through carefully planned and organised accounting procedures, the difference between actual and standard cost, cost variances are analysed and then promptly reported to managers. The latter, in turn take corrective and preventive action as well as employ the data for planning, coordination and control.

Management Audit

Management audit is the systematic appraisal of overall performance of the management. It is a systematic and in-depth review of the effectiveness and efficiency of management. It is initial examination of the entire management process as a whole. The purpose is to identify deficiencies in the performance of management functions. Here, the total job management is evaluated and therefore an *ad hoc* staff or outside experts are called on to conduct the audit. Jackson Martindell, of American Institute of Management, has advanced a model for conducting such management audit. It involves a comparative appraisal of organisation's performance relative to the performance of other organisations in the industry. Here, a system of points is used to evaluate performance of each area or areas and comparisons are made with the help of these points. The audit is centred on profitability analysis, financial effectiveness, production or operations effectiveness, marketing effectiveness, corporate structure, service to corporate publics, directorate analysis, and executive evaluation. Another fruitful approach to management audit is advanced by William Greenwood, where a distinction is made between an audit covering managerial functions such as planning, organising, staffing, directing, controlling and an audit covering the decisions relating to operations such as marketing, production, personnel, accounting and finance. The primary focus, therefore, is on appraisal of the general performance of management functions as well as on specific organisational areas. Management audit is a periodic and diagnostic activity that is undertaken on a regular basis in order to appraise the effectiveness of operating and managerial functions. The most common benefits of management audit are as follows:

- Management audit attests the quality of the management in the similar fashion as financial audit attests the accuracy of the records and financial statements.

- It permits a more objective and complete evaluation of the total management and operating structure.

- It enables the management to find out specific problem areas where managers are unable to come out with fruitful solutions.

- Identification of major areas needing shoring up is made possible by the management audit.

- A check can be made on new policies and practices for both their suitability and compliance.

- It provides adequate measure to the extent to which the current managerial controls are effective.

- It provides a mechanism for continually updating the total management and operating structure of the firm.

- Management audit does not concentrate on individual performance.

PERT and CPM Network Techniques

PERT and CPM represent two most popular catchphrases in management parlance. PERT, an acronym for Programme Evaluation Review Technique, is a sophisticated mathematical and schematic network technique developed in 1958 by Boos, Allen and Hamilton under the sponsorship of US Navy for use in Polaris submarine project. Almost at the same time, CPM (stands for Critical Path Method) was formalised by a group of employees of DuPont and Univac Division of Sperry Rand. Although these techniques are developed for the planning and control of large, complex, industrial and defence projects, they are increasingly being applied and have proved well in setting up and keeping project schedules of small-scale programmes. They have been fruitfully applied to such diverse endeavours as the introduction of a new product,

book publishing, house building, theatrical production, construction of a super market, installation of a new computer, preparation of legal briefs, etc. In all these baffling diversity of applications (fields), these methods are universally appreciated because they show many interrelationships between project's individual activities in such a fashion that potential trouble spots can be highlighted just by simple and casual inspection of network. The purpose of identifying bottlenecks is to take remedial action in time for controlling the project in an optimum manner. The methods also help in reducing the extensive cost overruns.

PERT's application has expanded manifold since its inception. It is applied in aerospace and industrial projects. PERT is a technique used for the problem that occurs once or relatively a few times, and that has a definite starting point and finishing (completion) point. It is, therefore, not applied in the area of continuous production, for example, muing (oil refining). The technique has gained wide currency in a span of less than two decades. For instance, in U.S.A. federal government often requires bidders on government contracts to submit a complete PERT analysis with their bid.

The Model

The underlying concept is that of 'a network' of inter-related 'activities' necessary to achieve prescribed 'events'. The main elements in PERT network are activity, events, and the path. Activity, represented by an arrow, is an operation required to reach the system objectives. An event, represented by a circle, denotes the time at which an activity starts or is completed. The series of activities and events through the network is called 'path'. The following diagram illustrates these concepts:
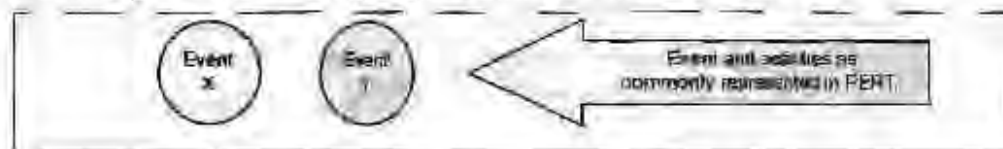
Figure 8.2: Elements of PERT

A hypothetical construct of PERT is depicted in the following diagram:
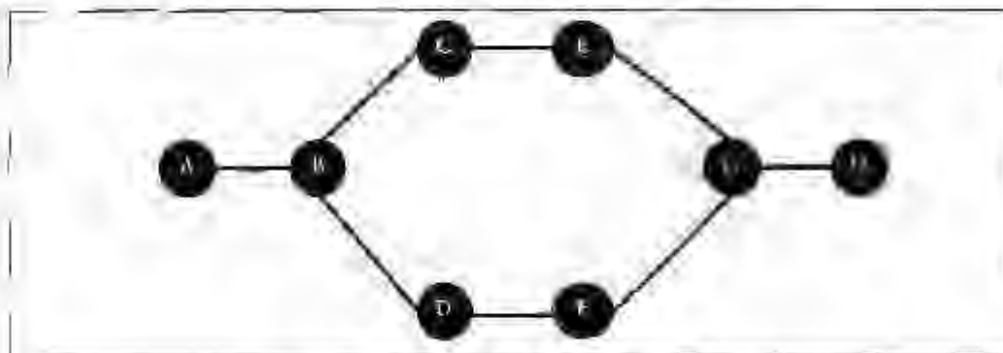
Figure 8.3: Hypothetical Construct of PERT

Two paths can be identified here. One traced by the events ABCFGH and the other ABDFGH. The question before the manager is 'which is the critical path' that determines the earliest possible completion date of the project under consideration. The critical path is the path through the project network that takes longest time to complete. It is the sequence of activities the management is most anxious to determine, monitor and shorten, since a delay in any of these activities will cause a corresponding delay in the entire project.

Critical Path Method – Cost Considerations

The basic methodology of CPM is same as that of PERT. Critical path method refers to those planning and control techniques that are primarily concerned with the time-cost trade-offs in meeting scheduled completion times. In CPM, two time estimates are made—normal time (N) and expedited time (E). Expedited time is also known as crash time. Normal time is at a normal cost equal to N. This cost cannot be reduced irrespective of how long the activity completion time is extended. At additional expenditure, however, the time can be shortened. The shortest possible time is called crash time and can only be accomplished at crash cost E_c. All these concepts are illustrated with the help of the following diagram:

The time-cost relationship in general is of form as portrayed in the figure.
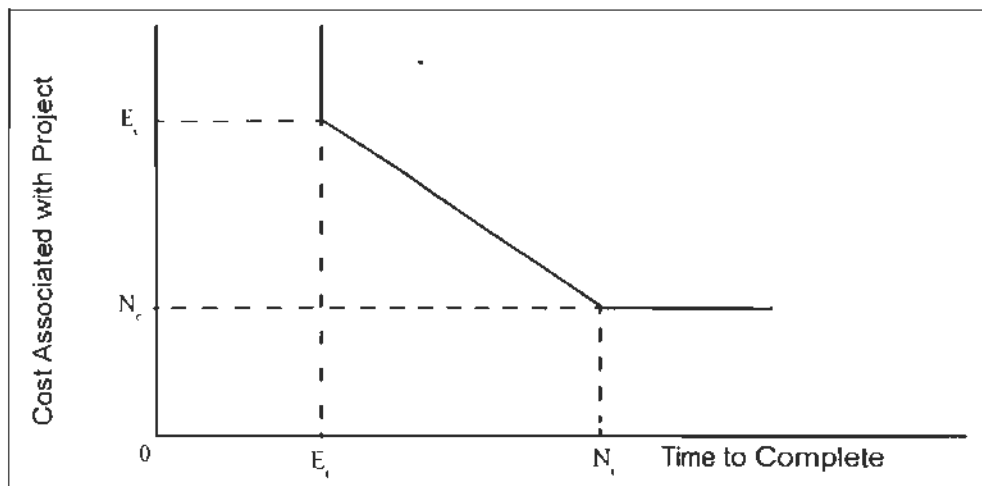
Figure 8.4: Time-Cost Relationship

This curve shows the levels of cost of a normal schedule that is followed and indicates how much cost will increase if the schedule is reduced as much as possible.

Management would be interested in computing the critical path, i.e., the cost and time to complete the project, if all activities are scheduled for their normal completion times. It should, then, try to shorten this completion date to any desirable value at a minimum possible cost:
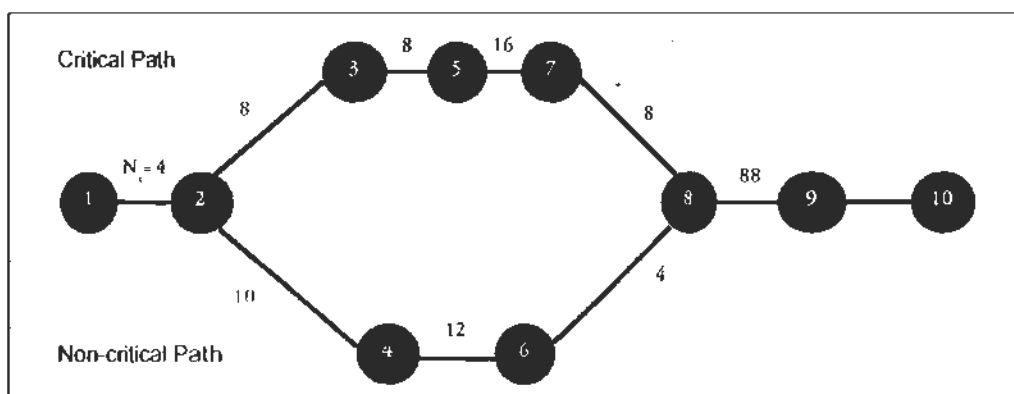
Figure 8.5: Critical Path and Non-critical Path

From the diagram, it is clear that the critical path is 123578910. The non-critical path is 12468910.

The following table provides some data for the above network with the help of which management can see the cost of expedition and select the sequence of shortening time.

Table 8.1: Network Data to Find Cost of Expedition and Select the Sequence of Shortening Time

| Normal		Crash	Costs		
			Normal	Expedite	Cost to Expedite
1—2	4	2	15000	18000	3000
2—3	8	6	17000	19000	2000
2—4	10	8	19000	20500	1500
3—5	8	6	15000	16000	1000
4—6	12	10	17000	17750	750
5—7	16	14	18000	18500	500
6—8	4	2	13000	13700	700
7—8	8	6	18000	18750	750
8—9	6	4	15000	16000	1000
9—10	8	6	17000	17900	900

Considering the table, if the decision-maker is interested in reducing the project time by two weeks, it would be logical to expedite the activity 5-7 at a cost of ₹ 500 followed by an activity 7-8 at ₹ 750, and so on. Only those activities that are in critical path are to be expedited. That is the reason why the activity 6-8 is not expedited after 5-7 activity irrespective of low expedition cost because it falls on non-critical path. One basic trouble with these models is that 'time estimates' are difficult to make and very rarely, the managers are equipped with the methodologies and the specific terminology of these network models.

Management Information System (MIS)

MIS is an integrated technique for gathering relevant information from whatever source it originates, and transferring it into usable form for the decision-makers in management. It is a system of communications primarily designed to keep all levels of organisational personnel abreast of the developments in the enterprise that affect them. MIS provides working tools for all the management personnel in order to take the best possible action at the right time with respect to the operations and functions of the enterprise for which they are largely responsible. The emphasis of MIS is on information for decision-making. Let us not commit a serious error in failing to see the distinction between the information and data. Data represents raw facts available or known. Information, on the other hand, denotes the data that has been carefully processed. That is to say, data is 'input' whereas information is the 'output'. A decision-maker wants up-to-date, accurate, timely, germane information not data. Prior to the emergence of this concept (MIS), the traditional types of accounting and control reports that were supplied to the departmental managers, foremen and workers used to be far from satisfactory in content, format and timing. It was only a 'superficial' furnishing of information and the reports ignored the primary purpose for which the information was furnished. The traditional reports represent only 'cursory examination' of the data. In a sharp contrast, the modern organisation is characterised by an effective management information system that comprehensively processes, analyses, interprets the data and provides information so that best possible use can be made of, by the people concerned (decision-makers).

Further, the advent of Electronic Data Processing (EDP) and subsequent developments in technology and communication system has increased the importance of 'glittering vistas of real-time control'.

Information is the lifeblood of decision-making; and decision-making is the soul of management. In a large organisation, MIS and its role can be summarised thus:

- *Three-pronged service:* MIS performs a useful triple service function to management. Actually, MIS is a three-phase process—data generation, data processing, and information transmission. Collection of data in the case of a large organisation is not an easy task. An effective management information system systematically and accurately collects the required information from various departments. Secondly, the major task of processing the data is undertaken by MIS to produce the output (information). Management information system enhances management's ability to plan, measure and control performance by taking necessary and appropriate action at a right time.

- *Facilitates total performance (of the total management process):* MIS provides more specialised and technical kind of information for the concerned managers. It provides multiple types of information for all management levels on a large variety of organisational matter.

- *Takes into account several critical dimensions:* MIS takes into account the most important dimension such as (i) real time requirement (how timely the information should be), (ii) frequency requirement (how often the information must be available or furnished), (iii) accuracy requirement (how detailed or correct the information must be), (iv) data reduction requirement (what volumes of data is to be processed), (v) distribution requirement (where the information must be supplied), and (vi) storage requirement (where the information must be stored). MIS provides answers to all these critical questions. MIS, thus, objectively determines with a minimum controversy what information is needed, by when, and with what frequency.

- *Reduces overload of information:* MIS stresses the information that is most useful, not just pieces of paper. MIS undertakes a painstaking collection of all forms and regular charts, and reports and then subjects them to a series of interpretation, refinement, consolidation. Thus, the information is literally churned out of the available and procured data. It reduces the burden of the chief executive and the departmental head, personnel who are overloaded with the facts. MIS helps in sharing the headache of these personnel.

Total Quality Management (TQM)

Quality has become the most important word in the corporate lexicon and companies have realised the importance of investing in processes that contribute to better quality and customer relationships. The term 'quality' refers to a sense of appreciation that something is better than something else. It means doing things right the first time, rather than making and correcting mistakes. According to Edward Deming, "TQM is a way of creating an organisational culture, committed to the continuous improvement of skills, teamwork, processes, product and service quality and customer satisfaction." TQM is anchored to organisational culture because successful TQM is deeply embedded in virtually every aspect of organisational life.

The implementation of TQM involves the use of the following techniques:

Benchmarking

Competitive benchmarking is the first requirement to effective TQM. It is comparatively new to Indian companies. The essence of benchmarking is the striving to be the best in one's area of operations (dantotsu). It is a continuous process of measuring products, services and practices against the toughest competitors or industry leaders with the aim of mutual improvement. Benchmarking, it should be noted here, is a continuous process. It is not a one-shot deal because industry practices

change constantly. Complacency may be suicidal. It implies measurement of the gap between the practices of two companies, so as to uncover significant differences. Benchmarking can be applied to products, services, practices, processes and methods.

To be precise, benchmarking is a systematic investigation, a fruitful learning experience which ensures that the best of industry practices are uncovered, analysed, adopted and implemented.

Companies such as Modi Xerox, HDFC, IFB, Infosys, Jindal, SRF, TELCO, Thermax, Bombay Dyeing have successfully applied competitive benchmarking to meet the rising expectations of customers in their respective areas.

Quality Circles

One approach to implementing the decentralised approach of TQM is to use quality circles.

A quality circle is a small group of employees who meet periodically to identify, analyse and solve quality and other work-related problems in their area. Generally speaking, members of a particular quality circle should be from the same work area, or who perform similar work so that the problems they select are familiar to all of them. The ideal size of the group is six to ten members. The size should not be too big so as to prevent members from interacting actively and contribute meaningfully in each meeting. The main features of a quality circle are as follows:

- **Voluntary group:** It is a voluntary group of employees. Members join the circle on their own. There is no pressure from management.

- **Manageable size:** Size of a quality circle varies from six to ten. Members generally hail from a particular work area.

- **Regular meetings:** Members meet at periodic intervals to discuss quality-related problems. They assemble during normal working hours usually at the end of the working day. The time for the meetings is usually fixed in advance, in consultation with the manager. As a rule of thumb, meetings occur once a week and each meeting lasts for about an hour.

- **Own agenda:** Each circle has its own agenda. It has its own terms of reference, selects its own problems and offers recommendations for solving them.

- **Exclusive focus on quality:** The quality circle, by its very nature, exists to identify, analyse and solve quality-related problems. The ultimate purpose is to improve organisational functioning and thereby the quality of working life.

Empowerment

TQM relies on the empowerment of employees as well as the contributions of suppliers and customers in the decision-making process. Inputs from all these groups are necessary to achieve continuous improvements.

Empowerment is the authority to take decisions within one's area of operations without having to get approval from anyone else. Here, the operatives are encouraged to use their initiative to do things the way they like. To this end, the employees are given not just authority but resources as well so that they not only take decisions but implement them quickly. Thus, empowerment means giving employees the authority to make decisions and providing them with financial and other resources to implement these decisions.

Outsourcing

The contracting out of a company's in-house function, to a preferred vendor with a high-quality level in a particular task area is known as outsourcing. By farming out

activities in which they may not specialise or do not have expertise (e.g., HRM, inventory management, warehousing, designing, etc.), organisations can save costs on employee benefits and free existing personnel for other duties.

Reduced Cycle Time

Cycle time refers to the steps taken to complete a company process such as designing a new car, publishing a new title, etc. It involves removal of unnecessary steps in the process and acceleration of activities into a shorter time-frame. Reduction in cycle time helps a company improve its overall performance as well as quality.

Kaizen

Kaizen is a Japanese word which means continuous and never-ending improvement involving everyone in an organisation. The important message of Kaizen is that not a single day should go without some kind of improvement being made somewhere in an organisation. The Kaizen umbrella includes all such terms aimed at improving labour management relations, marketing practices, supplier relations, in-house systems and procedures. The programme can be broadly divided into three parts:

1. *Management-oriented Kaizen:* A manager must constantly try to improve his job through teams, task forces and committee assignments. Managers must attempt to handle complete tasks and improve problem-solving abilities.

2. *Group-oriented Kaizen:* Through quality circles, other small group activities and statistical tools team members identify problem areas and the causes. An attempt is made to implement and test new measures, evolve new procedures and set new standards.

3. *Individual-oriented Kaizen:* Through the suggestion system, the individual-oriented Kaizen is carried out. Productivity, after all, is a result of smart work, not hard work. The suggestion system should include improvement in one's own work, work environment, machines and processes, office work, product quality, customer services, etc. The employee suggestions are likely to find favour with management, if the suggestions make the job easier, remove drudgery from the job, make the job safer and more productive, improve product quality and save time and cost.

Balanced Scorecard

The balanced scorecard is a strategic planning and management system that is used extensively in business and industry, government, and non-profit organisations worldwide to align business activities to the vision and strategy of the organisation, improve internal and external communications, and monitor organisation performance against strategic goals. It was originated by Drs. Robert S. Kaplan (Harvard Business School) and Dr. David P. Norton as a performance measurement framework that added strategic non-financial performance measures to traditional financial metrics to give managers and executives a more 'balanced' view of organisational performance.

This new approach to strategic management was first detailed in a series of articles and books by Drs. Kaplan and Norton. Recognising some of the weaknesses and vagueness of previous management approaches, the balanced scorecard approach provides a clear prescription as to what companies should measure in order to 'balance' the financial perspective.

Definition

The Balanced Scorecard is a performance management approach that focuses on various overall performance indicators, often including customer perspective,

internal-business processes and financials, to monitor progress towards an organisation's strategic goals. Each major unit throughout the organisation often establishes its own scorecard which, in turn, is integrated with the scorecards of other units to achieve the scorecard of the overall organisation. Kaplan and Norton described the innovation of the balanced scorecard as follows:

"The balanced scorecard retains traditional financial measures. But financial measures tell the story of past events, an adequate story for industrial age companies for which investments in long-term capabilities and customer relationships were not critical for success. These financial measures are inadequate, however, for guiding and evaluating the journey that information age companies must make to create future value through investment in customers, suppliers, employees, processes, technology, and innovation."
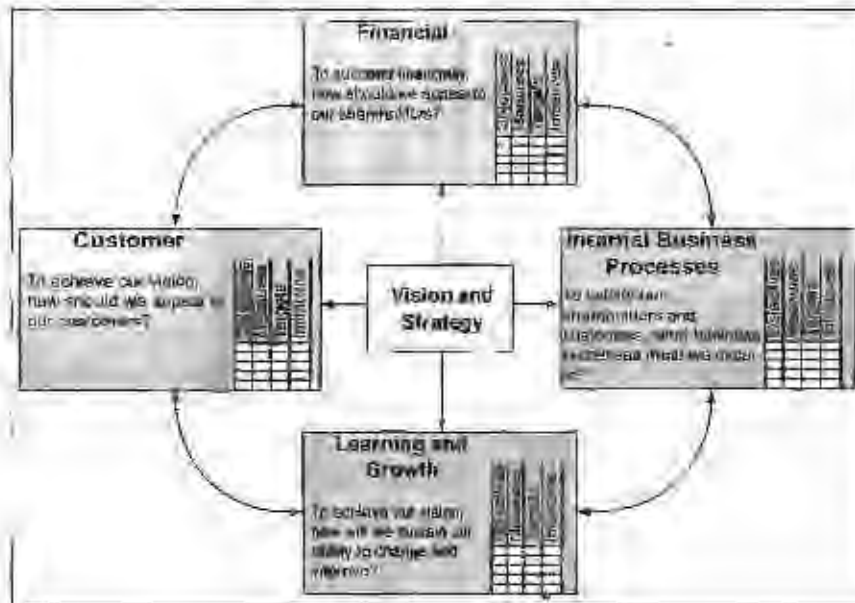

Figure 8.6: Balanced Scorecard

The balanced scorecard suggests that we view the organisation from four perspectives and to develop metrics, collect data and analyse it relative to each of these perspectives:

- **Financial measures:** The financial measures include the results like profits, increase in the market share, return on investments and other economic measures as a result of the actions taken.

- **Customers' measures:** These measures help in get on customer satisfaction, the customers' perspective about the organisation, customer loyalty, acquiring new customers. The data can be collected from the frequency and number of customer complaints, the time taken to deliver the products and services, improvement in quality, etc.

- **Internal business measures:** These are the measures related to the organisation's internal processes which help to achieve the customer satisfaction. It includes the infrastructure, the long-term and short-term goals and objectives, organisational processes and procedures, systems and the human resources.

- **Innovation and learning perspective:** The innovation and learning measures cover the organisation's ability to learn, innovate and improve. They can be judged by employee skills matrix, key competencies, value added and the revenue per employee.

Fill in the blanks:

1. Direction helps in achieving _____ among various operations of the enterprise.

2. Communication facilitates _____ function by providing proper interaction between managers and their subordinates.

3. The manager responsible for control has to determine the reasons for _____.

4. Kaizen is a Japanese word which means _____ and never-ending improvement involving everyone in an organisation.

8.11 LET US SUM UP

Direction/Leading is an important managerial function that initiates organiser's action. It is a connecting and activating link between various functions of management. It consists of the process and techniques utilised in issuing instructions and making sure that operations are carried on as originally planned. It also highlighted various intricacies of direction together with types and techniques of direction. The principles of direction include: (a) Principle of leadership, (b) Principle of informed communication, (c) Principle of direct supervision, (d) Principle of direct objectives, (e) Principle of harmony of objectives, (f) Principle of unity of command, (g) Principle of managerial communication, (h) Principle of comprehension and (i) Principle of direct communication.

Control is concerned with measuring and evaluating performance so as to secure the best results of managerial efforts. The process of control includes four steps namely, establishment of standards, measurement of performance through comparison of actual and standard performance, correction of deviation and follow through actions. There are several techniques employed by managers in order to achieve the highest level of quality and productivity possible. Break-even analysis tries to examine the impact on profit of the changes in price, volume, mix and costs with a certain amount of accuracy. It helps management in profit-planning. Budgeting is the process of stating, in quantitative terms, planned organisational activities for a given period of time. Budgets are useful because they provide a means of translating diverse activities and outcomes into a common measure, such as rupees.

8.12 LESSON END ACTIVITY

Imagine a situation when you know that overhead costs are high only on papers because they are being incurred by your company to warm the pocket of your accountant. Prepare a visual presentation on how would you control the overhead costs in this situation.

8.13 KEYWORDS

Automatic Direction: In this method, manager gives direct, clear and precise orders to his subordinates, with detailed instructions.

Directing: It consists of the process and techniques utilised in issuing instructions and making certain that operations are carried on as originally planned.

Direction: Directing means giving instructions, guiding, counselling, motivating and leading the staff in an organisation in doing work to achieve organisational goals.

Free Rein Direction: The free rein technique encourages and enables the subordinate to contribute his own initiative. independent thought, drive, perspicacity and ingenuity to the solution of the problem.

Control: A management function aimed at achieving defined goals within an established timetable, and usually understood to have three components that are setting standards, measuring actual performance, and taking corrective action.

Break-even Analysis: It is a method of presenting and studying the inter-relationships between costs, sales volume and profits.

Budgetary Control: It is the establishment of budgets, relating the responsibilities of executive to the requirement of a policy and the continuous comparison of actual with budgeted results either to receive by individual action the objective of that policy or to provide a firm basis for its revision.

Management Audit: It is an independent and initial evaluation of the entire management process.

8.14 QUESTIONS FOR DISCUSSION

1. What is directing or leading? Write down the characteristics of leading. What is the scope of leading? Also explain the nature of leading/direction.

2. 'Direction function of management involves dealing with human factor.' Expound this statement.

3. 'Good leadership is an integrated part of effective direction.' Explain and illustrate.

4. Briefly explain the principles of directions and methods of directing 'Subordinates to active objects.'

5. 'Leading is the process around which all performance resolves.' Explain the statement.

6. What role does a successful leader play in influencing people?

7. What is control? What are the characteristics and importance of controlling?

8. Elaborate the steps in controlling process.

9. "Control helps the organisation to improve its performance, eliminate inefficiencies and increase profits." Explain.

10. How control is related to the other functions of management?

Check Your Progress: Model Answer

1. Co-ordination

2. Direction

3. Deviation

4. Continuous

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BLOCK III

UNIT- 9

AN INTRODUCTION TO HUMAN RESOURCE MANAGEMENT

CONTENTS

9.0 AIMS AND OBJECTIVES

After studying this lesson, you should be able to:

- Discuss the concept, nature. objectives, importance and scope of Human Resource Management

- Describe the systems approach to HRM

- Explain HRM versus Personnel Management

- Describe the roles, functions and responsibilities of Human Resource Manager

- Understand the principles of HRM

- Discuss the future challenges before the HR Managers

- Describe HRM in the new millennium

9.1 INTRODUCTION

In this lesson students have to learn the process of development of Personnel Management or Managing People, which is now more commonly known as Human Resource Management (HRM). Organizations are nothing but people. They utilize resources – physical, financial and human to produce results. To be a long distance runner, every organization requires extraordinary efforts from its people. It's the 'people' factor that separates the mediocre organizations from the outstanding ones. When people work to the best of their abilities and work with zeal, enthusiasm and commitment, organizations grow to gigantic proportions. When people fail to live up to expectations, organizations fall behind in the competitive race and get pushed to the wall eventually. In fact, every organization has more or less the same kind of resources to work with—materials, equipment, land, buildings, finances, etc. The only differentiating element between competing organizations is the 'people factor'. If the organization is able to utilize its human resources to best advantage, there is nothing to stop the company from reaching the top of the ladder. Among the various factors of production, which are used in an organization, human resource is the most important. This is because the efficient use of physical resources (i.e., land, machinery, materials) ultimately depends on how the human factor is put to good use on various operations. The most efficient machinery in the world will not produce at an optimum level unless the people who operate the machinery know how to make it perform at its best and most importantly, are motivated to make their equipment produce efficiently.

9.2 CONCEPT OF HUMAN RESOURCE MANAGEMENT

Human Resource Management (HRM), as the term suggests, is concerned with the management of people in organizations. In this lesson, you will get introduced to the meaning, nature, scope and objectives of HRM along with inclusive growth and affirmative actions of HRM. Managing human resources is an integral part of general management and is critical to the success of all types of organizations.

A few noteworthy definitions of Human Resource Management which are as follows:

"Human Resource Management refers to attracting, developing and maintaining an effective workforce."

– Ronald J. Ebert and Ricky W. Griffin

"Human Resource Management is a term used to represent that part of an organization's activities concerned with the recruitment, development and management of its employees."

–Wood and Wall

"Human Resource Management signifies a process of management whereby a sustained synergy is maintained between the employees, the assigned task, the organization and the environment. This is to ensure that organizational goals are attained and the employee achieves a competent level of performance and an agreeable degree of gratification."

–P.S. Van Dyk

"Human Resource Management may be defined as the planned HR deployments and activities intended to enable an organization to achieve its goals."

–Wright and McMahan

"Human Resource Management can be defined as a strategic and coherent approach to the management of an organization's most valued assets - the people working

there who individually and collectively contribute to the achievement of its objectives for sustainable competitive advantage."

—Michael Armstrong and Angela Baron

"Human Resource Management is a strategic process and involves attracting, developing, and maintaining a talented and energetic workforce to support the organization's mission, objectives and strategies".

—Schermerhorn

The functions of Human Resource Management practices in an organization are to put efforts to develop and realize the full potential of the workforce, including management and to maintain an environment conducive to total participation, quality leadership and personal and organizational growth. The principal objectives of HRM include helping the organization reach its goals, to employ the skills and abilities of the workforce efficiently. HR has a great role to play in the execution of strategies.

9.2.1 Evolution and Concepts of HRM

The early part of the century saw a concern for improved efficiency through careful design of work. During the middle part of the century emphasis shifted to the availability of managerial personnel and employee productivity. Recent decades have focused on the demand for technical personnel, responses to new legislation and governmental regulations, increased concern for the quality of working life, total quality management and a renewed emphasis on productivity. Let us look into these trends more closely by examining the transformation of personnel function from one stage to another in a chronological sequence:

Box 9.1: Concepts of HRM

Commodity concept: Labour was regarded as a commodity to be bought and sold. Wages were based on demand and supply. Government did very little to protect workers.

Factor of production concept: Labour is like any other factor of production, viz, money, materials, land, etc. Workers are like machine tools.

Goodwill concept: Welfare measures like safety, first aid, lunch room, rest room will have a positive impact on workers' productivity.

Paternalistic concept/Paternalism: Management must assume a fatherly and protective attitude towards employees. Paternalism does not mean merely providing benefits but it means satisfying various needs of the employees as parents meet the requirements of the children.

Humanitarian concept: To improve productivity, physical, social and psychological needs of workers must be met. As Mayo and others stated, money is less a factor in determining output, than group standards, group incentives and security. The organization is a social system that has both economic and social dimensions.

Human resource concept: Employees are the most valuable assets of an organization. There should be a conscious effort to realize organizational goals by satisfying needs and aspirations of employees.

Emerging concept: Employees should be accepted as partners in the progress of a company. They should have a feeling that the organization is their own. To this end, managers must offer better quality of working life and offer opportunities to people to exploit their potential fully. The focus should be on Human Resource Development.

9.3 NATURE OF HRM

Human Resource Management is a process of bringing people and organizations together so that the goals of each one are met. It tries to secure the best from people by winning their wholehearted cooperation. It is the art of procuring, developing and

maintaining competent workforce to achieve the goals of an organization in an effective and efficient manner. It has the following features:

- **Pervasive force:** HRM is pervasive in nature. It is present in all enterprises. It permeates all levels of management in an organization. All managers, in fact, are human resource managers. At Infosys, for example, every manager is expected to pay attention to the development and satisfaction of subordinates.

- **Action-oriented:** HRM focuses attention on action, rather than on record keeping, written procedures or rules. The problems of employees at work are solved through employee-friendly policies aimed at eliminating tension-points, resolving controversies, securing co-operation—with a clear intent to move closer to the hearts of people.

- **Individually-oriented:** It tries to help employees develop their potential fully. It encourages them to give their best to the organization. Employees are not treated as second class citizens but as valued members of an indispensable team. Every attempt is made to make them feel important.

- **People-oriented:** HRM is all about people at work, both as individuals and groups. It tries to put people on assigned jobs in order to produce excellent results. The resultant gains are used to reward people and motivate them towards further improvements in productivity. Ultimately, employees should receive satisfaction equal to that of the company.

- **Future-oriented:** Effective HRM prepares people for current as well as future challenges, especially working in an environment characterized by dramatic change. It is firmly believed that employees, not the buildings and machinery, give a company a competitive advantage.

- **Development-oriented:** HRM intends to develop the full potential of employees. The reward structure is tuned to the needs of employees. Training is offered to sharpen and improve their skills. Employees are rotated on various jobs so that they gain experience and exposure. Every attempt is made to use their talents fully in the service of organizational goals.

- **Integrating mechanism:** HRM tries to build and maintain cordial relations between people working at various levels in the organization. In short, it tries to integrate human assets in the best possible manner in the service of an organization.

- **Comprehensive function:** HRM is, to some extent, concerned with any organizational decision which has an impact on the workforce or the potential workforce. The term 'workforce' signifies people working at various levels, including workers, supervisors, middle and top managers. It is concerned with managing people at work. It covers all types of personnel. Personnel work may take different shapes and forms at each level in the organizational hierarchy but the basic objective of achieving organizational effectiveness through effective and efficient utilisation of human resources, remains the same. "It is basically a method of developing potentialities of employees so that they get maximum satisfaction out of their work and give their best efforts to the organization".

- **Auxiliary service:** HR departments exist to assist and advise the line or operating managers to do their personnel work more effectively. HR manager is a specialist advisor. It is a staff function.

- **Interdisciplinary function:** HRM is a multi-disciplinary activity, utilizing knowledge and inputs drawn from psychology, sociology, anthropology,

economics, etc. To unravel the mystery surrounding the human brain, managers, need to understand and appreciate the contributions of all such 'soft' disciplines.

- *Continuous function:* According to Terry, HRM is not a one shot deal. It cannot be practiced only one hour each day or one day a week. It requires a constant alertness and awareness of human relations and their importance in every day operations.

9.4 OBJECTIVES OF HRM

Human resource managers need to get the right people into the right place at the right time and then help them maximize their performance and future potential. The principal objectives of HRM may be listed thus:

- *To help the organization reach its goals:* HR department, like other departments in an organization, exists to achieve the goals of the organization first and if it does not meet this purpose, HR department (or for that matter any other unit) will wither and die.

- *To employ the skills and abilities of the workforce efficiently:* The primary purpose of HRM is to make people's strengths productive and to benefit customers, stockholders and employees. Keep your employees happy and encourage them to do everything possible to keep customers happy. The results would be truly outstanding—like take the case of Southwest Airlines—delivering outstanding results for over three decades – based on its "employees first and customers next" policy.

- *To provide the organization with well-trained and well-motivated employees:* HRM requires that employees be motivated to exert their maximum efforts, that their performance be evaluated properly for results and that they be remunerated on the basis of their contributions to the organization.

- *To increase to the fullest the employee's job satisfaction and self-actualisation:* It tries to prompt and stimulate every employee to realise his potential. To this end suitable programmes have to be designed aimed at improving the Quality of Work Life (QWL).

- *To develop and maintain a quality of work life:* It makes employment in the organization a desirable, personal and social, situation. Without improvement in the quality of work life, it is difficult to improve organizational performance.

- *To communicate HR policies to all employees:* It is the responsibility of HRM to communicate in the fullest possible sense; tapping ideas, opinions and feelings of customers, non-customers, regulators and other external public as well as understanding the views of internal human resources.

- *To be ethically and socially responsive to the needs of society:* HRM must ensure that organizations manage human resource in an ethical and socially responsible manner through ensuring compliance with legal and ethical standards.

9.5 IMPORTANCE OF HRM

People have always been central to organizations, but their strategic importance is growing in today's Knowledge-based industries. An organization's success increasingly depends on the Knowledge, Skills and Abilities (KSAs) of employees, particularly as they help establish a set of core competencies that distinguish an organization from its competitors. With appropriate HR policies and practices an organization can hire, develop and utilize best brains in the marketplace, realise its professed goals and deliver results better than others.

Human Resource Management helps an organization and its people to realize their respective goals thus:

- **At the enterprise level:**

Good human resource practices can help in attracting and retaining the best people in the organization. Planning alerts the company to the types of people it will need in the short, medium and long run.

It helps in training people for challenging roles, developing right attitudes towards the job and the company, promoting team spirit among employees and developing loyalty and commitment through appropriate reward schemes.

- **At the individual level:** Effective management of human resources helps employees, thus:

. It promotes team work and team spirit among employees.

It offers excellent growth opportunities to people who have the potential to rise.

It allows people to work with diligence and commitment.

- **At the society level:** Society, as a whole, is the major beneficiary of good human resource practices.

Employment opportunities multiply.

Scarce talents are put to best use. Companies that pay and treat people well always race ahead of others and deliver excellent results.

- **At the national level:** Effective use of human resources helps in exploitation of natural, physical and financial resources in a better way. People with right skills, proper attitudes and appropriate values help the nation to get ahead and compete with the best in the world leading to better standard of living and better employment.

9.6 SCOPE OF HRM

The scope of HRM is very wide. In fact, no organizational activity is completely removed from humans. Even automatic processes and equipments are designed and implemented by someone. Capable and motivated people can have a profound impact on everything an organization does. Research in behavioural sciences, new trends in managing knowledge workers and advances in the field of training have expanded the scope of HR function in recent years. The Indian Institute of Personnel Management has specified the scope of HRM thus:

- **Personnel aspect:** This is concerned with manpower planning, recruitment, selection, placement, transfer, promotion, training and development, lay off and retrenchment, remuneration, incentives, productivity, etc.

- **Welfare aspect:** It deals with working conditions and amenities such as canteens, crèches, rest and lunch rooms, housing, transport, medical assistance, education, health and safety, recreation facilities, etc.

- **Industrial relations aspect:** This covers union-management relations, joint consultation, collective bargaining, grievance and disciplinary procedures, settlement of disputes, etc.

9.7 SYSTEMS APPROACH TO HRM

A system is a set of interrelated but separate elements or parts working towards a common goal. A university, for example, is made up of students, teachers. administrative and laboratory staff who relate to one another in an orderly manner. What one group does have serious implications for others? So, they have to be communicating with each other in order to achieve the overall goal of imparting education. The enterprise operations. similarly, must be viewed in terms of interacting and interdependent elements.

The enterprise procures and transforms inputs such as physical, financial and human resources into outputs such as products. services and satisfactions offered to people at large. To carry out its operations, each enterprise has certain departments known as subsystems such as production subsystem, finance subsystem, marketing subsystem. HR subsystem, etc. Each subsystem consists of a number of other subsystems. For example, the HR subsystem may have parts such as procurement, training. compensation, appraisal. rewards. etc. If we were to view HR subsystem as crucial to organizational performance, an organization presents itself thus:
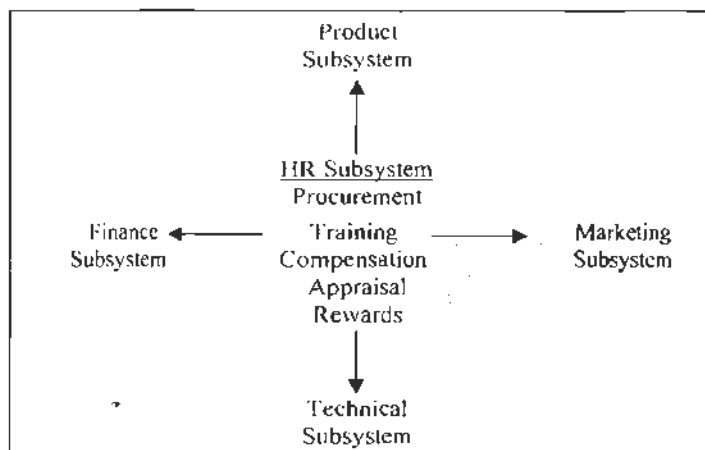
Figure 9.1: HRM as a Central Subsystem in an Enterprise

The various internal subsystems, it should be noted here, of an organization operates within the framework of external environment consisting of political, social, economic and technological forces operating within and outside a nation.

9.8 HRM VERSUS PERSONNEL MANAGEMENT

HRM is distinctive approach and it is possible to distinguish it from traditional Personnel Management in three different ways as follows:

- The first approach is by simple re-titling of Personnel Management, as much company did by renaming their Personnel Department as HR Department.

- The second approach is by re-conceptualizing and re-organizing personnel roles in line with the conceptual frame work of Harvard Business School (1985), i.e., subsuming personnel and labour relation activities in four policy areas, like; employee influence, human resource flow, reward systems and work systems, differentiating HRM from personnel management concepts pioneered by Institute of Personnel Management, U.K. i.e.. employee relations, employee resourcing and employee development. Thus, it is apparent that HRM concept categorizes employee relations (industrial relations) as a separate strategic function, which falls under the traditional Personnel Management function.

- The third approach designates HRM as a distinctively different and new approach for Management. This approach integrates HRM into Strategic Management and emphasizes on full utilization of Human Resources.

As this stage, it is necessary to develop a definition of HRM. Let us now define the term human resources first. Human resource is the total knowledge. skills. creative abilities, talents. aptitudes, values, attitudes and beliefs of the people of an organization. There are, however, difference of opinion among many experts as some of them considers human resource is not only the people. who are part of the organization. i.e.. the direct employees, it includes customers (TQM concepts) and others who are having variety of other relationships with the organization. Integrating the concept of human resource with management, we can define HRM as an approach to identify right people for the right job. It also includes the process of socializing such identified people to integrate them with the organization. train them for increasing their functional skill, develop them for both identified and un-identified future roles, place them in right tasks and roles, motivate them to perform well and inculcate in them a sense of belongingness.

Within the HRM. there are two major activities; the first is concerned with the recruitment, selection, placement, compensation and appraisal of the Human Resources (Personnel Functions), more commonly termed as Human Resource Utilization (HRU) function. The other group of functions is directed towards working with the existing human resources in order to improve their efficiency and effectiveness. Such activities are also designed to enable the existing members of the organization to assume new roles and functions. These activities are concerned with Human Resource Development (HRD).

9.9 ROLES, FUNCTIONS AND RESPONSIBILITIES OF HUMAN RESOURCE MANAGER

Traditionally, the role of the Human Resource Management functions is to systematically monitoring and complying the people management issues in an organization. In such traditional role HR Department is viewed more as an impediment for achieving organizational objectives. Modern role of HR managers are, however, keeping pace with the changing needs of the organizations on people management aspects. Test of efficiency of such role of HR managers can be understood better, when organizations are able to become more adaptable, and quickly respond to the customers' requirements. This acknowledges HR strategic role, i.e., acting to advocate and mentor change, facilitating employees.

The HR managers constantly assess the effectiveness of the HR functions, sponsor the change process, promote the overall success of his organization, and champion the identification of the organizational mission, vision, mission, goals, objectives and action plans. Finally, HR managers also determine the measures to assess organizational success.

Since HR managers are concerned with any management aspect of people-related issues, organization-wise their function varies. Thus depending on the size of the organization, the HR manager has responsibility for all of the functions that deal with the needs and activities of the organizations people including these areas of responsibility.

- Human Resource Planning
- Recruiting
- Training

- Developing organization structuring

- Organization development

- Communication

- Performance Management

- Coaching/Mentoring

- Drafting HR Policies and recommending its implementation

- Compensation Management

- Team Building

- Employee Relations

- Health and safety issues .

- Compliance with employment related laws

- Leadership

With all of this in mind, Human Resource Champion, Dave Ulrich, a professor at the university of Michigan, also one of the best thinkers and writers in the HR field today, recommends three additional roles for the HR manager.

1. *Strategic Partner:* HR is now acknowledged as a strategic function. HR managers' role as a strategic partner, requires effective contribution to the development or an accomplishment of the organization-wide business plans and objectives. The HR business objectives are to support the attainment of the overall strategic business plan and objectives. At the tactical level, HR managers design suitable work systems to support the organizational strategies. People achieve success and develop their capability in line with the strategic intent of the organizations with the facilitation support of HR. Therefore, strategic partnership of HR exerts impact on HR services like; design of work systems, recruitment, compensation management, performance management, career development, etc.

2. *Employee Advocate:* As a sponsor or advocate of people, HR managers play an integral role in achieving organizational success. Advocacy role requires expertise in nurturing a work environment that motivates people to spontaneously contribute to organizational needs. People by developing their problem solving skills would feel responsible to set their own goals, achieve the same through self-empowerment and develop a sense of ownership of the organization. The scope of employee advocacy role for HR managers, therefore, encompasses wide range of issues concerning organizational culture and climate. Competency development, commitment to customers, employee development opportunities, employee assistance programmes, strategic compensation designing, organizational development, etc., are some of the initiatives taken by the HR managers in this direction.

3. *Change Champion:* Organizational change is a regular phenomenon. Organizational change can be either planned or routined. Planned changes are initiated in response to the business environment changes, while routine changes are regular changes, more in the nature of periodic organizational restructuring. Both in the case of a planned change and routine change, HR managers play a crucial role. HR requires constantly evaluating the effectiveness of the organization results and understanding the need for change, so that organization can continue to grow. To champion the change, HR managers should have adequate knowledge and skill not only to identify the change areas but also to execute the change process, with least employee resistance and dissatisfaction.

These apart, HR managers can play the role of business partners. policy formulators. internal consultants. service providers and monitors.

We can better appreciate the HR managers' role, going through this advertisement for an HR manager of a large organization.

Job Title: HR Manager

Responsible to (Line): General Manager

Responsible to (Function): HR Head

Responsible for (Line): Steel Manufacturing HR

Purpose/Role: Provide a professional integrated HR service aligned to the business strategy of the organization.

Key Aims and Objectives

1. Capable to use creative and innovative methods to harmonise diverse HR and business concepts and policies.

2. Develop and implement integrated and coherent HR strategies to suit the local environment, aligning with organizational objectives.

3. Optimise deployment of human resources.

4. Frame suitable HR policies, procedures and systems in accordance with organizational HR values.

5. Work within budget.

Prime Responsibilities and Duties

1. To contribute and assist in the development and achievement of the corporate objectives through support and advice to Management on the optimum deployment of human resources including the development of supporting strategies, policies and procedures.

2. Develop, introduce and maintain appropriate HR policies, procedures and systems, which are aligned with the organization.

3. Assist in the expansion and enhancement of sustainable business.

4. To manage the implementation of the company's HR strategy.

5. Ensure business compliance with policies, procedures and legislations.

6. Develop and implement recruitment programmes which comply with all legal requirements, code of practice and organizational policy.

7. Develop suitable remuneration packages for employees based upon sound market information.

8. Resource vacancies in a prompt, professional and cost effective manner.

9. Develop and manage budgets within HR function.

10. Contribute to the development of HR strategy for the organization.

11. Develop and progress appropriate resource strategies and plans with relevant line management.

12. Development and administration of policies for assigning staff away from their normal workplace.

13. Ensure effective implementation of health and safety policy.

Allied Occasional Duties

1. Implementation of the company's disciplinary and grievance procedures.

2. Advising management on maintaining good employee relations.

3. Contribute to the development of manpower and succession plans.

4. Produce timely and accurate management information and reports on human resources.

5. Advise line management on appropriate labour law issues.

6. Work closely with other aspects of the operation to facilitate the development and harmonisation of common areas.

Core Competencies

1. Openness

2. Safety, Healthy Environment

3. Drive for Excellence

4. Self-motivation

5. Flexibility

6. Adaptability

7. Perceptiveness

8. Interpersonal awareness

9. Communication

10. Cross cultural awareness

11. Business and commercial awareness

12. Influencing leadership

9.10 PRINCIPLES OF HRM

The main functions of human resource management are classified into two categories: Managerial Functions and Operative Functions.

9.10.1 Managerial Functions

The following are the managerial functions of Human Resources Management:

● *Planning:* The planning function of human resource department pertains to the steps taken in determining in advance personnel requirements, personnel programmes, policies, etc. After determining how many and what type of people are required, a personnel manager has to devise ways and means to motivate them.

● *Organization:* Under organization, the human resource manager has to organize the operative functions by designing structure of relationship among jobs, personnel and physical factors in such a way so as to have maximum contribution towards organizational objectives. In this way, a personnel manager performs following functions:

  ❖ Preparation of task force

  ❖ Allocation of work to individuals

  ❖ Integration of the efforts of the task force

  ❖ Coordination of work of individual with that of the department

- *Directing:* Directing is concerned with initiation of organized action and stimulating the people to work. The personnel manager directs the activities of people of the organization to get its function performed properly. A personnel manager guides and motivates the staff of the organization to follow the path laid down in advance.

- *Controlling:* It provides basic data for establishing standards, makes job analysis and performance appraisal, etc. All these techniques assist in effective control of the qualities, time and efforts of workers.

9.10.2 Operative Functions

The following are the operative functions of Human Resource Management:

- *Procurement of Personnel:* It is concerned with the obtaining of the proper kind and number of personnel necessary to accomplish organization goals. It deals specifically with such subjects as the determination of manpower requirements, their recruitment, selecting, placement and orientation, etc.

- *Development of Personnel:* Development has to do with the increase through training, skill that is necessary for proper job performance. In this process, various techniques of training are used to develop the employees. Framing a sound promotion policy, determination of the basis of promotion and making performance appraisal are the elements of personnel development function.

- *Compensation to Personnel:* Compensation means determination of adequate and equitable remuneration of personnel for their contribution to organization objectives. To determine the monetary compensation for various jobs is one of the most difficult and important function of the personnel management. A number of decisions are taken into the function, viz., job-evaluation, remuneration, policy, inventive and premium plans, bonus policy and co-partnership, etc. It also assists the organization for adopting the suitable wages and salaries, policy and payment of wages and salaries in right time.

- *Maintaining Good Industrial Relation:* Human Resource Management covers a wide field. It is intended to reduce strifes, promote industrial peace, provide fair deal to workers and establish industrial democracy. If the personnel manager is unable to make harmonious relations between management and labour, industrial unrest will take place and millions of man-days will be lost. If labour management relations are not good the moral and physical condition of the employee will suffer, and it will be a loss to an organization vis-a-visa nation. Hence, the personnel manager must create harmonious relations with the help of sufficient communication system and co-partnership.

- *Record Keeping:* In record-keeping, the personnel manager collects and maintains information concerned with the staff of the organization. It is essential for every organization because it assists the management in decision making such as in promotions.

- *Personnel Planning and Evaluation:* Under this system, different type of activities are evaluated such as evaluation of performance, personnel policy of an organization and its practices, personnel audit, morale, survey and performance appraisal, etc.

9.11 FUTURE CHALLENGES BEFORE THE HR MANAGERS

Because of continuous changing socio-economic, technological and political conditions, the human resource managers of the future shall have to face more problems in the management of labour. The human resource managers of today may find themselves obsolete in the future due to changes in environment if they do not update themselves some of the important challenges which might be faced by the managers in the management of people in business and industry are discussed below:

- *Increasing Size of Workforce:* The size of organizations is increasing. A large number of multinational organizations have grown over the years. The number of people working in the organization has also increased. The management of increased workforce might create new problems and challenges as the workers are becoming more conscious of their rights.

- *Increase in Education Level:* The governments of various countries are taking steps to eradicate illiteracy and increase the education level of their citizens. Educated consumers and workers will create very tough task for the future managers.

- *Technological Advances:* With the changes coming in the wake of advanced technology, new jobs are created and many old jobs become redundant. There is a general apprehension of immediate unemployment. In the competitive world of today, industry cannot hope to survive for long with old technology. The problem, of unemployment resulting from modernization will be solved by properly assessing manpower needs and training of redundant employees in alternate skills.

- *Changes in Political Environment:* There may be Government interference in business to safeguard the interests of workers, consumers and the public at large. Government's participation in trade, commerce and industry will also pose many challenges before management. The Government may restrict the scope of private sector in certain areas in public interest. It does not mean chances of co-operation between the Government and private sector, are ruled out. In fact, there will be more and more joint sector enterprises.

- *Increasing Aspirations of Employees:* Considerable changes have been noted in the workers of today in comparison to their counterparts of 1950s. The workers are becoming more aware of their higher level needs and this awareness would intensify further in the future workers.

- *Changing Psychosocial System:* In future, organizations will be required to make use of advanced technology in accomplishing their goals while satisfying human needs. In the traditional bureaucratic model, the organizations were designed to achieve technical functions with a little consideration given to the psychosocial system. But future management would be required to ensure effective participation of lower levels in the management of the organization system.

- *Computerized Information System:* In the past, the automation of manufacturing processes had a major effect upon the systems of production, storage, handling and packaging, etc. More recently, there has been and in the future there will be the impact of revolutionary computerized information system on management. This revolutionary development would cover two primary areas of personnel management which are as follows:

  - ❖ The use of electronic computers for the collection and processing of data, and

  - ❖ The direct application of computers in the managerial decision making process.

- *Mobility of Professional Personnel:* Organizations will expand the use of —boundary agents whose primary function will be achieving coordination with the environment. One interesting fact will be an increase in the mobility of various managerial and professional personnel between organizations. As individuals develop greater technical and professional expertise, their services will be in greater demand by other organizations in the environment.

- *Changes in Legal Environment:* Many changes are taking place in the legal framework within which the industrial relations systems in the country are now functioning. It is the duty of the human resource or personnel executive to be aware of these changes and to bring about necessary adjustments within the organizations so that greater utilization of human resources can be achieved. This, indeed, is and would remain a major challenge for the personnel executive.

- *Management of Human Relations:* On the industrial relations front, things are not showing much improvement even after so many efforts by the government in this direction. Though a large number of factors are responsible for industrial unrest but a very significant cause is the growth of multiunions in industrial complexes having different political affiliations. Under the present conditions, it appears that inter-union rivalries would grow more in the coming years and might create more problems in the industry.

Management of human relations in the future will be more complicated than it is today. Many of the new generation of employees will be more difficult to motivate than their predecessors. This will be in part the result of a change in value systems coupled with rising educational levels. Greater skepticism concerning large organizations and less reverence for authority figures will be more common. Unquestioning acceptance of rules and regulations will be less likely.

9.12 HRM IN THE NEW MILLENNIUM

Traditionally, the personnel function centred around control and direction of employees for achievement of pre-determined goals. The Human Resources Approach, in direct contrast to this, recognises the worth of human being in the realisation of corporate goals. It takes a supportive and developmental route to achieve results through the cooperative efforts of employees. When opportunities for growth and enhancement of skills are available, people will be stimulated to give their best, leading to greater job satisfaction and organizational effectiveness. The manager's role, too, has undergone a dramatic change over the years. From control and direction of employees, he is expected to move towards clarifying goals and paths and creating a supportive and growth-oriented environment, where people are willing to take up assigned roles willingly and enthusiastically. The effective use of people is the most critical factor in the successful accomplishment of corporate goals. To be effective, therefore, Human Resource managers need to understand the needs, aspirations, and concerns of employees proactively, face the challenges head-on and resolve issues amicably. They are expected to successfully evolve an appropriate corporate culture, take a strategic approach to the acquisition, motivation and development of human resources and introduce programmes that reflect and support the core values of the organization and its people. This is easier said than done in view of constant changes in environment characterised by the following things:

- *Size of workforce:* Corporates have grown in size considerably in recent years, thanks to global competition in almost all fields. The size of the workforce, consequently, has increased, throwing up additional challenges before HR managers in the form of additional demands for better pay, benefits and working conditions from various sections of the workforce constantly.

- *Composition of workforce:* The workforce composition is also changing over the years. The rising percentage of women and minorities in the workforce is going to alter workplace equations dramatically. Demands for equal pay for equal work, putting an end to gender inequality and bias in certain occupations, the breaking down of glass ceiling have already been met. Constitutional protection ensured to minorities has also been met to a large extent by HR managers in public sector units. The new equations may compel HR managers to pay more attention to protecting the rights of the other sex and ensure statutory protection and concessions to minorities and disadvantaged sections of society. The shifting character of workforce in terms of age, sex, religion, region, caste etc., is going to put pressures on HR managers trying to integrate the efforts of people from various places. Managing heterogeneous and culturally diverse groups is going to stretch the talents of HR managers fully.

- *Employee expectations:* "Instead of attempting to force employees to conform to 'corporate mould' future managers may well have to make more allowances for individual differences in people". (Mathis and Jackson p. 616). Nowadays workers are better educated, more demanding and are ready to voice strong, violent and joint protests in case their expectations are not met. The list of financial and nonfinancial demands is ever-growing and expanding. In fast-changing industries such as software, telecom, entertainment and pharmaceuticals the turnover ratios are rising fast and if HR managers do not respond positively to employee expectations, the acquisition and development costs of recruits are going to mount up steadily. An efficient organization is, therefore required to anticipate and manage turnover through human resource planning, training schemes followed by appropriate compensation packages.

- *Changes in technology:* Increased automation, modernization and computerization have changed the way the traditional jobs are handled. In such a scenario unless employees update their knowledge and skills constantly, they cannot survive and grow. This will necessitate training, retraining and mid-career training of operatives and executives at various levels. Where such initiatives are missing, it becomes very difficult for employees to face the forces of technology with confidence and get ahead in their careers steadily.

Check Your Progress

Fill in the blanks:

1. _____ was regarded as a commodity to be bought and sold.

2. An organization's success increasingly depends on the _____ _____ of employees.

3. _____ is concerned with initiation of organized action and stimulating the people to work.

4. _____ means determination of adequate and equitable remuneration of personnel for their contribution to organization objectives.

9.13 LET US SUM UP

People have always been central to organizations but their strategic importance is increasing in today's knowledge-based industries. When properly motivated, even ordinary people can deliver extraordinary results. HRM is responsible for the people dimension of the organization. It is a pervasive force, action-oriented, individually-oriented, development-oriented, future-focused, and integrative in nature and is a

comprehensive function. HRM aims at achieving organizational goals. meeting the expectations of employees: developing the knowledge. skills and abilities of employees. improving the quality of working life and manage human resources in an ethical and socially responsible manner.

From an organizational standpoint, good HR practices help in attracting and retaining talent. train people for challenging roles. develop their skills and competencies, increase productivity and profits and enhance standard of living. HR can be a source of competitive advantage. when the talents of people working in the company are valuable. rare; difficult to imitate and well organized to deliver efficient and effective results. Strategic HRM is the linking of HRM with key goals and objectives with a view to improve business performance and develop organizational cultures that foster innovation and flexibility. Strategic HR differs radically from traditional HR in a number of ways. The field of HRM evolved both in India and elsewhere, over a number of years to its present level of sophistication and use of proactive methods.

The effective use of people is the critical factor in the successful accomplishment of corporate goals. To this end HR managers need to understand the needs, aspirations of employees proactively, face the challenges head on and resolve issues amicably in the years ahead.

9.14 LESSON END ACTIVITY

Visit any organization and illustrate the change champion role of their HR manager. Give your answer, duly listing the nature and degree of changes, which the sample organization faced over the years.

9.15 KEYWORDS

HRM: A process of bringing people and organizations together so that the goals of each one are met, effectively and efficiently.

Recruitment: The process of finding and attracting capable applicants for employment.

Selection: The process of matching the qualifications of applicants with job needs and choosing the most suitable one.

Training: A learning process designed to achieve a relatively permanent change in an individual that will improve the ability to perform on the job.

System: Two or more parts working together as an organised whole with clear boundaries.

Strategic Human Resource Management (SHRM): It is a competency-based approach for management of HR. It focuses on developing HR for sustainable competitive advantage.

9.16 QUESTIONS FOR DISCUSSION

1. Define HRM. Outline its objectives and scope.

2. Why has the HRM function increased in stature and influence in many organizations?

3. What do you mean by the "Systems approach to HRM"? What are the important subsystems of HRM?

4. Why is it correct to say that all managers are involved in the HRM function?

5. What are the general functional areas of HRM? Answer these keeping in view the HRM functions of any organization?

6. Briefly discuss the principles for functioning of HRM system of an organization. What are the important roles of HR Manger?

7. "The challenge and the role of HR Manager being what it is, it is strange that its status is not recognised and respected". Comment. Describe HR's role as a strategic partner in formulating and in executive strategy.

8. Why has the HRM scope increased in stature and influence in many organizations?

9. Are people always an organization's most valuable assets? Why or why not?

10. To be a strategic business contributor. HR Managers must enhance organizational performance, expand human capital. and be cost-effective. Discuss the roles of HR Manager.

Check Your Progress: Model Answer

1. Labour

2. Knowledge, skills and abilities (KSAs)

3. Directing

4. Compensation

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UNIT-10

MANPOWER PLANNING

10.0 AIMS AND OBJECTIVES

After studying this lesson, you should be able to:

- Discuss the concept of Manpower Planning

- Describe the origin and evolution of Manpower Planning

- Explain the perspective of HRP in an Organization

- Identify the contemporary approach of Manpower Planning

- Describe the components of Manpower Planning

- Understand the various steps in HRP

- Discuss the process and constraints in Manpower Planning

- Describe Manpower Demand Forecasting

- Explain Manpower Planning at Macro Level

10.1 INTRODUCTION

Comparison of the present manpower to future needs of an organization, duly identifying skill and competency gaps and subsequently developing plans for building the manpower needed in future is the basic process of Manpower Planning (HRP). The process not only limits its focus on such assessment but also tries to ensure that the required competency is maintained in line with organizational mission, vision and strategic objectives. HRP provides a strategic basis for taking HR decisions, and anticipating change. It is not merely concerned with manpower demographics, turn-over projections, succession planning, etc. Therefore, HRP helps to plan replacements and changes in manpower competencies in a systematic manner. Of late HRP has become an important enterprise wide strategic function not only to achieve goals and objectives but also to sustain the present level in organizations. Globally, skill shortages, competency gaps, redundancies, downsizing, rightsizing are the major issues in today's organizations. Such syndromes have become so acute in Indian organizations that almost every day we find newspapers carrying reports on job cut or manpower redundancies. These phenomena have changed the structure of employment relations in Indian organizations, not to talk about global organizations. All major Indian organizations like, SAIL, Keltrons, IBP, Tata Iron & Steel, etc., are going for manpower redundancies in a phased manner. Commercial banking organizations in India recently reduced 30% of their workforce at a whopping cost of ₹10,000 crore.

There are many reasons for such manpower or manpower redundancies, although at the corporate level, the only possible reason attributed to such cause is skill obsolescence. Inadequate business planning, inflexibility of job descriptions, absence of training and development programmes are some of the identified causes. But the biggest problem lies with inadequate Manpower Planning (HRP). With labour percentage increasing at the rate of 1.09% against job opportunities of 0.96% (during the period from 1993-94 to 1999-2000), large-scale manpower redundancies are further adding fuel to the fire, causing a national problem.

10.2 CONCEPT OF MANPOWER PLANNING

Manpower or human resource is a primary resource without which other resources like physical and financial, cannot be put into use. Even a fully automatic unit requires manpower to run it and also to plan for further improvement.

To achieve any goal, manpower requirement needs to be assessed, located and harnessed. HRP is not mere assessment of the number of men required. An organization has to categorize men as per their knowledge and skills and also ensure their balanced allocation. Improper manpower planning may lead to over-staffing increasing direct cost (viz., salary), cost of training, amenities, apart from the cost of production. Under-staffing also affects production, morale and productivity.

Optimum manpower planning, therefore, aims at:

- Balancing demand, supply, distribution and allocation of manpower.

- Controlling cost of manpower.

- Formulating policies on transfer, succession, relocation of manpower.

HRP/Manpower Planning is essential wherever production of goods and services are involved. This may be done either by external agencies (consultants, suppliers of plant and machineries) or internal agencies (Personnel Department, Industrial Engineering Department, Production Department, etc.)

Manpower planning is a planning process by which an organization can move from its current manpower position to its desired manpower position. Through manpower planning, an organization strives to have the right number and the right kinds of people at the right places at the right time. However, this definition only focuses on assessment of manpower needs in an organization. More appropriately manpower planning may be defined as a strategy for acquisition, utilization, improvement and retention of manpower.

10.2.1 Activities Required for Manpower Planning

Manpower planning consists of a series of activities, which can be listed as follows:

- *Forecasting future manpower requirements:* This is done either in terms of mathematical projections or in terms of judgmental estimates. Mathematical projections are done extrapolating factors like, economic environment, development trends in industry, etc. Judgmental estimates, on the other hand, are done depending on the specific future plans of a company by managerial discretion, which is based on past experience.

- *Preparing an inventory of present manpower:* Such inventory contains data about each employee's skills, abilities, work preferences and other items of information. Inventory of manpower resources helps in assessing the extent of deploying such resources optimally.

- *Anticipating problems of manpower:* This can be done by projecting present resources into the future and comparing the same with the forecast of manpower requirements. This helps in determining the quantitative and qualitative adequacy of manpower.

- *Meeting manpower requirements:* This can be achieved through planning, recruitment and selection, training and development, induction and placement, promotion and transfer, motivation and compensation to ensure that future manpower requirements are correctly met.

10.2.2 Objectives of Manpower Planning

The first objective of manpower planning is to integrate planning and control of manpower with organizational planning to ensure best possible utilization of all resources.

The next objective is to coordinate manpower policies of the organization. Requirement and selection, training and development programmes, placement and induction programmes, promotion and transfer policies, decisions on remuneration and rewards, etc., affect the future need of manpower. Without proper coordination of manpower policies with each such decision, it is difficult to achieve the corporate objectives. Therefore, it is necessary to harmonize such objectives (corporate) with the manpower planning system. Without coordination, a company's plans may get frustrated for not having the right people in the right place at the right time. Subsequent objectives of manpower planning are to:

- Achieve efficiency of work in all spheres of the corporate body.

- Ensure cost minimization.

- Eliminate all types of wastages including waste of time.

- Maintain required levels of skill and competency, matching present and future needs of the organization.

10.2.3 Responsibilities of the HR Department

HR Department, as an internal agency, plays a crucial role in manpower planning. Its responsibilities in regard to manpower planning may be summed up as follows:

- The first responsibility is to put pressure on the operating management to plan and establish objectives. HR Department at this stage is required to assist and to give counsel to the operating management groups from time to time.

- It has to collect data in total organization terms and to ensure that manpower planning is carried out, keeping pace with the long range objectives and the total business plan of the organization.

- It has to measure and monitor performance against the plan and provide feedback to the top management.

- It has to carry out research for effective manpower and organizational planning.

10.2.4 Objectives of HRP

The first objective of manpower planning is to integrate planning and control of manpower with organizational planning to ensure best possible utilization of all resources. The next objective is to coordinate manpower policies of the organization. Requirement and selection, training and development programmes, placement and induction programmes, promotion and transfer policies, decisions on remuneration and rewards, etc., affect the future need of manpower. Without proper coordination of manpower policies with each such decision, it is difficult to achieve the corporate objectives. Therefore, it is necessary to harmonize such objectives (corporate) with the manpower planning system.

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- Maintain required levels of skill and competency, matching present and future needs of the organization.

10.3 MANPOWER PLANNING – ITS ORIGIN AND EVOLUTION

Management of manpower, as a subject of study even though of relatively recent origin, the concept upon which the theory is based, dates back to 400 B.C. (Chaldeans Inventive wage plans). Minimum wage and incentive wage plans were in Babylonian Codes of Hammurabi around 1800 B.C. The Chinese as early as 1650 B.C. had originated the Principle of Division of Labour (Specialization). The 'Span of Management' and the related concepts of organization were well understood by Moses around 1200 B.C. In India, Kautilya observed a sound base for systematic management of manpower, as early as 4th century B.C.

Prior to Industrial Revolution, the status of labour was extremely low and the human relationships between the employer and the employees were characterized by slavery, serfdom and the guild system. Slavery was based on negative incentive system and serfdom was based on positive incentive system. However, both these systems were replaced with the growth of manufacturing and commercial enterprises by the guild system involving master craftsman (the owner), the journeyman (the travelling worker) and the apprentice. Guild system marked the beginning of Manpower Planning for selection, training and development of workers and emergence of collective bargaining for wages and working conditions.

The Industrial Revolution followed the new economic doctrine of laissez-faire. New industrial organizations were characterized by the factory system (a change from cottage system or home centred production system), which deteriorated the employer-employee relationship due to unhealthy work environment, long working hours, fatigue, monotony, strain, increased likelihood of accidents, etc.

Reviewing the history, it is observed that great thrust had been given to personnel management functions by business expansion, labour strategies and higher wage rates during World War I (1917). Many of these activities had been initiated for welfare and paternalism. The Great Depression of 1920-21 threw many personnel men out of jobs and this created a disillusion for this profession. A number of literatures came up worldwide during 1920-22, dealing with different areas of personnel administration. By 1923, the profession had reached the stage of maturity, as organizations started giving importance to it like other core functions, viz. production and marketing.

10.3.1 Development Process

Tracing the history, we find that personnel function derived from the introduction of welfare and charitable activity. Initially welfare was perceived as a moral duty and later it was considered as the precondition for industrial efficiency. The second development sprung from the employers' endeavours to cope with the challenges of trade unionism. The third phase could be attributed to the development of the concept of humanization of work.

Factors which are responsible for development of this profession in a phased manner can be listed as follows:

- Technological changes are taking place at a rapid pace throughout the world. Such changes have a great bearing upon personnel functions because they fundamentally have changed the relationship between people and work. From an overall point of view, they have induced a major change in the economic system and the structure of the society.

- The rising competition both at home and abroad (in cases of International Trade), virtually reduces the profit to the level of production cost (unless the industry is monopolist). The free movement of technology from one country to another does

not allow any production process to monopolize a particular technology for its use.

- The rise of consumerism, government protection, so also international competition. has developed the necessity to maintain quality and price, which completely redress the opportunity to follow the traditional production method.

- Social changes are also taking place at a fast pace. Business function is no longer a mere profit multiplying one. Organization being a part of the society, also owes something to it.

- The political developments have also restructured trade unionism. Trade unionists are no longer mere wage bargainers.

- The structural changes in employment (more oriented towards white collared jobs, gradual decline of unskilled jobs) and changes in sector distribution of employment (more geared to tertiary or service sectors) have also brought a great challenge to the employers.

For the personnel profession, all these challenges have a great impact on their functions.

Alienating and humanizing effect of repetitive and monotonous tasks in the wake of technological advancement is a universal phenomenon. Effective utilization of man-power under this technological environment is the prime challenge before today's personnel profession. Even in the United States of America (USA) at the present level of production, particularly for workers in the service industries, it is estimated only 50% of the potential is available from existing human skills, initiative and energy. About 50 million employees are now considered obsolete in the USA, which includes a considerable number of engineers, IT professionals and technical people. Manpower obsolescence is also being faced by Japanese industries. Other industrially advanced countries are also facing a similar crisis.

The history of evolution and growth of Personnel Management in India is not very old. The Royal Commission on Labour in 1931 for the first time recommended the abolition of Jobbers System and appointment of Labour Officers to deal with recruitment and to settle their grievances. The Factories Act, 1948, statutorily made it obligatory for the industries to appoint Labour Welfare Officers. Today, Personnel Management function in India encompasses all the professional disciplines like, Welfare, Industrial Relations, Personnel Administration, Manpower Development (HRD), etc.

The general functional areas of personnel vis-a-vis HRD professionals can be grouped under five major heads as below:

1. Determining and staffing for employment needs,

2. Measuring performance and developing employee potential,

3. Preserving effective employee-management relationships,

4. Uncovering and resolving employee problems and

5. Anticipating and coping with organizational change.

The new changes have extended the functional horizon areas. From a legalistic approach it extended to human relations. From a mere passive factor of production, employees are now perceived as manpower. The functional demand, therefore, encompasses many areas like; management by anticipation, more use of work teams by small group activities/quality circles, practising total quality management culture, etc.

10.4 PERSPECTIVE OF HRP IN AN ORGANIZATION

Manpower planning is a highly important and useful activity. If used properly, it offers a number of benefits:

1. *Reservoir of talent:* The organization can have a reservoir of talent at any point of time. People with requisite skills are readily available to carry out the assigned tasks.

2. *Prepare people for future:* People can be trained, motivated and developed in advance and this helps in meeting future needs for high-quality employees quite easily. Likewise, manpower shortages can also be met comfortably (when people quit the organization for various reasons) through proper manpower planning.

3. *Expand or contract:* If the organization wants to expand its scale of operations, it can go ahead easily. Advance planning ensures a continuous supply of people with requisite skills who can handle challenging jobs easily.

4. *Cut costs:* Planning facilitates the preparation of an appropriate HR budget for each department or division. This, in turn, helps in controlling manpower costs by avoiding shortages/excesses in manpower supply. The physical facilities such as canteen, quarters, school, medical help, etc., can also be planned in advance.

5. *Succession planning:* Manpower planning, as pointed out previously, prepares people for future challenges. The 'stars' can be picked up and kept ready for further promotions whenever they arise. All multinational companies for example, have this policy of having a 'hot list' of promising candidates prepared in advance e.g., HLL, Proctor & Gamble, Godrej consumer products, etc. Such candidates are rolled over various jobs and assessed and assisted continuously. When the time comes, such people 'switch hats' quickly and replace their respective bosses without any problem.

10.5 MANPOWER PLANNING – A CONTEMPORARY APPROACH

Armstrong (2001) has modified the phases of traditional manpower planning to reflect aims more appropriate for contemporary circumstances. He outlines these aims as:

- To attract and retain the number of people required with the appropriate skills, expertise and competencies to anticipate problems of potential surpluses or deficits of people.

- To develop a well-trained and flexible workforce, thus contributing to the organization's ability to adapt to an uncertain and changing environment.

- To reduce dependence on external recruitment when key skills are in short supply by formulating retention and development strategies.

- To improve the utilization of people by introducing more flexible systems of work.

This approach differs from traditional HRP in that it puts greater emphasis on the 'soft' side of HRP but there are still elements of the 'hard' approach, e.g., in the balance between demand and supply forecasting. It also differs from the traditional approach in its emphasis on the internal labour supply. A fundamental difference between this model and the traditional HRP model is the underlying assumption that much of the process might be rather vague.

It cannot be assumed that there will be a well-articulated business plan as a basis for the HR plans. The business strategy may be evolutionary rather than deliberate; it may

be fragmented, intuitive and incremental. Resourcing decisions may be based on scenarios that are riddled with assumptions that may or may not be correct and cannot be tested. Resourcing strategy may be equally vague or based on unproven beliefs about the future. It may contain statements about, for example, building the skills base, which are little more than rhetoric. (Armstrong, 2001: 362)

Such statements could lead one to question whether there is any point to the process at all. Armstrong (2001) goes on to argue that even if all that is achieved is a broad statement of intent, 'this could be sufficient to guide resourcing practice generally and would be better than nothing at all'. However, this does suggest that any plans inevitably have to be tentative, flexible and reviewed and modified on a regular basis.

The following are the contemporary approach in HRP:

Business Strategy

The first key element of this model is business strategy. Business strategy can be either deliberate or emergent. Deliberate strategies assume a rational evaluation of external and internal circumstances and an identification of the best way to ensure competitive advantage. Emergent strategies, on the other hand, are the product of market forces: 'the most appropriate strategies ... emerge as competitive processes that allow the relatively better performers to survive while the weaker performers are squeezed out'.

Resourcing Strategy

In this model, the resourcing strategy derives from the business strategy and also feeds into it.

For example, the identification of particular strengths and capabilities might lead to new business goals, especially if strategy formation is emergent rather than deliberate. The rationale underpinning Armstrong's perception of this strategy is related to the resource based view of the firm: 'the aim of this strategy is therefore to ensure that a firm achieves competitive advantage by employing more capable people than its rivals'.

Thus, the implicit assumption is that the vertical integration between business strategy and resourcing strategy will include practices designed to attract and retain a high-quality workforce, such as offering rewards and opportunities that are better than competitors and seeking to maximize commitment and trust.

Porter (1985) proposes three strategic options for securing competitive advantage: cost reduction, quality enhancement and innovation. A high-commitment approach is more likely to 'fit' with the latter two strategies than with a strategy based on cost reduction. Work in the USA (Arthur, 1992) found that the majority of firms in the study that were following a cost reduction business strategy had poor HR practices (e.g., relatively low pay, minimal training, little communication and no formal grievance mechanisms). However, the cost reduction model is frequently associated with a lack of formalization and planning so the process of developing a resourcing strategy may be more likely to include a high-commitment approach.

Scenario Planning

This element is not explicit in traditional HRP models and reflects a development in planning models designed to cope with increased uncertainty and unpredictability in the environment. Scenario planning can be used to supplement or replace more traditional demand and supply forecasting. This approach is 'predicated on the assumption that if you cannot predict the future, then by speculating on a variety of them, you might just hit upon the right one'. This approach can help to broaden

perspectives and consider a number of future options but each decision has its own costs and these also need to be considered.

For example, opting to preserve flexibility might be an expense of following a clear-cut business strategy to secure competitive advantage. Similarly, devoting resources to the best scenario for the organization might be little more than wishful thinking. Scenario planning has been described here as a fairly formal process but it can also be regarded as an informal approach to thinking about the future in broad terms, based upon an analysis of likely changes in the internal and external environment.

Forecasting and Labour Turnover

Demand and supply forecasting in the model includes all the objective and subjective techniques described in the traditional model. The key difference lies in the emphasis given to labour turnover analysis; in the traditional model, this is seen as an element of supply forecasting but here it is deemed worthy of its own category.

Manpower Plans

Manpower plans are derived from the resourcing strategy and take into account data from a combination of scenario planning, demand and supply forecasting and labour turnover analysis. The model again reflects the lack of certainty and predictability: 'the plans often have to be short term and flexible because of the difficulty of making firm predictions about manpower requirements in times of rapid change'. The plans are divided into four broad areas: resourcing, flexibility, retention and downsizing.

Resourcing Plan

This is primarily concerned with effective use of the internal labour market as well as attracting high-quality external applicants. Armstrong (2001) identifies two main components to the resourcing plan: the recruitment plan (e.g., numbers and types of people required, sources of candidates, recruitment techniques, etc.) and the 'employer of choice' plan.

Flexibility Plan

The flexibility plan is likely to involve the use of functional and numerical flexibility. Armstrong (2001: 376) suggests that the aim of the flexibility plan should be to:

- Provide for greater operational flexibility.

- Improve the utilization of employees' skills and capabilities.

- Reduce employment costs.

- Help to achieve downsizing smoothly and avoid the need for compulsory redundancies.

- Increase productivity.

From this perspective, flexibility appears to be mainly employer-driven rather than a means to help employees achieve work-life balance and therefore there may be some potential contradictions between this and the 'employer of choice' plan described above.

Alternatively, it may be that, different plans can be applied to different sections of the workforce. Purcell (1999) suggests that distinctions are growing in the treatment of core workers who may be nurtured owing to their contribution to competitive advantage, and non-core peripheral or subcontracted workers.

Retention Plan

Manfred Kets de Vries (cited in Williams, 2000: 28) stated that 'today's high performers are like frogs in a wheelbarrow: they can jump out at any time'. It seems that increasing numbers of organizations recognize this and are turning their attention to the retention of key staff. The exact components of the retention plan will be largely determined by the outcomes of labour turnover analysis and risk analysis and initiatives are likely to focus on 'pull' factors. Retention measures can include some or all of the following:

Pay and benefits – competitive rates of pay, deferred compensation (e.g., share options, generous pension scheme), retention bonuses, flexible benefits, benefits package that improves with service. Recruitment and selection – set appropriate standards, match people to posts, provide an accurate picture of the job. Training and development – good induction processes, provision of development opportunities to meet the needs of the individual and the organization, structured career paths. Job design – provision of interesting work, as much autonomy and team working as possible, opportunities for flexible working to meet the needs of the individual. Management – ensures managers and supervisors to have the skills to manage effectively. Attention to the skills and abilities of managers is perceived by some as a key element of retention: 'put simply, employees leave managers not companies' (Buckingham, 2000: 45). Buckingham (2000) argues that employees are more likely to remain with an organization if they believe that their manager shows interest and concern for them; if they know what is expected of them; if they are given a role that fits their capabilities; and if they receive regular positive feedback and recognition. However, he also suggests that 'most organizations currently devote far fewer resources to this level of management than they do to high-fliers'.

Downsizing Plan

The fourth element of the manpower plan is the downsizing plan. This is concerned with the numbers to be 'downsized', the timing of any reductions and the process itself. Methods of reducing the size of the workforce include natural wastage, redeployment, and early retirement, voluntary and compulsory redundancy. Armstrong (2001: 382) implies that this plan is implemented as a last resort: 'if all else fails, it may be necessary to deal with unacceptable employment costs or surplus numbers of employees by what has euphemistically come to be known as downsizing'.

Several studies suggest that downsizing frequently fails to bring the anticipated cost savings for organizations, leading Redman and Wilkinson (2001: 319) to state that 'despite the real sufferings of many workers in an era of redundancy there have been few long-term benefits to justify its level of severity, nor an overwhelming economic justification for its continuing blanket use'.

Changes in organizational structures and the uncertainty of the environment have led to the development of more flexible and focused approaches to planning. Taylor (2002: 78–85) suggests a number of variants on the traditional planning process that may be more appropriate to organizations with unpredictable markets and structures.

Micro-planning uses similar techniques to more traditional HRP but concentrates on key problem areas rather than the organization as a whole. The more limited scope, both in terms of coverage and time, makes the process more manageable and the results more immediately visible. Micro-planning is likely to be a one-off activity rather than an ongoing process. It can be used to address a variety of issues such as skills shortages, new legislation, competitor activity or a new business opportunity.

Contingency planning is based on scenario planning and enables organizations to draw up a number of different plans to deal with different scenarios. This can enable HRP to switch from being a reactive process undertaken in order to assist the organization achieve its aims, to become a proactive process undertaken prior to the formulation of wider organizational objectives and strategies. On the other hand, Mintzberg argues that, in practice, contingency planning presents several problems. Firstly, the contingency that does occur may not be one that was thought of; and secondly, the presentation of a number of different options may lead to no action at all – 'paralysis by analysis'.

In succession planning, the focus is primarily on recruitment and retention and the ability of the organization to fill key posts. It is likely that this will relate to a relatively narrow group of people. There is nothing new about organizations identifying and grooming people to fill key posts; in fact, succession planning has always been an element of traditional HRP. The traditional approach relied on identifying a few key individuals who would be ready to take on senior roles at certain points in time.

However, to be effective, this requires a stable environment and long-term career plans. In response to a rapidly changing environment where the future is uncertain, the focus has moved away from identifying an individual to fill a specific job towards developing talent for groups of jobs and planning for jobs that do not yet exist. In addition, the emphasis is on balancing the needs of the organization with the aspirations of employees and on increasing the diversity of the senior management group in terms of competencies and qualities.

The lack of labour market protection, the weakness of unions and the intense pressure on private and public sector companies alike to improve their profitability and efficiency have meant that the fashionable doctrine of downsizing has spread like contagion. Succession planning is often linked to competency frameworks and the key challenge is to identify the competencies that will contribute to future organizational performance rather than those that have been valued in the past.

10.6 MANPOWER PLANNING COMPONENTS

As we have noted, planning is used by organizations to buffer production or service delivery processes from sources of uncertainty. Manpower programs for the recruitment, selection, training, and motivation of employees help reduce uncertainty by ensuring that a sufficient number of people with the required characteristics and skills are available at all levels in the organizations.

When the planning horizon is short, there is little uncertainty about which skills and how many people will be needed, and it is relatively easy to predict supply. However, rapid and ongoing changes in today's business environment mean that the future cannot be easily anticipated by simply projecting past trends. As the focus of planning moves from short term to intermediate term, the question "What will we need?" is less easily answered and becomes more dominant. For intermediate-term planning, there is also more uncertainty related to the question, "What will be available?" Consequently, manpower planning for the more distant future quickly raises the question, "How can we determine what will be needed and what will be available?" In other words, more technical attention must be given to the problem of forecasting. As in short-term manpower planning, the twin problems, of forecasting, demand and forecasting supply both must be addressed before objectives can be established and programs developed. With increased uncertainty, interaction between the manpower planner and line managers is even more critical for making accurate demand and supply forecasts.

Manpower planning is probably one of the most critical elements in linking the work of the human resources function to the business goals of the company. "It is important to recognize that certain aspects of human resource management tend to have potentially high strategic consequences. Since WW II and the growth of modern management science, solid business planning has become the key differentiator enabling competitive success. It seems unnecessary to point out that planning for a businesses' most critical resource is essential. As we move through the 21st century where a globalized workforce is the basis of competition we find that the principles of manpower planning are unchanging. Certainly, the how, what, and why of manpower planning change dynamically and often; but the basic principles are like the glacier – very slowly, over eons.

As most planning models would indicate, the planning processes need to be circular and connected dynamically. The link between manpower planning and business strategic planning is vital if personnel programs and systems are to be attuned to the changing needs of an organization. The impact of not doing long-term manpower planning is to cause the overall business plan to be limited to current human resources in trying to accomplish the plan. To achieve most long-term business plans requires some change in human resources from current state to the necessary state. The business goals achieved are often less that those possible with successfully implemented manpower plans.

Especially in the areas of policy development and implementation it is "obvious and difficult to refute advice that effective human resource policies require manpower planning, which in turn, requires effective integration with an organization's strategic planning process."

It is evident that manpower planning are becoming more and more important in business circles. "Because business profits are squeezed by inflation and a weakened economy, management is also concerned with personnel costs and is seeking to achieve increased output with the same or fewer staff. Government at all levels both nationally and internationally (Federal, state, local, etc.) is interested in how employers treat their employees. They, therefore, add factors that must be considered in any manpower plan (work and wage laws, labour laws, etc.). "The net impact of the expanding government intervention has been an increase in the attention given to manpower planning in all of the problem areas."

So, while the principles and processes of planning have not changed much, the complexity and timeliness have. Information technology enables the collection and analysis of more data than was even dreamed of in the 1980s. The complexity of planning across countries, cultures, economies, and new technologies is almost infinite. This makes the art, the gut feeling, the best guess, that much more important. The best that can be accomplished is to predict the probability of multiple successful solutions.

10.7 STEPS IN HRP

From the above discussions, it is evident that HRP involves a number of steps. Such steps can be briefly discussed as follows:

10.7.1 Job Analysis

To start with, job analysis is done to differentiate one job from the other. Job is defined as collection or aggregation of tasks, duties and responsibilities, which are assigned to an individual employee. Job analysis, therefore, provides requisite information about a job. It is a process of determining the nature of a specific job through a detailed and systematic study.

Job analysis provides the following information:

- Job identification, which is done by providing a title or a code number for each job.

- Job characteristics, location, physical setting, hazards and discomforts of a job.

- Job assignment, specific operations and tasks which make an assignment, its importance, simplicity, complexity and the responsibility.

- Materials, tools and equipment required for a job.

- Job performance, nature of operations (lifting, handling, drilling, setting up, etc.).

- Personal attributes, like experience, training, physical strength, mental capabilities, aptitudes, other skills, etc., required for efficient performance of the job.

- Job relationship, scope for advancement, patterns of promotions, direction or leadership form, etc.

Sources of Information

Information on a job is usually obtained from different principal sources as follows:

- From those who are supervising the job, e.g., supervisors and foreman.

- From professional job analysts (consultants) who may be retained to study a job.

- From technology vendors who define jobs in their literatures.

Purposes of Job Analysis

Apart from HRP, job analysis serves the following important purposes of Human Resource Management:

- Recruitment and Selection

- Wage and Salary Administration

- Job Re-engineering

- Industrial Engineering Activity

- Employees Training and Management Development

- Performance Appraisal

- Health and Safety

10.7.2 Job Description and Job Specification

After the job analysis process is over, job description and job specification are developed before going into the successive steps of HRP. Job description is recording of duties, responsibilities and conditions needed for satisfactory performance of a particular job. Both the terms, job description and job specification are used interchangeably. However, it is appropriate to distinguish the term 'description' to cover job content (conditions, tasks and responsibilities) and 'specification' to denote job requirements (i.e., qualities necessary) in the worker for satisfactory performance of the job.

Thus, job specifications translate job descriptions into human qualifications, required for successful performance of a job.

10.7.3 Developing Work Rules

Most of the organizations, after developing job descriptions and job specifications, develop work rules, which are some pre-determined decisions about certain courses of action that may be taken when certain contingencies arise. Organizations develop such

work rules in documented form and use the same as a control device to ensure predictability of behaviour. Starting and stopping of work. rest periods. time-keeping. insubordination, fighting or drinking on the job. smoking, report of injuries, etc., are normally incorporated in such work rules.

10.7.4 Application of Industrial Engineering Techniques

Work study, method study and work measurement techniques are also applied as a preceding step for HRP. These techniques provide opportunity for effective use of plant and equipment, effective use of human efforts, measurement of human work. better ways of doing things, developing predetermined standard time, etc.

10.7.5 Other Factors

Layout

Layout of a factory influences determination of manpower requirement. Some plants and equipments work in isolation (like lathe, drilling machine, etc.), while some others work in groups continuously (like excavators). When a group of machines work in union, the whole group may be attended by one or more persons. But when machines are not in continuous operation, a single person may look after more than one machine. Thus, requirements of manpower may vary for the layout and machine arrangement in a shop floor or factory.

Statutory Requirements

For certain positions in mines, electrical installations, hazardous places (chemical plants, etc.), and welfare amenities need to be provided as per statutory regulations. Positions like Welfare Officers, Safety Officers and Medical Officers fall under this category.

Shifts

Number of manpower required also depends on whether the work would be carried out in general shift or in shifts. Number of working shifts will decide the requirement of manpower.

Leave Reserve

Since no one can work all the days for one reason or the other, certain allowances need to be given while working out manpower requirement. Apart from unpredictable leave of absence, workers are allowed leave systematically for a certain period in a year. Conventionally, 20% allowance for weekly off and leave reserves are allowed in factories while working out manpower requirements. In mines, however, rate of absenteeism being high, such allowance percentage is on the higher side.

10.8 PROCESS OF MANPOWER PLANNING

The process of HRP usually followed in a large organization, consists of the following steps:

10.8.1 Forecasting the Demand for Manpower

Most firms estimate how many employees they require in future.

The demand for human talent at various levels is primarily due to the following factors:

External Challenges

These challenges arise from three important sources:

1. *Economic developments:* Liberalization, opening up of banking sector, capital market reforms, the on-line trading systems have created huge demand for finance professionals during 1990-1995 in India. The late 90s saw the rise of manufacturing, FMCG, Pharmaceuticals, Auto-components, Healthcare and Chemical Industries in a steady manner. Consequently, the demand for Engineering and Management graduates, Scientists and Healthcare professionals has picked up in recent times.

2. *Political, legal, social and technical changes:* The demand for certain categories of employees and skills is also influenced by changes in political, legal and social structure in an economy. Likewise, firms employing latest technology in construction, power, automobiles, software, etc., have greatly enhanced the worth of technicians and engineers during the last couple of years. Technology, however, is a double-edged weapon and hence, its impact on HR plans is difficult to predict.

   For example, computerization programme in Banks, Railways, Post and Telegraph Departments may reduce demand in one department (book keeping, for example) while increasing it in another (such as computer operations). High technology with all its attendant benefits may compel organizations to go lean and downsize workforce suddenly. Employment planning under such situations becomes complicated.

3. *Competition:* Companies operating in fields where a large number of players are bent upon cutting each other's throat (with a view to enhance their market shares) often reduce their workforce. Competition is beneficial to customers but suicidal for companies operating on thin margins. Such companies have to necessarily go 'lean' by reducing their workforce. On the other hand, companies that are doing well and progressing smoothly will always look for people with critical skills.

Organizational Decisions

The organization's strategic plan, sales and production forecasts and new ventures must all be taken into account in employment planning. If Britannia Industries Ltd. expects higher demand for biscuits and bread, the long-term HR plan must take this into consideration. Likewise, if it tries to venture into other lucrative fields such as milk based products and confectionery items, the demand for people possessing requisite skills in those areas in the next couple of years should be looked into carefully.

Workforce Factors

Demand is modified by retirements, terminations, resignations, deaths and leaves of absence. Past experience, however, makes the rate of occurrence of these actions by employees fairly predictable.

Forecasting Techniques

The manpower forecasting techniques commonly employed by modern organizations are given below:

- *Expert forecasts:* In this method, managers estimate future manpower requirements, using their experiences and judgements to good effect.

- *Trend analysis:* HR needs can be estimated by examining past trends. Past rates of change can be projected into the future or employment growth can be estimated by its relationship with a particular index.

Box 10.1: Trend Analysis (An Example)

2011-12	Production of Units:	5,000
2012-13	No. of Workers:	100
	Ratio:	100:5000
2013-14	Estimated Production:	8,000
No. of Workers required:		$8000 \times 100 \div 5000 = 160$

If supervisors have a span of 20 workers, 8 supervisors are also needed in 2013-14.

Other Methods

Several mathematical models, with the aid of computers are also used to forecast HR needs, e.g., regression, optimisation models, budget and planning analysis. To proceed systematically, manpower professionals generally follow three steps.

Workforce Analysis

The average loss of manpower due to leave, retirement, death, transfer, discharge, etc., during the last 5 years may be taken into account. The rate of absenteeism and labour turnover should also be taken into account. The nature of competition say from foreign banks, other non-banking financial institutions may also be considered here to find out actual requirements in a year (Box. 10.2).

Box 10.2: Manpower Flows in a Bank

	Promotions out	
Transfers In	>	> Job Hopping
	> Transfers Out	
	> Retirement	
	> VRS Scheme (Golden handshake)	
Recruits In	>	> Discharge or Dismissal
	> Terminations	
	> Resignations	
Promotions In	>	> Retrenchment
	> Attractions in Other Banks, etc.	

While some of the interchanges and external supply could be predicted (growth opportunities, promotions, transfers, retirements, etc.) others are not so easy to predict. Past experience and historical data may help bank managers in this regard.

Work Load Analysis

The need for manpower is also determined on the basis of work-load analysis, wherein the company tries to calculate the number of persons required for various jobs with reference to a planned output – after giving weightage to factors such as absenteeism, idle time, etc.

The following example would throw light on this:

Box 10.3: Work Load Analysis (An Example)

Planned output for the year	10,000	pieces
Standard hours per piece	3	hours
Planned hours required	30,000	hours
Productive hours per person per year	1,000 hours	(estimated on annual basis)
(Allowing for absenteeism. turnover, idle time etc.)		
No. of workers required	30	
If span of control in the unit is 10 per officer, then 3 officers are also required.		

While determining manpower requirements through work load analysis, commercial banks may have to take the following factors into consideration: (i) the number of transactions to be handled by an employee; (ii) the amount of deposits and advances per employee; (iii) special requirements in respect of managing extension counters, currency chests, mobile branches, etc.; (iv) future expansion plans of the bank concerned. Managerial judgement – a study of the past trends – may serve as a useful guide in this regard. Statistical and econometric models may also be pressed into service, sometimes, depending on the requirement(s).

Job Analysis

Job analysis helps in finding out the abilities or skills required to do the jobs efficiently. A detailed study of jobs is usually made to identify the qualifications and experience required for them. Job analysis includes two things: Job description and Job specification. Job description is a factual statement of the duties and responsibilities of a specific job. It gives an indication of what is to be done, how it is to be done and why it is to be done. Job specification provides information on the human attributes in terms of education, skills, aptitudes and experience necessary to perform a job effectively.

10.8.2 Preparing Manpower Inventory (Supply Forecasting)

The basic purpose of preparing manpower inventory is to find out the size and quality of personnel available within the organization to man various positions. Every organization will have two major sources of supply of manpower: internal and external.

Internal Labour Supply

A profile of employees in terms of age, sex, education, training, experience, job level, past performance and future potential should be kept ready for use whenever required. Requirements in terms of growth/diversification, internal movement of employees (transfer, promotions, retirement, etc.) must also be assessed in advance. The possibilities of absenteeism and turnover should be kept in mind while preparing the workforce analysis. Through replacement charts or succession plans, the organization can even find out the approximate date(s) by which important positions may fall vacant. Frequent manpower audits may be carried out to find out the available talent in terms of skills, performance and potential. (See Figure 10.1) Some of the important forecasting techniques may be summarised thus:

Staffing table: It shows the number of employees in each job. It tries to classify employees on the basis of age, sex, position, category, experience, qualifications,

skills, etc. A study of the table indicates whether current employees are properly utilised or not.
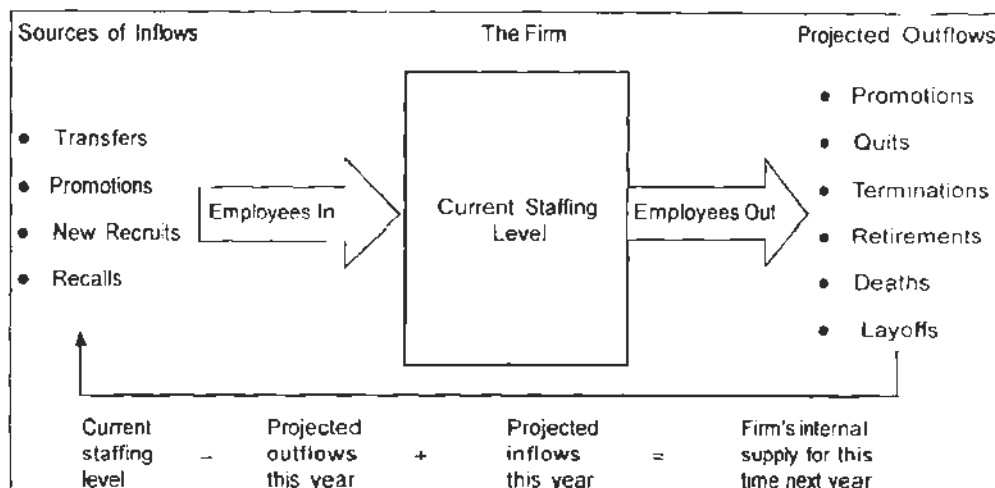

Figure 10.1: Estimated Internal Labour Supply for a Given Firm

Markov analysis: This technique uses historical rates of promotions, transfer and turnover to estimate future availabilities in the workforce. Based on past probabilities, one can estimate the number of employees who will be in various positions with the organization in future.

2003-2004	Store Managers	Asst. Store Managers	Section Heads	Dept. Heds	Sales Executives	Exit
Store Managers (n = 15)	80% 12					20% 3
Asst. Store Managers (n = 36)	11% 4	83% 30				6% 2
Section Heads (n = 94)		11% 11	66% 63	8% 8		15% 14
Departmental Heads (n = 288)			10% 29	72% 207	2% 6	16% 46
Sales Executives (n = 1440)				6% 86	74% 1066	20% 288
Forecasted Supply	16	41	92	301	1072	353

Figures in circles show the transition percentages

Figure 10.2: Markov Analysis for a Hypothetical Retail Company

Skills inventory: A skills inventory is an assessment of the knowledge, skills, abilities, and experience and career aspirations of each of the current employees. This record should be updated at least every 2 years and should include changes such as new skills, additional qualifications, changed job duties, etc. Of course, confidentiality is an important issue in setting up such an inventory. Once established, such a record helps an organization to quickly match forthcoming job openings with employee backgrounds.

Replacement chart: It shows the profile of job holders department-wise and offers a snapshot of who will replace whom if there is a job opening. (See Figure 10.3).
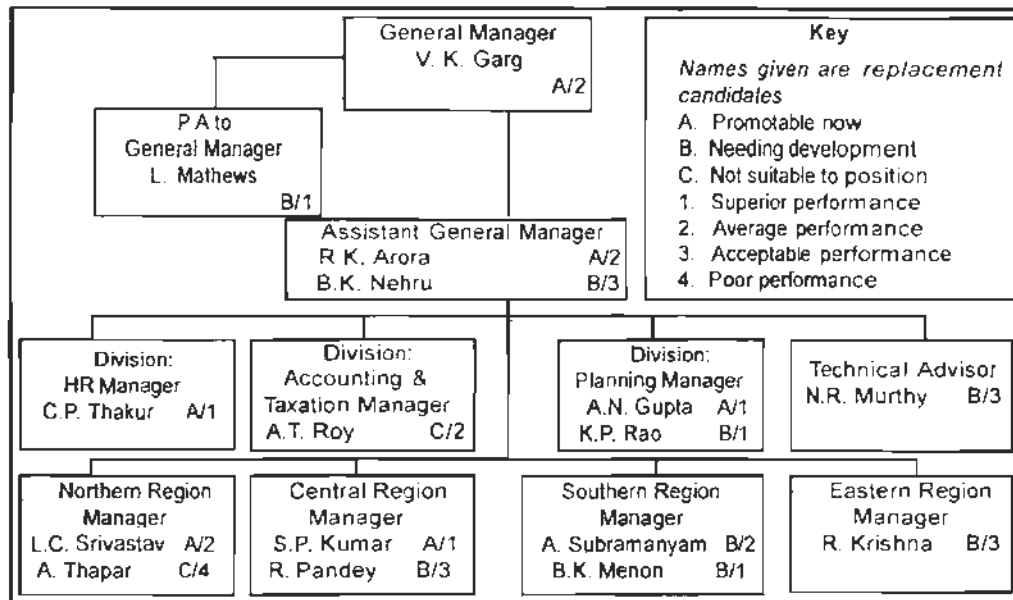
Figure 10.3: An Executive Replacement Chart

External Labour Supply

When the organization grows rapidly, diversifies into newer areas of operations (merchant banking, capital market operations, mutual funds, etc., in the case of a bank) or when it is not able to find the people internally to fill the vacancies, it has to look into outside sources. To the extent an organization is able to anticipate its outside recruitment needs and looks into the possible sources of supply keeping the market trends in mind, its problem in finding the right personnel with appropriate skills at the required time would become easier. (See Box 10.4)

Organizations, nowadays, do not generally track the qualifications of thousands of employees manually. Details of employees in terms of knowledge, skills, experience, abilities, etc., are computerized, using various packaged software systems.

Box 10.4: Important Barometers of Labour Supply

1.   Net migration into and out of the area
2.   Education levels of workforce
3.   Demographic changes in population
4.   Technological developments and shifts
5.   Population mobility
6.   Demand for specific skills
7.   National, regional unemployment rates
8.   Actions of competing employers
9.   Government policies, regulations, pressures
10. Economic forecasts for the next few years
11. The attractiveness of an area
12. The attractiveness of an industry in a particular place

10.8.3 Forecasting the Manpower Requirement

The existing number of personnel and their skills (from manpower inventory) are compared with the forecasted manpower needs (demand forecasting) to determine the

quantitative and qualitative gaps in the workforce. A reconciliation of demand and supply forecasts will give us the number of people to be recruited or made redundant as the case may be. This forms the basis for preparing the HR plan. Box 10.5 shows how demand and supply forecasts can be related over a period of three years.

Box 10.5: Determining Manpower Requirements

		Year
		1 2 3
1.	Number required at the beginning of the year	
2.	Changes to requirements forecast during the year	DEMAND
3.	Total requirements at the end of the year (1 ÷ 2)	____
4.	Number available at the beginning of the year	
5.	Additions (transfers, promotions)	SUPPLY
6.	Separations (retirement, wastage, promotions out and other losses)	
7.	Total available at the end of year (4 + 5 + 6)	− _____
8.	Deficit or surplus (3 − 7)	
		Reconciliation
9.	Losses of those recruited during the year	of the above
10.	Additional numbers needed during the year (8 + 9)	manpower needed

10.8.4 Formulating HR Plans

Organizations operate in a changing environment. Consequently, Manpower requirements also change continually. Changes in product mix, union agreements and competitive actions are some of the important things that need special attention. The manpower requirements identified along the procedure outlined in the above box need to be translated into a concrete HR plan, backed up by detailed policies, programmes and strategies (for recruitment, selection, training, promotion, retirement, replacement, etc.).

- **Recruitment plan:** It will indicate the number and type of people required and when they are needed; special plans to recruit right people and how they are to be dealt with via the recruitment programme.

- **Redeployment plan:** It will indicate the programmes for transferring or retraining existing employees for new jobs.

- **Redundancy plan:** It will indicate who is redundant, when and where; the plans for retraining, where this is possible; and plans for golden handshake, retrenchment, lay-off, etc.

- **Training plan:** It will indicate the number of trainees or apprentices required and the programme for recruiting or training them; existing staff requiring training or retraining; new courses to be developed or changes to be effected in existing courses.

- **Productivity plan:** It will indicate reasons for employee productivity or reducing employee costs through work simplification studies, mechanization, productivity bargaining; incentives and profit sharing schemes, job redesign, etc.

- **Retention plan:** It will indicate reasons for employee turnover and show strategies to avoid wastage through compensation policies; changes in work requirements and improvement in working conditions.

- **Control points:** The entire manpower plan is subjected to close monitoring from time to time. Control points be set up to find out deficiencies, periodic updating of manpower inventory, in the light of changing circumstances, be undertaken to remove deficiencies and develop future plans.

10.9 CONSTRAINTS IN MANPOWER PLANNING

The manpower planning is concerned with maintaining and recruiting the manpower with the requisite quantity and the quality, to fulfill the demand and supply arising in the near future. In spite of its perspectives of keeping the organization's manpower position balanced, there are a few constraints of manpower planning, which are discussed below:

- The future is uncertain. There are several external factors such as, technological, political, cultural, etc., those affect the employment opportunities. Thus, the management can consider the manpower planning as a guiding factor and cannot rely completely on it.

- The manpower planning is time-consuming since it collects the complete information regarding the personnel requirements of each department and then finds the suitable sources to satisfy the needs.

- With the surplus manpower, the companies try to remove this imbalance using termination, layoff, and removal of the existing employees. This could create a sense of insecurity among them, and that would result in the loss of their faith in the company.

- The manpower planning is an expensive process. All the activities carried out from the time the manpower need arises till the final placement of employees, consumes lot of time and is very expensive.

- The manpower planning is time-consuming since it collects the complete information regarding the personnel requirements of each department and then finds the suitable sources to satisfy the needs.

Thus, the firm must carry out the manpower planning cautiously since it is accorded with several limitations that can adversely affect the overall functioning of the firm.

10.10 MANPOWER DEMAND FORECASTING

Manpower demand forecasting is influenced by primarily two important factors, i.e., volume of output and the level of productivity. Manpower requirement may change due to change in output volume or mix, which calls for analysis of performance. Similarly, as the level of productivity alters over time, it also affects manpower requirements. This calls for analysis of productivity.

10.10.1 Analysis of Performance

To derive the manpower demand, it is necessary to estimate the manpower requirements in relation to the work load. To start with, each unit of manpower (more conveniently defined in terms of man-hours or man-days) required for different categories of job to accomplish the job in its entirety, are determined. After such determination the total workload are related with the manpower units of different categories and then finally the total requirement of manpower of different categories are determined. Such analysis, therefore, calls for analysis of performance either through direct methods or indirect methods.

Direct analysis is to review past performance to derive a ratio between two variables (workload and manpower of certain category). This can be done either by relating to a particular point of time or by averaging figures over a period of time.

To illustrate this, we may give following hypothetical example:

Category A	Category B
Manufacturing 1 Tonne of Saleable Steel requires 10 skilled workers.	Manufacturing 1 Tonne of Saleable Steel requires 10 skilled workers
2 Tonnes require 20 skilled workers	2 Tonnes require 15 skilled workers.

Company A has a constant ratio, while Company B has a variable ratio, as it can double the rate of production, adding relatively less number of manpower and therefore, can achieve the economy of scale. The period over which such forecasts can be made depends on the organization.

Indirect analysis is based on the estimates made on past experience. Thus it is less systematic than the direct analysis. However, for short-range forecasts, indirect analysis is more preferred, as experienced managers can make this analysis after putting considerable thought.

For making both direct and indirect analysis, inter-dependence of different factors needs to be considered. The experience of Indian Ordnance Factories may be illustrated here to understand the importance of such inter-dependence. Very recently some Ordnance Factories have gone in for technological change over, installing NC, CNC, DNC machines and systems. Today most of the Ordnance Factories are facing acute crisis of operators and so also paucity of maintenance men to gain the advantage from such technology. Such short-sightedness, therefore, is resulting in idling crores of rupees of investment.

10.10.2 Analysis of Productivity

Productivity has two major components, technological change and manpower utilization. As technological change requires huge capital investment, organizations look for better manpower utilization to achieve increased productivity. With better human relations, productivity can be increased. Again rates of productivity substantially vary the level of performance. Manpower demand forecasting can be made more effective, once we consider both the variables, i.e., the performance and the productivity. Most of the public sector enterprises are over-staffed, presumably for inadequate emphasis on both these two aspects simultaneously.

10.11 MANPOWER PLANNING AT MACRO LEVEL

Organization level manpower or manpower planning cannot be done in isolation of macro issues. In fact, primary reasons for rising importance of HRP are for both macro and micro level issues. At the aggregative or macro level, HRP is influenced by general environmental factors like; employment-unemployment situation, demographic changes, legal control and institutional policies, policies on globalization and opening of market, etc. At organizational or micro level, HRP is more influenced by technology changes, organizational restructuring, skill and competency gap, strategic objectives, trade unions pressure (though it is dwindling over the years), lead time for manpower procurement, i.e., recruitment and selection, training and development, etc. Macro level issues are exogenous, i.e., uncontrollable, while micro level issues are endogenous and, therefore, controllable by an organization.

10.11.1 HRP at Macro-level

Development of manpower is one of the important objectives of any country for long-term economic growth. For a developing economy like India such importance is far more. This is more visible from our economic planning, as Government over the years

are giving increasing priorities to population planning and control. education. health. social security, housing. etc. All planned efforts are now being initiated to augment institutional support for developing manpower at the national level. Following are the major issues before our Government to develop manpower at the national level:

- *Population Planning and Control:* To enforce control over population explosion to avert economic imbalances, population planning and control measures have been initiated by the government. Unless such control is enforced in a planned manner, no amount of institutional support can sustain this, resulting generation of unproductive population. who will remain a drain on our national resources. Recognizing this, Government of India has adopted a National Population Policy (2000) to ensure population stabilization. The policy emphasizes on affordable reproductive health care. increased quality of life by enhancing services of primary and secondary education, sanitation, drinking water, housing. transport. communication and empowering women.

- *Literacy and Education:* To develop manpower at the macro level, Government of Indian have also adopted a National Policy on Education in 1986. The Policy provides a broad framework for complete eradication of illiteracy in the country by declaring basic primary level education up to standard V free and compulsory. To strengthen institutional infrastructure for education the policy emphasizes on increased government and non-government expenditure. Allowing private participation in education is a right direction at this stage. From elementary education, the focus on secondary, university and higher education, technical and vocational education, adult education is also increasing.

- *Health and Medical Care:* Health Sector reforms are another required initiative for developing manpower at macro level. In this respect, India has recorded disparity and regional imbalances. Baring few positive changes in life expectancy ratio, infant mortality rate, child mortality rate, etc. we are still far away from improving general health indices for the nation. Core communicable and non-communicable diseases like, Malaria, Tuberculosis, Leprosy, Blindness, Aids, Cancer, etc. are still not under expected level of control. Although, Government statistically proves otherwise, still more than 50% of our population is not having access to basic health care. In other heath related activities like water supply and sanitation, achievements are also not at its expected level to support total development of quality of life.

- *Housing:* In housing, Government has renewed its efforts by adopting the National Housing and Habitat Policy, 1998. The basic thrust of this policy is to achieve sustainable development of housing infrastructure through public-private partnership. Repealing of Urban Land Ceiling and Regulation Act, 1976 is also another positive direction in this respect. In building housing infrastructure, Housing and Urban Development Corporation (HUDCO) is playing a crucial role. Although achievement is far falling short of requirement, positive attitude of the Government in this direction would definitely contribute to development of manpower and quality of life in years to come.

10.11.2 Macro-level HRP Models

Macro-level manpower planning is reinforced through educational planning with following two recognized approaches:

1 Manpower Requirement Approach (MRA)

2. Rate of Return Approach (RRA)

RRA is also known as Cost-Benefit Analysis of Human Capital. By establishing a linear relationship between the manpower category in different industry groups and

their output, MRA helps us to project the demand for manpower at the macro level. For the educational planning at the national level, this approach is much in use in our country. Let us understand how it works:

- It establishes a liner relation between employment and output and then extrapolates manpower requirements in different categories for years to come.

- Initially category-wise manpower coefficients are computed based on past data, which then are applied on the hypothesized growth pattern of different industry-groups.

- Thereafter, aggregate manpower requirement of different categories are worked out.

- These inputs are then converted to different type of educational requirements.

Even though it is a simple technique for macro-level manpower vis-à-vis educational planning, it is not a dynamic approach, as it does not cater for labour market flexibility. Perhaps this deficiency, itself is responsible for critical skills shortage in our country, as our educational planning is reinforced by this approach. Similarly, technology-output relationship is considered as stable under this approach, which in reality is not. Moreover, inter-occupational job mobility, man-machine substitution, costs, etc., are also not considered, while computing aggregate manpower requirement of different categories. That such limitations defeat the purpose of macro level man-power planning is evident from the fact that it took over a decade for us to respond to redesigning course curriculum in IITs and ITIs, matching the same to industry requirements.

RRA or cost-benefit analysis of human capital is applied to decide the aggregate investment requirement for different skill development. Cost and earnings of an individual over his productive life cycle is first computed and then their discounted value is estimated to assess the rate of return. However, aligning our national plans to such cost-benefit considerations alone may ignore the social cost benefit aspects of education. Non-availability of data, labour market flexibility, fluctuations in rate of return, etc., is the other major deficiencies of this approach.

However, despite such deficiencies in both the estimation tools of manpower at macro level, these can at least help in approximation in setting priorities in education and skill development. Certain deficiencies are due to our in-built system of compiling labour market information. At least on two important counts, these are visible. Indian Labour Year Book and Annual Survey of Industries are two major publications of the Government of India, which can streamline the information inputs required for macro level manpower planning. First of all both the publications are not available on time. There still exists a time lag of 5 – 6 years in their publications. The system of data compilation in such publications is age-old and not in relation to requirements. Here we will explain one major deficiency in Indian Labour Year Book of Labour Bureau, Shimla. This Year Book, among others, compile data on trend of industrial disputes in India, with their distribution of casual factors, like, wages and salaries, indiscipline and violence, bonus, etc., in percentage terms. There is no inter-relation with 'Mandays Loss'. Therefore, it is difficult for us to understand the severity of individual casual factor, as mere percentage distribution is a misnomer. The Institute of Applied Manpower Research over the years studied the manpower requirements of different categories in the country. They have made some sectoral and occupational requirement analysis of manpower for Engineers, Nurses, Scientific manpower, etc.

Apart from the above, Labour Economics as a subject for study is not yet properly integrated with major labour-management related courses, which again restricts our

knowledge input about labour market trend and its analysis. For the primary understanding, we have briefly discussed the concepts of Labour Economics.

Labour Economics

Labour Economics studies the demand and supply for the important factor of production, i.e., human beings. Marshall and Smith are the two pioneering economists who first recognised that the study of market for labour is not possible without understanding the social relations of production. long-term contractual arrangement, problems of motivation, institutions like unions and internal labour markets, etc. All these characteristic requirements differentiate the market for labour from other markets.

The most important development in the modern Labour Economics is the development of the concept of Human Capital. Human capital approach analyzes the individual decision making in regard to supply of labour and other behavioural areas which are more related with sociology rather than economics. Before the development of the concept of human capital, labour supply decisions were considered more as an economic rationality. By making such decision as in inter-relational variable of education, skill, investment, wages, working hours, etc., the subject of labour economics has been demarcated from the traditional economic analysis.

Like labour supply, which emphasise on individual decision making, as an outcome of different inter-relational variables, labour demand and firms' behaviour is influenced by internal labour markets, hiring, promotion, wage policies and the structure of wages in various markets, etc. Most of the firms maintain computerized personnel records to analyze their demand for labour. There are many techniques for analysis of labour demand. For example, a firm may study the likely response of workers to a particular wage and personnel policy (which optimises their profits). Some firms offer maximum compensation to match with the workers' expectations and then try to maximize the utility of workers, while other study the effect of deferred compensation, piece rates and others systems of rewards. The Neo-classical model on study of labour demand examines the magnitude of elasticities and cross-elasticities of labour demand for worker of different skills and the effect of minimum wages on employment. Similarly, elasticities of substitution and complementarity are also studied to analyze the labour demand.

Labour Markets

From the neo-classical perspective of labour economics, labour market is defined as one where there are buyers and sellers of labour services. Like what we do for other products and services, in this market, we keep us engaged in the trade of labour. Labour can be traded, because labour has a price and this price, like any other product and services, vary in terms of wages and salary. This 'Theory' assumes rational workers as sellers and rational employers as buyers, of labour, coming together in a competitive market in which their mutual exchange decisions yield an equilibrium wage rate and an equilibrium level of employment. Assumption of rational workers and economic man are in-built in the labour market analysis. However, we have also critics in labour market assumptions.

However, it is argued that employment relation is not just a market-mediated exchange because workers appear in the labour markets as subjects as well as objects. Hence both market and non-market aspects of employment relations, i.e., immediate market transactions and actual exchange are important point of consideration. Immediate market transactions are hiring of labour, while actual exchange is the conversion of hired 'raw labour' into effective labour in the production process. Thus when the hiring process is over, market dimension aspect looses its importance, and

non-market aspect gains importance. Non-market dimensions are no-wage attribute and largely depend on the authority relations. This largely depends on workers' per-ception of supply of effort, willingness to adjust, quality of work, development of skills, knowledge about production processes and technology.

Labour market is anlaysed from two perspectives, application of macro-economic and application of macroeconomic techniques. Micro-economic techniques study the role of individuals in the labour market. Macroeconomic techniques look at the inter-relations between the labour market, the goods market, the money market and the foreign trade market. It looks at how these interactions influence macro variables such as employment levels, participation rates, aggregate income and Gross Domestic Product.

Thus demand, supply and institutions interact in labour markets and labour economics studies the operation of labour markets considering all these issues. Analysis of labour markets are carried out for different occupational segments, viz., markets for blue-collar workers, markets for white-collar workers, markets for professionals, etc. Investigating markets for knowledgeable and skilled workers, differentiating supply and demand forces in the markets, geographic and industrial mobilities, unemployment, wage pattern, etc., are the areas for studying the labour markets. Recently, however, macro changes in wages and unemployment over a given period of time, both within the country and across countries, are also studied to synthesize the facts of the labour markets with the basic principles of economics

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Check Your Progress

Fill in the blanks:

1. _____ is essential wherever production of goods and services are involved.

2. The Industrial Revolution followed the new economic doctrine of_____

3. _____ is based on scenario planning and enables organizations to draw up a number of different plans to deal with different scenarios

4. _____ is a process of determining the nature of a specific job through a detailed and systematic study.

10.12 LET US SUM UP

HR Planning is essentially the process of getting the right number of qualified people into the right job at the right time so that an organization can meet its objectives. Organizations use HRP as a means of achieving greater effectiveness. The basic concern of HRP is to identify skill and competency gaps and subsequently develop plans for development of deficient skills and competencies in manpower in order to remain competitive. It has now become an important enterprise-wide strategic function not only to achieve goals and objectives but also to sustain the present level in a globally competitive environment. Macro-level HRP is an important objective of the Government for long-term economic growth. Micro level HRP is influenced by technological changes, organizational restructuring, skill and competency gap, strategic objectives, trade unions pressure, lead time for manpower procurement, etc. HRP systematically attempts to forecast personnel demand, assess supply and reconcile the two.

The HR Planning process, it must be remembered, should be tuned to organizational objectives and strategies. While developing HR Plans, managers should scan the

external environment carefully to identify the effects of economic, social, competitive and governmental influences. To overcome problems such as lopsided focus on quantitative aspects, lack of support at the top level, inaccurate estimates due to poor search efforts, planners should install HRIS and implement the same sincerely. Basic concern of HRP is to identify skill and competency gaps and subsequently developing plans for development of deficient skills and competencies in manpower in order to remain competitive. It has now become an important enterprise-wide strategic function not only to achieve goals and objectives but also to sustain present level in a globally competitive environment. Macro level HRP is an important objective of the government for long-term economic growth. Micro level HRP is influenced by technological changes, organizational restructuring, skill and competency gap, strategic objectives, trade unions pressure, lead time for manpower procurement, etc.

10.13 LESSON END ACTIVITY

Visit an organization and study their manpower planning systems. Identify some of the important manpower planning systems and write a critical note on such systems.

10.14 KEYWORDS

Manpower Planning: It tries to assess manpower requirements in advance keeping the production schedules, market fluctuations, demand forecasts, etc., in the background.

Skills Inventories: Summaries of the skills and abilities of non-managerial employees used in forecasting supply.

Succession Planning: An executive inventory report showing which individuals are ready to move into higher positions in the company.

Outplacement: The process of helping unwanted present employees finds new jobs with other firms.

Job Analysis: A systematic exploration of the activities surrounding – and within – a job.

Manpower Information's System: A computerized system that helps in the processing of HRM information.

10.15 QUESTIONS FOR DISCUSSION

1. What is manpower planning?

2. What are the activities involved in manpower planning?

3. What are the benefits of HRP?

4. Discuss the components of HRP in detail.

5. What are the responsibilities of HR department?

6. Explain the reasons for the growing interest in HRP in recent years.

7. Write notes on:

   (a) RRA

   (b) MRA

   (c) Labour Economics

8. Explain the importance of macro-level manpower planning in India.

9. What are the steps for HRP?

10. Analyze the issues before government to develop manpower at national level.

11. How is the study of labour economics useful in manpower planning?

12. Why is HR planning more common among large organizations than among small ones?

13. Discuss the evolution of HRP. What are the factors that are responsible for development of HRP?

14. Discuss the contemporary approach of HRP.

15. Elaborate the components of HRP.

16. Elucidate the process used in HRP by large organization.

Check Your Progress: Model Answer

1. Manpower Planning

2. Laissez-faire

3. Contingency planning

4. Job analysis

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RECRUITMENT AND SELECTION

11.0 AIMS AND OBJECTIVES

After studying this lesson, you should be able to:

- Discuss the concept of recruitment, its sources, importance and process

- Describe the importance of induction and placement

- Discuss the concept of selection and its process

- Understand the various interviews in selection

11.1 INTRODUCTION

For staffing various positions in the organization, we need to go for external hiring, as redeploying existing manpower through job restructuring may not be adequate. External hiring process succeeds Human Resource Planning. Through HRP we can understand the extent of external hiring after adjustment of internal manpower. Recruitment, selection, induction and placement are important tools for procuring and effectively using human resources in an organization. While recruitment involves finding suitably trained work force and encouraging them to apply, selection helps in choosing the right candidate for the right job. Induction and placement help in putting the men on the right jobs. This lesson focuses on these four important organizational activities.

The traditional approach to personnel management was to ensure routine human resources maintenance functions for the organizations. But recently, radical changes in human resource management, i.e., perceiving human resources like other important resources (physical and financial) of an organization have developed new areas for personnel management. The human resources are the people who are part of the organization. Broadly, they may be direct employees, the customers served, part-time persons, temporary employees or consultants or any person or persons with a variety of other relationships to the organization. Within the human resources area, there are two major activities. The first is concerned with the recruitment, selection, placement, compensation and appraisal of the human resources (these are known as human resources utilization functions or personnel functions). The other functions are directed to work with the existing human resources, improving their efficiency and effectiveness. These are known as Human Resources Development (HRD) functions which are designed to enable existing human resources to learn activities for their effective functioning in the present jobs, future identifiable jobs and so also for future undefined jobs.

For increasing importance of human resources, it is now imperative for all organizations to retain the manpower and at the same time to recruit and select best possible talents in the country. Most of the organizations are now facing technological changes, resulting the radical change in the recruitment process. Such a technological change, inter alia, calls for hiring manpower having higher skills and knowledge, which were not so far available. However, when we consider the recruitment of manpower for unskilled jobs, there seem to be no apparent problems for the organization, as these people are abundantly available in our country due to the high rate of unemployment. For high technology employees, i.e., mostly those who are in managerial positions with professional skills, recruitment function is more complex and dynamic.

11.2 CONCEPT OF RECRUITMENT

The term recruitment may be defined as the process to discover sources of manpower to meet the requirements or the staffing schedule and to employ effective measures for attracting that manpower in adequate number to facilitate the selection of an efficient working force.

The first important task of recruitment function is to frame a recruitment policy, which calls for review of manpower requirement i.e., it should be adequately supported by effective manpower forecasting. Manpower planning and so also manpower forecasting of an organization depends on many important factors like present nature of work, possible change in the future working of the organization, the manpower records and information available in the organization for the present strength, the diversification plans and programmes of the organization, the environmental change

and the change necessary in the organization to respond to such environmental change, etc. Most of the organizations, in principle, believe in recruiting the best possible manpower from outside the organization. However, the recruitment policy of some organizations considers recruiting the employees based on the recommendation of the present employees or recruiting employees from the wards of the existing employees.

For example, in Tata, there is a system to recruit employees for unskilled/low-skilled jobs, both technical and non-technical nature, from the wards of the existing employees. Such a policy of recruitment in Tata has been accepted in principle and Tata, in their manufacturing units, maintain separate employment exchange records to enlist the names and other details of the employees' wards to offer them employment as and when a vacancy arises. But such type of recruitment policy is not followed while hiring manpower for managerial jobs. In such cases, companies look for best available talents. Thus, they go either for advertising the vacancies in leading newspapers of the country, even in good professional journals or they may go in for recruitment of such managerial manpower by effecting campus interview, and also going for retaining the services of recruitment consultants. Such recruitment consultants, having maintained a separate data bank for the prospective job seekers, can make available a list of prospective managerial manpower to such companies. In addition to the framing of the recruitment policy, each organization for making their recruitment a scientific process of selection, carries out regular forecasting of manpower recruitments.

11.2.1 Recruitment: The Challenges Today

In today's globalised scenario, where 'survival of the fittest' is the name of the game, the companies are vying with each other to hire the best fit for their organization. The challenges facing them today are delineated below:

- Attract people with multi-dimensional experiences and skills
- Induct outsiders with a new perspective to lead the company
- Infuse fresh blood at every level of the organization
- Develop company culture that attracts people, to the company
- Locate people whose personalities fit the company's values
- Devise methodologies for assessing psychological traits
- Seek out conventional development grounds of talent
- Search for talent globally, and not just with the country
- Design entry pay that completes on quality and not quantum alone
- Anticipate and find people for positions that do not exist as yet. This is very important.

11.2.2 Why Recruitment is Important?

The most important purpose of recruitment is to make available a pool of potentially qualified job candidates. The purpose can be understood better by dwelling into the following points:

- A well laid down recruitment policy would help in determining the present and future requirements of the organization in consonance with the personnel planning and job analysis activities.
- Increase the pool of job candidates at a minimum cost.

- Help in churning out under qualified or overqualified applicants.
- Evaluate the effectiveness of various recruiting techniques and sources for all types of job applicants.

11.2.3 Recruitment Policy

A sound recruitment policy calls for adopting a scientific process of recruitment, i.e., those techniques, which are modern and scientific. Recruitment policy also requires one to consider the high cost of managerial turnover. Unless a company adopts a suitable recruitment policy, it may not be possible for the company to select the right candidate for the right job. A sound recruitment policy, therefore, needs to:

- Identify, at the outset, the recruitment needs of the organization,
- Identify the preferred sources of recruitment,
- Frame suitable criteria for selection and
- Consider the cost of recruitment.

Factors governing recruitment policy are explained below in Table 11.1 :

Table 11.1: Factors Governing Recruitment Policy

Internal Factors	External Factors
1. Size of the organization 2. Structure of the organization 3. Future expansion plans 4. Rate of labour turnover, problem of absenteeism etc. 5. A sound recruitment policy 6. The human resource planning	1. Demand and supply of specific skills in the labour market 2. Unemployment rate in the area. 3. Labour market conditions 4. Political considerations like provision for reservations and quota 5. Legal considerations like – child labour (Prohibition & Regulation, Act, 1986, Employment Exchange (compulsory notification of vacancies Act, 1959 etc.

11.2.4 Importance of Recruitment

Recruitment is an important function of the management system. It is important to:

- Determining the organizations long and short range needs by job title and levels in the organization.
- Staying informed of job market conditions.
- Developing effective recruitment material.
- Obtaining a pool of qualified applicants.
- Developing a systematic program of recruitment in conjunction with other HR activities.
- Recording the number and quality of job applicants produced by various sources and methods of recruiting.
- Following up applicants those hired and not hired in order to evaluate the effectiveness of recruitment effort.
- Accomplishing all of these activities within a legal context.
- Provides organization with a pool of qualified candidates.

11.3 SOURCES OF RECRUITMENT

The sources of recruitment may be broadly divided into two categories: internal sources and external sources. Organizations like General Electric, United Parcel Service, give lot of importance to developing and promoting managers within the firm. Grooming talent from within is also a much-publicized path chosen by Larsen & Toubro, ITC, HLL, etc., in India. Both have their own merits and demerits. Let's examine these.

11.3.1 Internal Sources

Persons who are already working in an organization constitute the 'internal sources'. Retrenched employees, retired employees, dependents of deceased employees may also constitute the internal sources. Whenever any vacancy arises, someone from within the organization is upgraded, transferred, promoted or even demoted.

The internal sources of recruitment are as under:

- *Promotions:* Promotion means to give a higher position, status, salary and responsibility to the employee. So, the vacancy can be filled by promoting a suitable candidate from the same organization.

- *Transfers:* Transfer means a change in the place of employment without any change in the position, status, salary and responsibility of the employee. So, the vacancy can be filled by transferring a suitable candidate from the same organization.

- *Internal Advertisements:* Here, the vacancy is advertised within the organization. The existing employees are asked to apply for the vacancy. So, recruitment is done from within the organization.

- *Retired Employees:* Sometimes, retired managers may be recalled for a short period. This is done when the organization cannot find a suitable candidate. Employees retrenched due to lack of work and are given employment by the organization due to obligation, trade union pressure, etc. Sometimes they are re-employed by the organization as a token of their loyalty to the organization or to postpone some interpersonal conflicts for promotion.

- *Recall from Long Leave:* The organization may recall a manager who has gone on a long leave. This is done when the organization faces a problem which can only be solved by that particular manager. After he solves the problem, his leave is extended.

- *Dependents of Deceased, Disabled, Retired and Present Employees:* Some organizations function with a view to developing the commitment and loyalty of not only the employee but also his family members.

- *Employee Referrals:* Present employees are well aware of the qualifications, attitudes, experience and emotions of their friends and relatives. They are also aware of the job requirements and organizational culture of their company. As such they can make preliminary judgment regarding the match between the job and their friends and relatives.

Merits of Internal Sources of Recruitment

The benefits/advantages/merits of using internal sources of recruitment:

- It is time saving, economical, simple and reliable.

- There is no need of induction training because the candidate already knows everything about the organization, the work, the employee, the rules and regulations, etc.

- It motivates the employees to work hard in order to get higher jobs in the same organization.

- It increases the morale of the employees and it improves the relations in the organization.

- It reduce executive turnover.

- It develops loyalty and a sense of responsibility.

Demerits of Internal Sources of Recruitment

The limitations/demerits of using internal sources of recruitment:

- It prevents new blood from entering the organization. New blood brings innovative ideas, fresh thinking and dynamism into the organization.

- It has limited scope because it is not possible to fill up all types of vacancies from within the organization.

- The position of the person who is promoted or transferred will be vacant.

- There may be bias or partiality in promoting or transferring persons from within the organization.

- Those who are not promoted will be unhappy.

- The right person may be promoted or transferred only if proper confidential reports of all employees are maintained. This involves a lot of time, money and energy.

11.3.2 External Sources

External sources lie outside an organization. The external sources of recruitment are given below:

- *Management Consultants:* Management consultants are used for selecting higher level staff. They act as a representative of the employer. They make all the necessary arrangements for recruitment and selection. In return for their services, they take a service charge or commission.

- *Public Advertisements:* The Personnel department of a company advertises the vacancy in newspapers, the internet, etc. This advertisement gives information about the company, the job and the required qualities of the candidate. It invites applications from suitable candidates. This source is the most popular source of recruitment. This is because it gives a very wide choice. However, it is very costly and time consuming.

- *Campus Recruitment:* The organization conducts interviews in the campuses of Management Institutes and Engineering Colleges. Final year students, who are soon to get graduated, are interviewed. Suitable candidates are selected by the organization based on their academic record, communication skills, intelligence, etc. This source is used for recruiting qualified, trained but inexperienced candidates.

- *Recommendations:* The organization may also recruit candidates based on the recommendations received from existing managers or from sister companies.

- *Deputation Personnel:* The organization may also recruit candidates who are sent on deputation by the Government or Financial institutions or by holding or subsidiary companies.

- *Public Employment Exchanges:* The Government sets up Public Employment Exchanges in the country to provide information about vacancies to the candidates and to help the organization in finding out suitable candidates. As per the Employment Exchange Act, 1959, makes it obligatory for public sector and private sector enterprises in India to fill certain types of vacancies through public employment exchanges.

- *Professional Organizations:* Professional organizations or associations maintain complete bio-data of their members and provide the same to various organizations on requisition. They act as an exchange between their members and recruiting firm.

- *Data Banks:* The management can collect the bio-data of the candidates from different sources like Employment Exchange. Educational Training Institutes, candidates, etc., and feed them in the computer. It will become another source and the company can get the particulars as and when required.

- *Casual Applicants:* Depending on the image of the organization its prompt response participation of the organization in the local activities, level of unemployment, candidates apply casually for jobs through mail or handover the application in the Personnel dept. This would be a suitable source for temporary and lower level jobs.

- *Trade Unions:* Generally, unemployed or underemployed persons or employees seeking change in employment put a word to the trade union leaders with a view to getting suitable employment due to latter rapport with the management.

- *Walk In:* The busy organization and rapid changing companies do not find time to perform various functions of recruitment. Therefore, they advise the potential candidates to attend for an interview directly and without a prior application on a specified date, time and at a specified place.

- *Consult In:* The busy and dynamic companies encourage the potential job seekers to approach them personally and consult them regarding the jobs. The companies select the suitable candidates and advise the company regarding the filling up of the positions. Head hunters are also called search consultants.

- *Body Shopping:* Professional organizations and the hi-tech training develop the pool of human resource for the possible employment. The prospective employers contact these organizations to recruit the candidates. Otherwise the organizations themselves approach the prospective employers to place their human resources. These professional and training institutions are called body shoppers and these activities are known as body shopping. The body shopping is used mostly for computer professionals. Body shopping is also known as employee leasing activity.

- *Mergers and Acquisitions:* Business alliances like acquisitions, mergers and take over help in getting human resources. In addition, the companies do also alliances in sharing their human resource on ad hoc basis.

- *E-recruitment:* The technological revolution in telecommunications helped the organizations to use internet as a source of recruitment. Organizations advertise the job vacancies through the World Wide Web (www). The job seekers send their applications through e-mail using the internet.

- *Outsourcing:* Some organizations recently started developing human resource pool by employing the candidates for them. These organizations do not utilize the human resources; instead they supply HRs to various companies based on their needs on temporary or ad-hoc basis.

Advantages of External Sources of Recruitment

The benefits/merits/advantages of using external sources of recruitment:

- It encourages young blood with new ideas to enter the organization.

- It offers wide scope for selection. This is because a large number of suitable candidates will come for the selection process.

- There are less chances of bias or partiality.

- Here there is no need to maintain confidential records.

Limitations of External Sources of Recruitment

The demerits/limitations of using external sources of recruitment:

- It is very costly. This is because advertisements, test, medical examination, etc., has to be conducted.

- It is very time consuming. This is because the selection process is very lengthy.

- It may not develop loyalty among the existing managers.

- The existing managers may leave the organization if outsiders are given higher post.

11.4 PROCESS OF RECRUITMENT

Recruitment process involves a systematic procedure from sourcing the candidates to arranging and conducting the interviews and requires many resources and time. Having the right person, in the right place, at the right time, is crucial to organizational performance. Therefore, recruitment is a critical activity and should incorporate the following steps:

Step 1: What's the job?

Gather information about the nature of the job. Think about:

- The content (such as the tasks) making up the job

- The job's purpose

- The outputs required by the job holder

- How it fits into the organization's structure

- The skills and personal attributes needed to perform the role effectively

Step 2: Prepare a Job and Person Profile

A person's specification or job profile states the necessary and desirable criteria for selection. Increasingly such specifications are based on a set of competencies identified as necessary for the performance of the job. These include:

- Skills, aptitude, knowledge and experience

- Qualifications (which should be only those necessary to do the job – unless candidates are recruited on the basis of future potential, for example graduates)

- Personal qualities relevant to the job, such as ability to work as part of a team.

- The document formed from the person specification can then be used to inform the criteria you use to shortlist applicants.

Step 3: Finding Candidates

- *Internal methods:* There are many options available for generating interest from individuals inside the organization.

  - ❖ Staff referrals

  - ❖ Succession planning

  - ❖ Secondments

  - ❖ Job sharing

  It is important not to forget the internal talent pool when recruiting. Providing opportunities for development and career progression is an important factor for employee retention and motivation.

- *External methods:* There are many options available for generating interest from individuals outside the organization.

  - ❖ Online recruitment

  - ❖ Press advertising

  - ❖ Networking

  - ❖ Open days

  Advertising remains the most common means of attracting and recruiting. Advertisements should be clear and indicate the:

  - ❖ Requirements of the job

  - ❖ Necessary and the desirable criteria for job applicants (to limit the number of inappropriate applications received)

  - ❖ Nature of the organization's activities

  - ❖ Job location

  - ❖ Reward package

  - ❖ Job tenure (for example, contract length)

  - ❖ Details of how to apply.

  Advertisements should be genuine and relate to a job that actually exists. They should appeal to all sections of the community using positive visual images and wording.

Step 4: Managing the Application Process

There are two main formats in which applications are likely to be received: the curriculum vitae (CV) or application form. It is possible that these could be submitted either on paper or electronically and the use of e-applications (Internet, intranet and email) is now part of mainstream recruitment practices.

Application forms: Application forms allow for information to be presented in a consistent format, and therefore make it easier to collect information from job applicants in a systematic way and assess objectively the candidate's suitability for the job. Be aware that application form design is also important under the Disability Discrimination Act, 1995, it may be necessary to offer application forms in different formats.

CVs: The advantage of CVs is that they give candidates the opportunity to sell themselves in their own way and don't have the restrictions of fitting information into

boxes as often happens on an application form. However, CVs make it possible for candidates to include lots of additional. irrelevant material which may make them harder to assess consistently.

Step 5: Selecting Candidates

Selecting candidates involves two main processes: shortlisting and assessing applicants to decide who should be made a job offer.

Shortlisting: The process of shortlisting involves slimming down the total number of applications received to a shortlist of candidates you wish to take forward to the more detailed assessment phase of the selection process. When deciding who to shortlist, it is helpful to draw up a list of criteria using the person specification. Each application can then be rated according to these standards, or a simple scoring system can be used.

Assessment: A range of different methods can be used to assess candidates. These vary in their reliability as a predictor of performance in the job and in their ease and expense to administer. Typical methods include:

- General interview

- Competency based interview

- In-tray exercise

- Role play

- Presentation

Step 6: Making the Appointment

Before making an offer of employment, employers have responsibility for checking that applicants have the right to work in the locality and to see and take copies of relevant documentation – a list of acceptable documents demonstrating the right to work in the locality is available from the concerned Office.

- *Contract:* Offers of employment should always be made in writing. But it is important to be aware that an oral offer of employment made in an interview is as legally binding as a letter to the candidate.

- *References:* A recruitment policy should state clearly how references will be used, when in the recruitment process they will be taken up and what kind of references will be necessary (for example, from former employers). These rules should be applied consistently.

- *Medical examinations:* It is reasonable to require completion of a health question-naire where good health is relevant to the job. Any particular physical or medical requirement should be made clear in the job advertisement or other recruitment literature.

Step 7: Induction

Induction is a critical part of the recruitment process, for both employer and new employee. An induction plan should include:

- Orientation (physical) – describing where the facilities are

- Orientation (organizational) – showing how the employee fits into the team and how their role fits with the organization's strategy and goals

- Health and safety information – this is a legal requirement

- Explanation of terms and conditions

- Details of the organization's history, its products and services, its culture and values

- A clear outline of the job/role requirements

11.5 INDUCTION AND PLACEMENT

After selection of employees, the first step is to orient them to organizational life. Induction or orientation programme of an organization is a process to guide and counsel the employees to familiarise them with the job and the organization. This process helps an organization to clarify the terms and conditions of employment, specific job requirements and also to inculcate confidence in the minds of the new entrants.

Placement is the actual posting of an employee to a specific job. It involves assigning a specific rank and responsibility to an employee. The placement decisions are taken by the line manager after matching the requirements of a job with the qualifications of a candidate. Most organizations put new recruits on probation for a given period of time, after which their services are confirmed. During this period, the performance of the probationer is closely monitored. If the new recruit fails to adjust himself to the job and turns out poor performance, the organization may consider his name for placement elsewhere. Such second placement is called differential placement". Usually the employees' supervisor, in consultation with the higher levels of line management, takes decisions regarding the future placement of each employee.

Placement is an important human resource activity. If neglected, it may create employee adjustment problems leading to absenteeism, turnover, accidents, poor performance, etc. The employee will also suffer seriously. He may quit the organization in frustration, complaining bitterly about everything. Proper placement is, therefore, important to both the employee and the organization. The benefits of placements may be summarised thus:

The employee is able to:

- Show good results on the job

- Get along with people easily

- Keep his spirits high, report for duty regularly

- Avoid mistakes and accidents.

Placement, it should the remembered, should be made with as little disruption to the employee and organization as possible. To this end, new recruits must be oriented properly so that they become productive contributors. There should be a conscious and determined effort to adapt the new recruit to the organization's culture (the rules, jargon, customs and other traditions that clarify acceptable and unacceptable behaviour in an organization) by conveying to the employee how things are done and what matters. When new employees know what is expected of them, they provide better organizational performance and less frustrated and uncertain.

11.5.1 Importance of Induction and Placement

Common use of higher technology, increased level of knowledge and skills of the new job entrants, production restructuring and flexibility coupled with perceptive change about human resource, which is now considered as most important resource of an organization, have now transformed labour as an item for competitive sale and purchase. However, despite the problem of unemployment in India, there still exists dearth of knowledge and skilled workers and so also executives and managers. Recent economic liberalisation programme of the Government of India has now paved the

way for entry of multinationals and foreign companies. Market globalisation has further intensified the competition. Development of Total Quality Management philosophy, inter alia, is also demanding sea change in product and service-mix of an organization. All these together have now increased the scope for job-mobility for employees with knowledge and skills of appropriate type and degree.

Unfortunately, retaining employees after the recruitment and selection is an utterly neglected area in Indian corporate sector. Many organizations spend several lakhs of rupees in terms of job advertisement, conducting tests and interviews, hiring the services of consultants and psychologists, etc., for selecting a managerial employee. Weak induction programme, without adequate emphasis on building confidence and sense of belongingness in the minds of the new employees, result in quick separation, so also wastage of colossal sum of money for the organization. Such experience is quite common in public sector units. Very recently a leading Tata organization has lost few hundreds of their young engineers and professionals, who left enmass to join elsewhere.

Some organizations, on the contrary, do not review the progress of the new employees, who get permanent automatically after completion of their probationary tenure, despite the reason that they are unproductive. Thus a good induction and placement programme needs to ensure, employees' retention by keeping their motivation high while at the same time getting rid of the unproductive employees within the organizations.

11.6 SELECTION

The size of the labour market, the image of a company, the place of posting, the nature of job, the compensation package and a host of other factors influence the manner in which job aspirants are likely to respond to the recruiting efforts of a company. Through the process of recruitment, a company tries to locate prospective employees and encourages them to apply for vacancies at various levels. Recruiting, thus, provides a pool of applicants for selection. To select means to choose. The basic purpose is to choose the individual who can most successfully perform the job, from the pool of qualified candidates. The purpose of selection is to pick up the most suitable candidate who would best meet the requirements of the job and the organization. Effective selection, therefore, demands constant monitoring of the 'fit' between the person and the job.

Selection is the process of choosing individuals who have relevant qualifications to fill jobs in an organization. The primary purpose of selection activities is to predict which job applicant will be successful if hired. A test is a standardized, objective measure of a person's behaviour, performance or attitude. The basic objective of intelligence tests is to pick up employees who are alert and quick at learning things so that they can be offered adequate training to improve their skills for the benefit of the organization. Selection is usually a series of hurdles or steps. Each one must be successfully cleared before the applicant proceeds to the next.

11.7 PROCESS OF SELECTION

Selection is usually a series of hurdles or steps. Each one must be successfully cleared before the applicant proceeds to the next. The time and emphasis placed on each step will, of course, vary from one organization to another and, indeed, from job to job within the same organization.

The sequencing of steps may also vary from job to job and organization to organization.

1. **Reception:** A company is known by the people it employs. In order to attract people with talents, skills and experience a company has to create a favourable impression on the applicants' right from the stage of reception. Whoever meets the applicant initially should be tactful and able to extend help in a friendly and courteous way. Employment possibilities must be presented honestly and clearly. If no jobs are available at that point of time, the applicant may be asked to call back the personnel department after some time.

2. **Screening Interview:** A preliminary interview is generally planned by large organizations to cut the costs of selection by allowing only eligible candidates to go through the further stages in selection. A junior executive from the Personnel Department may elicit responses from applicants on important items determining the suitability of an applicant for a job such as age, education, experience, pay expectations, aptitude, location, choice, etc. This 'courtesy interview', as it is often called, helps the department screen out obvious misfits. If the department finds the candidate suitable, a prescribed application form is given to the applicants to fill and submit.

3. **Application Blank:** Application blank or form is one of the most common methods used to collect information on various aspects of the applicants' academic, social, demographic, work-related background and references. It is a brief history sheet of an employee's background, usually containing the following things:

<div align="center">

Box 11.1: Contents of Application Blanks

</div>

- Personal data (address, sex, identification marks)
- Marital data (single or married, children, dependents)
- Physical data (height, weight, health condition)
- Educational data (levels of formal education, marks, distinctions)
- Employment data (past experience, promotions, nature of duties, reasons for leaving previous jobs, salary drawn, etc.)
- Extra-curricular activities data (sports/games, NSS, NCC, prizes won, leisure-time activities)
- References (names of two or more people who certify the suitability of an applicant of the advertised position)

11.8 SELECTION TESTING

Another important decision in the selection process involves applicant testing and the kinds of tests to use. A test is a standardised, objective measure of a person's behaviour, performance or attitude. It is standardised because the way the test is carried out, the environment in which the test is administered and the way the individual scores are calculated – are uniformly applied. It is objective in that it tries to measure individual differences in a scientific way, giving very little room for individual bias and interpretation.

Over the years, employment tests have not only gained importance but also a certain amount of inevitability in employment decisions. Since they try to objectively determine how well an applicant meets job requirements, most companies do not hesitate to invest their time and money in selection testing in a big way. Some of the commonly used employment tests may be stated thus:

- **Intelligence tests:** These are mental ability tests. They measure the incumbent's learning ability and also the ability to understand instructions and make

judgements. The basic objective of intelligence tests is to pick up employees who are alert and quick at learning things so that they can be offered adequate training to improve their skills for the benefit of the organization. Intelligence tests do not measure any single trait, but rather several abilities such as memory, vocabulary, verbal fluency, numerical ability, perception, spatial visualisation, etc., Stanford-Binet test, Binet-Simon test, and The Wechsler Adult Intelligence Scale are examples of standard intelligence tests. Some of these tests are increasingly used in competitive examinations while recruiting graduates and post-graduates at entry level management positions in Banking, Insurance and other Financial Services sectors.

- *Aptitude tests:* Aptitude tests measure an individual's potential to learn certain skills – clerical, mechanical, mathematical, etc. These tests indicate whether or not an individual has the ability to learn a given job quickly and efficiently. In order to recruit efficient office staff, aptitude tests are necessary. Clerical tests, for · example, may measure the incumbent's ability to take notes, perceive things correctly and quickly locate things, ensure proper movement of files, etc. Aptitude tests, unfortunately, do not measure on-the-job motivation. That is why the aptitude test is administered in combination with other tests, like intelligence and personality tests.

- *Personality tests:* Of all the tests required for selection, personality tests have generated lot of heat and controversy. The definition of personality, methods of measuring personality factors and the relationship between personality factors and actual job criteria has been the subject of much discussion. Researchers have also questioned whether applicants answer all the items truthfully or whether they try to respond in a socially desirable manner. Regardless of these objections, many people still consider personality as an important component of job success.

Personality tests are used to measure basic aspects of an applicant's personality such as motivation, emotional balance, self-confidence, interpersonal behaviour, intro-version, etc. The most frequently used tests are the Minnesota Multiphasic Personality Inventory (MMPL), the California Psychological Inventory, the Manifest Anxiety Scale, Edwards Personal Performance Schedule, etc.

There are three types of PIP tests: projective (personality), interests and preferences. Let's examine these in detail.

(a) *Projective tests:* These tests expect the candidates to interpret problems or situations based on their own motives, attitudes, values, etc. Many personality tests are projective in nature. A picture is presented to the person taking the test who is then asked to interpret or react to it. Since the pictures are clouded, the person's interpretation must come from inside – and thus get projected. The person supposedly projects into the picture his or her own emotional attitudes, motives, frustrations, aspirations and ideas about life. Standard tests are also frequently used to assess the personality of the testee. For example, in the Thematic Appreciation Test, the testee is shown a picture and is asked to make up a story based on the picture. The responses are analysed and a profile of personality is developed. However, projective tests have been under attack since they are unscientific and often reveal the bias of the test evaluator, particularly if he is not properly trained.

(b) *Interest tests:* These are meant to find how a person in tests compares with the interests of successful people in a specific job. These tests show the areas of work in which a person is most interested. The basic idea behind the use of interests' tests is that people are most likely to be successful in jobs they like. These tests could be used as effective selections tools.

Obviously if you can select people whose interests are roughly the same as those of successful investments by using, say the Strong-Campbell inventory, in the jobs for which you are recruiting, it is more likely that the applicants will be more successful in their new jobs. The chief problem with using the interest tests for selection purposes is that responses to the questions are not always sincere.

(c) *Preference tests:* These tests try to compare employee preferences with the job and organizational requirements. The job diagnostic survey developed by Hackman and Oldham is an example of a preference test. This test shows how people differ in their preferences for achievement, meaningfulness, discretion, etc., in their jobs.

- *Achievement tests:* These are designed to measure what the applicant can do on the job currently, i.e., whether the testee actually knows what he or she claims to know. A typing test shows typing proficiency, a shorthand test measures the testee's ability to take dictation and transcribe, etc. Such proficiency tests are also known as work sampling tests. Work sampling is a selection tests wherein the job applicant's ability to do a small portion of the job is tested. These tests are of two types; Motor, involving physical manipulation of things (e.g., trade tests for carpenters, plumbers, electricians) or Verbal, involving problem situations that are primarily language-oriented or people-oriented (e.g., situational tests for supervisory jobs).

Since work samples are miniature replicas of actual job requirements, they are difficult to fake. They offer concrete evidence of the proficiency of an applicant as against his ability to do the job. However, work-sample tests are not cost effective, as each candidate has to be tested individually. It is not easy to develop work samples for each job. Moreover, it is not applicable to all levels of the organization. For managerial jobs, it is often not possible to develop a work sample test that can take one of all the full ranges of managerial abilities.

- *Simulation tests:* Simulation exercise is a test which duplicates many of the activities and problems an employee faces while at work. Such exercises are commonly used for hiring managers at various levels in an organization. To assess the potential of a candidate for managerial positions, assessment centres are commonly used.

- *Assessment centre:* An assessment centre is an extended work sample. It uses procedures that incorporate group and individual exercises. These exercises are designed to simulate the type of work which the candidate will be expected to do. Initially small batches of applicants come to the assessment centre (a separate room). Their performance in the situational exercises is observed and evaluated by a team of 6 to 8 trained assessors.

11.9 SELECTION INTERVIEW

Interview is the oral examination of candidates for employment. This is the most essential step in the selection process. In this step, the interviewer tries to obtain and synthesise information about the abilities of the interviewee and the requirements of the job. Interview gives the recruiter an opportunity to:

- Size up the interviewee's agreeableness;
- Ask questions that are not covered in tests;
- Obtain as much pertinent information as possible;
- Assess subjective aspects of the candidate – facial expressions, appearance, nervousness and so forth;

- Make judgements on interviewee's enthusiasm and intelligence;
- Give facts to the candidate regarding the company, its policies, programmes, etc., and promote goodwill towards the company.

11.9.1 Types of Interviews

Several types of interviews are commonly used depending on the nature and importance of the position to be filled within an organization.

- *Non-directive interview:* In a non-directive interview, the recruiter asks questions as they come to mind. There is no specific format to be followed. The questions can take any direction. The interviewer asks broad, open-ended questions such as 'tell me more about what you did on your last job' – and allows the applicant to talk freely with a minimum of interruption. Difficulties with a non-directive interview include keeping it job related and obtaining comparable data on various applicants.

- *Directive or structured interview:* In the directive interview, the recruiter uses a predetermined set of questions that are clearly job related. Since every applicant is asked the same basic questions, comparison among applicants can be made more easily. Structured questions improve the reliability of the interview process, eliminate biases and errors and may even enhance the ability of a company to withstand legal challenge. On the negative side, the whole process is somewhat mechanical, restricts the freedom of interviewers and may even convey disinterest to applicants who are used to more flexible interviews. Also, designing a structured interview may take a good amount of time and energy.

- *Situational interview:* One variation of the structured interview is known as the situational interview. In this approach, the applicant is confronted with a hypothetical incident and asked how he or she would respond to it. The applicant's response is then evaluated relative to pre-established benchmark standards.

- *Behavioural interview:* The behavioural interview focuses on actual work incidents (as against hypothetical situations in the situational interview) in the applicant's past. The applicant is supposed to reveal what he or she did in a given situation, for example, how he disciplined an employee who was smoking inside the factory premises.

- *Stress interview:* In stress interview, the interviewer attempts to find how applicants would respond to aggressive, embarrassing, rude and insulting questions. The whole exercise is meant to see whether the applicant can cope with highly stress-producing, anxious and demanding situations while at work, in a calm and composed manner. Such an approach may backfire also, because the typical applicant is already somewhat anxious in any interview. So, the applicant that the firm wants to hire might even turn down the job offer under such trying conditions.

- *Panel interview:* In a typical panel interview, the applicant meets with three to five interviewers who take turns asking questions. After the interview, the interviewers pool their observations to arrive at a consensus about the suitability of the applicant. The panel members can ask new and incisive questions based on their expertise and experience and elicit deeper and more meaningful responses from candidates. Such an interview could also limit the impact of the personal biases of any individual interviewer. On the negative side, as an applicant, a panel interview may make you feel more stressed than usual.

11.9.2 Interviewing Mistakes

The interview is a good selection tool in the hands of the person who knows how to use it. If it is not used properly or the interviewer himself is not in a positive frame of mind, mistakes may occur. The interviewer, for example, may:

- Favour applicants who share his own attitudes;

- Find it difficult to establish rapport with interviewees, because he himself does not possess good interpersonal skills;

- Not be asking right questions and hence not getting relevant responses;

- Resort to *snap judgements*, making a decision as to the applicant's suitability in the first few minutes of the interview. Too often interviewers form an early impression and spend the balance of the interview looking for evidence to support it;

- Have forgotten much of the interview's content within minutes after its conclusion;

- Have awarded high scores by showing leniency (leniency);

- Have been influenced by *cultural noise*. To get the job, the applicants try to get past the interviewer. If they reveal wrong things about themselves, they realise that they may not get the job, so they try to give the interviewer responses that are socially acceptable, but not very revealing. These types of responses are known as cultural noise – responses the applicant believes are socially acceptable rather than facts;

- Having allowed him to be unduly influenced by associating a particular personality trait with a person's origin or cultural background and that kind of stereotyping/generalising ultimately determining the scores of a candidate (*stereotyping*). For example, he may feel that candidates from Bihar may find it difficult to read, write and speak English language and hence not select them at all!

- Allow the ratings to be influenced by his own likes and dislikes; (*bias*)

- Conclude that a poorly dressed candidate is not intelligent, attractive females are good for public dealings, etc. This is known as *halo effect*', where a single important trait of a candidate affects the judgement of the person who rates. The halo effect is present if an interviewer allows a candidate's accomplishments in athletics to overshadow other aspects and leads the interviewer to like the applicant because 'athletes make good sales people';

- Rating an applicant poorly, following the interview of very favourable or unfavourable candidates (an anomaly known as *candidate-order error*; the order in which you interview applicants can also affect how you rate them);

- Have been influenced more by unfavourable than favourable information about, or from, the candidate. Unfavourable information is given roughly twice the weight of favourable information. According to Dobmeyer and Dunette, a single negative characteristic may bar an individual from being accepted, whereafter no amount of positive features will guarantee a candidate's acceptance;

- Have been under pressure to hire candidates at short notice;

- Have been influenced by the behaviour of the candidates (how he has answered, his body language), his or her dress (especially in the case of female candidates) and other physical factors that are not job related.

11.10 LET US SUM UP

Recruitment is the process of locating and encouraging potential applicants to apply for existing or anticipated job openings. Certain influences restrain (the freedom of) managers while choosing a recruiting source such as: image of the company, attractiveness of the job, internal policies, budgetary support, government policies, etc. The sources of recruitment may be broadly divided into two categories: internal sources and external sources. Both have their own merits and demerits. A firm may choose a particular recruiting method such as job posting, employee referral, campus hiring, advertisements, private search firms or internal promotions and transfers etc., depending on the skills required, the nature of the job and budgetary support etc. Recruitment, selection, induction and placement are important tools for hiring manpower from external sources. HRP helps us to identify the manpower requirements, keeping pace with corporate objectives and strategies.

The selection process – from reception through initial screening, application, testing, interview, medical and reference checking – must be handled by trained, knowledgeable individuals. Selection tests include intelligence and aptitude tests, achievement tests, assessment centres and general psychological or personality tests. The value of tests should not be discounted, since they are objective and offer a broader sampling of behaviour. The interview is an important source of information about job applicants. Several types of interviews are used, depending on the nature and importance of the position to be filled within an organization. Interviews can be conducted by a single individual or by a panel of interviewers who are generally trained for the purpose. The training helps interviewers to be more objective and not get carried away by biases and errors of various kinds. References and medical evaluations are common aspects of the selection process of many employers these days.

11.11 LESSON END ACTIVITY

A company recruits candidates at the entry-level executive position in general category, without emphasising on specialisation areas of the candidates. The company believes that learning is different from areas of interest in jobs. All new recruits go through systematic job rotation and monitored to understand their areas of interest. Individual employees are also asked to indicate their choice. When both the identified areas of interest match, candidates are placed in the job. Critically evaluate this process and comment.

11.12 KEYWORDS

Recruitment: Recruitment is the process of hiring talented employees for certain jobs by motivating them to apply for those jobs which are available in organization.

Competitive Advantage: A competitive advantage is an advantage over competitors gained by offering consumers greater value, either by means of lower prices or by providing greater benefits and service that justifies higher prices.

Internal Recruitment: It is a recruitment which takes place within the concern or organization.

Internal Advertisement: In this method, vacancies in a particular branch are advertised in the notice board.

External Recruitment: The assessment of the current available pool of job candidates, other than existing staff, to ascertain if any are sufficiently skilled or qualified to fill and perform existing job vacancies.

Outsourcing: Outsourcing is the contracting out of an internal business process to a third party organization.

Poaching/Raiding: Poaching means employing a competent and experienced person already working with another reputed company in the same or different industry; the organization might be a competitor in the industry.

E-Recruitment: E-Recruitment is the use of technology to assist the recruitment process.

Recruitment Policy: The recruitment policy of an organization specifies the objectives of recruitment and provides a framework for implementation of recruitment program.

Selection: The process of picking individuals who have relevant qualifications to fill jobs in an organization.

Application Blank: It is a printed form completed by job aspirants detailing their educational background, previous work history and certain personal data.

Interview: It is the oral examination of candidates for employment.

11.13 QUESTIONS FOR DISCUSSION

1. Define recruitment. What are the important recruitment functions?

2. If you were responsible for hiring someone for your job, which recruitment sources would you use? Why? Which recruitment sources would you avoid? Why?

3. Describe briefly the various steps that are involved in hiring human resources in an organization.

4. What are the various sources of recruitment? How can an organization evaluate the worth of these sources?

5. List the most important merits and demerits of various sources of recruitment.

6. Examine various selection techniques in general. Outline those selection techniques which are popularly used in India.

7. What do you mean by testing in selection? Examine its validity and reliability in the selection process. What types of tests will you adopt for selecting mechanical engineers in a large tool making industry?

8. If you were interviewing a promising candidate but he seemed nervous, what actions might you consider to calm the candidate?

9. Do you think that all the selection tools can be trusted? If not, then how do you evaluate the candidates selected?

10. What important points would you keep in mind while facing a stress interview?

11. Which type of interview do you think to be the best for the interviewee and why?

12. How would you determine the standard for selection tests at an organization that appoints you as HR manager?

Check Your Progress: Model Answer

1. Recruitment policy

2. Internal sources

3. Selection

4. Interview

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TRANSFER, PROMOTION AND REWARD POLICIES

CONTENTS

12.0 AIMS AND OBJECTIVES

After studying this lesson, you should be able to:

- Understand Transfer
- Discuss Promotion
- Discuss Reward Policies

12.1 INTRODUCTION

HRP at the enterprise level is integrated with transfer, promotion and job rotation. For internal staffing of vacancies, suitable policies on the above areas must exist, or else, the organisation would be constrained to frequently go for redundancy, leaving its fate only to external hiring. For managerial and executive levels, this is addressed by

succession planning. For non-executive positions, suitable policies on promotion and transfer and also job rotation, facilitate restructuring of manpower and their redeployment to meet the requirements of HRP. In this lesson, we will discuss the basic concepts and point out their importance for HRP.

Organizational environment is dynamic. Besides environmental changes there are changes in the job, their specifications, the technology used to execute them and the employees carrying out various organizational functions. The changes in the employees can be in the form of their movement within and outside the organisation. The movement of employees within the organisation can be in the form of transfer, promotion or job rotation. Transfer is movement of employees from one unit to another, the responsibilities and functions remaining the same. Promotion relates to vertical movement of employees in the hierarchy involving better status and increased responsibility. Job rotation is movement of the employees from one job to another to break the job monotony and to enable the employees to understand the total organizational system.

12.2 TRANSFER

Transfer is the lateral movement of employees from one position, division, department or unit to another. Such movement of employees from one job to another may be either due to promotion, demotion, organizational restructuring or may be for routine administrative reasons (some organizations do not allow employees to remain in the same job for a long duration, which are sensitive in nature). Generally transfer does not involve any significant change in compensation, duties, responsibilities or even status.

12.2.1 Objectives of Transfer

The objectives of transfer are to:

- Increase organizational effectiveness.
- Add to the versatility and competence of key personnel.
- Cope with the fluctuations in work requirements.
- Rectify erroneous placement.
- Relieve boredom and monotony.
- Set right incompatibilities in employees' relations.
- Look after the interests of the employees (their health or age-group, family problems, etc.)
- Provide creative opportunities.
- Train employees for their future advancement or promotion.

12.2.2 Different Types of Transfers

- *Production Transfers:* Such transfers are done for stabilizing employment. In an organisation, there may be several independent plants for different product-mixes or shop-floors to produce sub-assemblies or components. Production in any of such plants or shop-floors may get discontinued, either for dropping of the product or for other miscellaneous reasons. Such a situation necessitates production transfer.

- *Replacement Transfers:* Such transfers are effected during lay-off, when senior employees may be transferred or relocated to protect their interest against employees with short service.

- *Versatility Transfers:* To prevent employees to develop proprietary interest in the job, materials and equipment used on the job and workloads, such transfers are effected, both for the benefits of the organisation and the employees (employees gain varied job experience).

- *Personal or Remedial Transfers:* Such transfers are usually made in the interest of the employees, as they often may request for transfer on grounds of health, age or family issues. To correct erroneous placement also such transfers are made.

- *Shift Transfers:* Such transfers are effected within the shift itself (without any change in job etc.), where the shift system of work is prevalent. Shift system is a regularized rotation of employees from one shift to another.

12.3 TRANSFER POLICY

In order to be impartial and objective, transfer policy and procedures must be established and made known to all employees.

A good transfer policy must answer the following questions:

- What type of transfers are to be used? When?

- What is the area over which transfers will be effected?

- What is the basis used for effecting transfers?

- Who is responsible for initiating and approving transfers?

- Should transfers be permanent or temporary?

- What is the rate of pay and other facilities the transferred employee should receive on his new job?

- Is training necessary to effect a transfer?

However, in India, most of the organizations do not have a well formulated transfer policy, resulting in its gross misuse (often as an instrument to victimize the employees). Public sector enterprises and departmental undertakings (government departments) often use this instrument without any regard to the cost aspect. Recently, Ordinance Factories Board had been adversely criticized for effecting meaningless transfers of officers and staff members, which involved crores of rupees of expenditure from the public exchequer. For such irrational use, transfer related issues have now become important causal factors of industrial disputes in India.

12.4 LIMITATIONS OF TRANSFER

The right of transferring abroad is not implied. However, in the absence of a provision in a contract of service to the contrary, a firm of Chartered Accountants with accounts in foreign countries may order an employee to go into a foreign state to work on a client's accounts. Many organizations, however, make it a point to include a paragraph in the terms and conditions of the letter of appointment of their would be employee, before its issue in a language or similar there to "you would be liable to transfer from your present place of posting to anywhere in India or abroad". This often saves the organisation from future confusion or embarrassment.

When an employee is hired by a firm with no branches, there is no implied contract which permits his transfer to a branch thereafter established. Although transfer, per se, is not punishment in the eye of law, transfers are limited by the standard of reasonableness. For example, although a bank can transfer its employees, it cannot harass them by doing so repeatedly. An order of transfer cannot be made which will result in a material change for the worse in the employee's contractual rights, such as

reduction in his amenities like free quarters, medical assistance, fuel, electricity and cheap rations. Similarly, a radical change in the employee's duties may invalidate a transfer. And, in any event, an employee is entitled to reasonable time upon transfer to wind up his affairs.

At the end of this lesson, we have discussed the lateral transfer and horizontal transfer as promotion alternatives.

12.5 PROMOTION

Promotion basically is a reward for efficiency. It is conferment of additional benefits, usually in the form of higher pay, for an increase in responsibility or skill which is formalized by an increase in status or rank. Yet, in another way, promotion can be defined as advancement of an employee in an organization to another job, which commands better pay/wages, better status/prestige and higher opportunities/challenges and responsibilities, a better working environment, hours of work and facilities, etc. Thus, it has been observed that promotion is usually associated with the assignment of an individual to a position of more responsibility or to one which requires the application of his particular education or experience in a better way.

'Promotion from within' as a system in an organisation, outlines the policies and procedures for internal promotion of personnel. The basic difference between 'promotion' and 'promotion from within' lies in the fact that promotion policy in an organisation, as such, may incorporate provisions for recruitment from the outside to man promotional vacancies but 'promotion from within' policy in an organisation strictly provides for internal recruitment only to man such vacancies.

From the legal standpoint, however, no distinction, as such, is made between 'promotion' and 'promotion from within' and these two terms are interchangeably used.

12.5.1 Forms of Promotion

Informal and Formal

The two major forms of promotion are:

(i) Informal promotion, and

(ii) Formal promotion.

The informal form of promotion or the promotion at the discretion of the employer is the oldest form of promotion, which enables the employer (s) concerned to promote those employees who have the requisite ability and merit.

The real problem of the informal form of promotion is that the senior managers may recommend for promotion only those individuals with whom they have already worked, or who, for one reason or the other, have impressed them by their activities or presence. This may sometimes result in promotion on the basis of prejudices of the employer and specialized knowledge and the abilities of the employees (which should form the basis of promotion) may be overlooked.

The formal form of promotion, contrarily, ensures objective evaluation of the responsibilities and duties vis-à-vis different levels of an organisation. The significance of all the positions in the organisation structure is considered with a view to facilitate the objective appraisal of the capabilities of the individuals in the context of promotion. The formal form of promotion is also known as the standardized or systematic form. Seniority and length of service, serve as the criteria to qualify for promotion under this form.

This form of promotion is strictly followed in the organizations having the 'promotion from within' policy.

Open and Close

Promotion may also be classified in a different manner:

(i) Open form, and

(ii) Close form.

In case of the open form of promotion, organizations do not restrict themselves to the existing employees only for the purpose of filling promotional vacancies. They announce such vacancies in order to harvest from the nation's 'personnel-crop' and to attract the best talents to the maximum extent possible. But the closed form of 'promotion from within' policy, restricts the candidacy for filling promotional vacancies to the existing employees only of the organisation concerned.

Other Forms

Promotion can be grouped according to the following four forms:

(i) Movement to an authoritative position;

(ii) Movement to a highly skilled and highly evaluated job;

(iii) In-grade progression (upgradation); and

(iv) Widening of duties and responsibilities associated with the existing job with some increase in payment.

12.5.2 Elements of Promotion

We can deduce the following elements of promotion from the definition contents of promotion and 'promotion from within':

- *Upward Advancement:* Whatever may be the form of promotion, it necessarily implies upward advancement, i.e., movement of employees to higher positions in the organizational hierarchy. Although there are some promotions which, in reality, indicate upgradation or in-grade progression (i.e., promotion-in-situ), e.g., promotion of a clerk from Grade II to Grade I, strictly speaking, such promotions also imply upward advancement because the promoted employees now occupy positions higher than juniors in the organisation structure.

- *Enhanced Responsibilities, Status and Prestige:* Since change of job(s), consequent upon promotion, is quite common, the promoted employees are normally expected to assume higher responsibilities on being promoted. However, where promotion is somewhat in the nature of upgradation, the nature of the job being unchanged, responsibilities of the promoted employees mostly remain the same. In all other cases, enhanced responsibilities, status and prestige together constitute an element of promotion.

- *Better Pay and Wages:* It is the next important element of promotion. But, promotion may not always entitle the promoted employees to higher emoluments, even though their responsibilities, status and prestige may be enhanced. In order to encourage creative behaviour in his functional area, an employee, whose contentment has almost reached a plateau, may be entrusted with a qualitatively different job which demands increased responsibilities and which enhances his status and prestige but not his emoluments.

  Other Elements: Better working environment, functional autonomy, scope for application of specialized knowledge, skill(s) and work experience, etc., are certain other important elements of promotion.

12.5.3 Objectives of Promotion

Promotion serves one important purpose of the employer, i.e., it enables him to adjust his workforce to the changing requirements. Moreover, from an employer's point of view, promotion is an important motivational tool as it can reduce employees' discontent and unrest.

Promotion can, therefore, improve the effectiveness of an organisation's structure in order to meet the targets and, at the same time, can considerably increase the effectiveness of its employees through assignment of suitable positions.

According to an expert in this field, the main purpose of promotion is to staff a vacancy that, in general, is worth more to the organisation than to the incumbent's present position.

In a more comprehensive manner, the purposes of promotion can be stated as follows:

- To put an employee in a position where he will be of greater use to the organisation and where he is expected to derive increased personal satisfaction and have an increase in his emoluments;

- To recognize an individual's performance and reward him for his work so that he may have an incentive to forge ahead;

- To boost morale and encourage loyalty and help develop a sense of belongingness so far as an employee is concerned;

- To promote job satisfaction and to motivate an employee to continue in the organisation;

- To attract suitable and competent employees to the organisation and

- To provide opportunities to an employee (who has not succeeded in gaining promotion) to enhance his skills and abilities required for superior performance.

It is important to note here that all the above mentioned purposes are equally served by the 'promotion from within' policy as well. That apart, the 'promotion from within' policy serves the following important purposes.

- It reduces employee turnover and consequently reduces replacement cost

- It maintains high employee morale and productivity; and

- It maximizes utilization of human resources.

12.6 PROMOTION POLICY

Promotional disputes in the recent years have become an important causal factor vis-à-vis industrial disputes in India (as these form an important part of the personnel related disputes and the disputes arising out of indiscipline and violence). Therefore, in order to avoid any possible complications in future and its consequential adverse effects on industrial relations, union participation, as far as possible and should be encouraged by management while formulating promotion policies.

Some of the important requirements of an effective promotion policy are presented below:

- Preparing a statement showing ratios of internal promotions to direct recruitments at each level, mentioning the method(s) of selection (e.g., trade test and interview) and indicating the qualifications desired;

- Identifying the network of the related jobs and the promotional channels for each job, taking into account the job relatedness, the opportunities for interacting with

the executives placed in the higher levels with a view of fostering job learning and the qualifications (both academic and professional) and the work experience required;

- Developing the procedural norms for determining employees' seniority and deciding whether it should be considered in a plant-wise or unit-wise or an occupation-wise manner; and

- Developing the relationship between disciplinary action and promotions.

The Indian Institute of Personnel Management (now renamed as the National Institute of Personnel Management) has suggested that the following statements, etc., should be included in any standard promotion policy:

- A statement regarding promotion from within the organisation with a view to filling vacancies in higher posts;

- A statement regarding the promotional bases like ability and seniority;

- A well-drawn organisation chart in order to help all concerned understand the ladder of promotion; as well as the structural relationship of the employees working in the different positions among various professions/functions and within their own profession/function;

- A statement clearly mentioning the officials who may initiate and handle cases of promotion in order to help all concerned; and

- A statement regarding provision for reversion in case a promotee's performance is not satisfactory.

Basis of Promotion

After formulation and acceptance by management of a sound promotion policy the next question that an organisation faces is "What should be the basis for such promotions?" A decision in this regard is of utmost importance. In promotional decisions, the most important base is seniority. The Japanese concepts of *Nenko Seido* (i.e., promotion on the basis of age and length of service) and *Shike Seido* (i.e., status ranking), reflect nothing but seniority considerations in promotional decisions. In the USA and in the UK, seniority is an important factor of promotion. In India, seniority consideration in promotional decisions has not received much cognizance from organizations until recently. But, due to pressure from unions and subsequent changes in the government policies regarding promotional matters, seniority is fast emerging as an important consideration in the public sector. Different basis of promotion, however, are discussed as follows:

Seniority

Seniority refers to the relative length of service of employees. It may also be determined in relation to the age, occupation, department or organisation, of an employee. Basically, seniority implies skill formation through experiential learning. Seniority being quantifiable, provides an objective means of identifying the personnel eligible for promotion. Since biased managerial decisions on promotion can be averted to the fullest extent, seniority criterion is widely accepted by employees. As promotion is predictable under the seniority system, it greatly reduces employee-turnover.

However, the seniority system has many disadvantages as well. Since merit or ability is altogether ignored, it does not guarantee quality staffing of promotional vacancies. Even though it is believed that, through experiential learning an individual develops

his knowledge that aids in 'skill formation', during his long tenure of service, due to 'trained incapacity', he may be incapable of undertaking new assignments.

Moreover, what should be the basis of such seniority? Is it the total number of years of experience of the employee in the organisation plus the experience already gained in his past employments with other organizations or the experience (length of service) in the present organisation only? Would the experiences unrelated to the promotional vacant post be taken into account?

Mere consideration of seniority in the context of promotion, in reality discourages creativity and innovation. Despite, the above demerits, the seniority based promotion system is widely prevalent.

Merit Rating

The weaknesses of the seniority based promotion system have resulted in developing the merit based promotion system because that encourages excellence in an organisation. Merit is defined as efficiency and capacity of an individual judged in the light of his past performance. The obvious advantages of the merit based promotion system are that it enhances organisation efficiency and maximizes utilization of talent (as only the deserving employees are promoted after thorough assessment of their abilities and performance). However, integrity of managerial personnel vis-à-vis determination of merit criteria objectively is suspect from the employees' side in general. And, that defers most of the organizations from using merit as the sole criterion in promotional decisions.

Even though the seniority based promotion system is largely followed in the public sector organizations in India, the merit-cum-seniority approach plays a major role in promotional decisions in the private sector organizations.

Quota System

This system of promotion is mainly practiced in government departments and public sector undertakings. The Government of India has framed rules/regulations regarding promotion of SC/ST employees who enjoy fixed quota. The organizations have to prepare and maintain rosters for this purpose and whenever the turn comes, the existing SC/ST candidates have to be promoted without consideration of either seniority or merit.

Trade Tests

For staffing certain vacancies through promotion, specific trade tests are conducted in order to rate the candidates' trade specific knowledge and skills. The ultimate promotional decisions are taken only after the candidates qualify in the specific trade test(s). For certain posts like fitter, turner, welder, etc., (technical) and stenographer, typist, etc., (non-technical), specific knowledge and skills are important prerequisites. Thus, effecting promotion to these posts is subject to the candidates' ability to acquire such knowledge and skills. While some organizations stipulate minimum qualifying service vis-à-vis one's eligibility to appear for such trade tests, most of the organizations usually allow their employees, irrespective of their length of services, to compete for such posts. In a strict sense, selection of an existing employee (after qualifying the stipulated trade test(s) is not considered as promotion and can better be termed as re-appointment (without break of service).

Promotion by Examinations

Examinations also play a major role in promotional decisions. Examinations, to a large extent, supplement the merit rating system and provide opportunities to the talented employees for getting promoted to the higher posts without waiting for a long

time. In some organizations, a minimum qualifying service is stipulated vis-à-vis one's eligibility to appear for such examinations. In other organizations, qualifying in such examinations helps employees become eligible for promotion to certain posts. The Subordinate Accounts Services (SAS) Examination and Limited Departmental Section Officers' Examination for certain categories to the Central Government employees, the CAIIB Examination for the bank employees, the Associateship Examination (conducted by the Institute of Actuaries) for the employees in the insurance companies, etc., are some examples of these types of examinations. However, the scope for promotion based on examinations is very limited because only a few departments of the Central Government and a handful of private organizations practice this.

Age Group Preference

In many organizations, a particular age-group is preferred to other age groups for staffing vacancies. The idea of preference for a particular age group is based on following considerations:

- Expected number of years of services;
- Professional source of supply of required manpower in future; and
- Personality, dynamism, initiative, challenging attitude, etc.

Age is used as an index of stamina and flexibility and for determining the possible length of service before retirement. Although, no empirical support, as such, is available to relate promotion to preference for age group, many organizations, as a matter of policy, follow some norms regarding age groups vis-à-vis staffing of certain vacancies from within. In some cases, where the existing employees also contest with the outsiders for a particular vacancy, some relaxation in age is given to them. Thus, for the reasons stated earlier, preference for age group also influences promotional decisions.

Personal Attributes

Personal attributes like intelligence, health, energy, stamina, inherent attitudes, interest and preferences, taken together, also form an important basis for promotional decisions. Since these attributes are not quantifiable in the strict sense, rating by the superior is usually considered as an yardstick. More job experience, acquired knowledge and strong educational background may not make one competent or eligible for promotion. For example, certain jobs demand aptitude for figure work, which can only be found among those employees who have an inherent interest in doing figure work. Similarly, poor health, lack of energy and stamina, etc., makes one unsuitable for sales jobs, supervisory jobs, requiring dealings with the public and leadership quality. Inherent attitudes, interests and preferences also, at the same time, act, in one way or the other, as important prerequisites for certain jobs. In many organizations, the system of writing annual confidential reports about employees exists. Certain columns in this report pertain to personal attributes. This report which is usually written by the superior concerned, thus, serves an important purpose of the management, i.e., considering the personal attributes of an employee for the purpose of taking promotional decisions.

Performance Appraisal

Performance appraisal, in reality, is an important variable in promotional decisions. However, the term merit rating is quite a narrow one and limited in approach. Performance appraisal has wider applicability in the context of evaluation of employees vis-à-vis their characteristics, qualifications, traits, capacities, proficiencies and abilities for the purpose of, inter alia, taking promotional decisions. Performances

appraisal is basically a formal exercise in an organisation with a view to evaluating the employees performance in a documented form at periodic intervals. A leading management theorist has identified the following three basic purposes of formal performance appraisal:

- To provide systematic judgements on salary increases, promotions, transfer, etc.

- To make an employee know 'where he stands' with respect to his boss; and

- To provide a basis for coaching and counselling of an employee by his superior.

Although there are various methods of performance appraisal, the most widely used method is ranking. Under this method, ranking of an employee is done on the basis of comparison with others. An employee, who gets the highest numerical value to his credit (as compared to other employees), is considered most suitable for promotion.

Because of its simplicity and objective, the performance appraisal system is widely used throughout the world. An Indian study, covering 60 organizations, has indicated that companies, both in the public and private sectors, give considerable weightage (58 per cent) to performance appraisal for effecting promotional decisions.

Promotion Alternatives

'Promotion from within' as a regular process, apart from resulting in in-breeding, lack of dynamism and innovativeness, etc., has an inevitable danger of over-staffing of an organisation. Japanese organizations, which follow this system compulsorily even without 'objective assessment of employees' performance, have introduced an excellent promotion alternative, known as "status ranking system", in order to obviate the problems of over-staffing. Under this system, a worker, who is otherwise eligible for promotion but cannot be promoted because of the problems of over-staffing is awarded a status rank with increased allowances so as to make his pay almost at par with that of the promotable post. Thus, without actually promoting the eligible employees, this system ensures increased status for them in order to maintain their motivation levels and ensure their loyalty towards the organisation.

Inability to promote the eligible employees, for one reason or the other (e.g., the problem of over staffing), is a problem of structural nature (because most of the employees have reached a plateau) before the management in any organisation. While job enrichment, job enlargement, lateral transfer, horizontal transfer, etc., which focus primarily on the change of work content, can in one way or the other, fulfill the intrinsic needs of the employees, these, in reality, reduce only the stresses resulting from content plateauing. The problem of structure plateauing remains unless suitable restructuring of the organisation, with due emphasis on reducing the importance of promotion and increasing the value of challenge, is attempted.

Since, temporary measures, job enrichment, job enlargement, lateral transfers and horizontal transfers can successfully reduce the stress of the employees, who are otherwise promotable, but are not promoted for the obvious inability of the organizations, these are considered as promotion alternatives. Ensuring timely promotion of employees is a major problem even for well-organized and professionally managed organizations in India. Government organizations, for the low paid white-collar employees, relate their promotional decisions to the availability of vacancies, while, for the direct recruits in the officers' cadre, they have a system of promotion based on time scale. This clearly indicates poor career planning, which results in serious motivational problems in the government organizations. Stagnation in different cadres for years together is a result of such ill-framed policy. Commercial banking organizations have made some progress in this matter, i.e., in the case of senior employees, the probability of getting promotion after completion of a certain number of years of service is quite high. But such types of measures are not at all

adequate. However, job enrichment, job enlargement, lateral transfer and horizontal transfers can, to a large extent, alleviate the motivational problems of employees, in such cases, at least, for the time being. Thus, an organisation gets an opportunity to restructure itself and can take some provisions for promotion during the intervening period.

Lateral and Horizontal Transfer

Two other promotion alternatives are lateral and horizontal transfer. In the strict sense, transfer is the moving of an employee from one job to another. Such movement may either be horizontal or lateral. For internal mobility of the manpower, periodic transfers of employees are effected by an organisation either for the interests of the organisation or for the interests of the employees or for both. Although need for transfer may arise for one reason or the other (e.g., fluctuations in work requirements, increasing versatility and competence of key employees, correcting erroneous placement, relieving employees from monotony, protecting the interests of employees vis-à-vis their health or age and providing creative opportunities for employees), Indian organizations mostly relate transfer decisions to promotions, excepting cases where transfers of senior employees are affected for the maintenance of a tenure system. Since transfers, in most of the cases, involve change of place(s) and even, in some cases, result in reduction in material gains, transfer decisions of an organisation, quite often, are resented by the affected employees. This is particularly evident in the government and commercial banking organizations. Problems of housing, education of children, inadequacy of compensation, disruption of family life and social life, etc., are some of the common grounds for which even promotional transfers are not accepted by many employees. In order to obviate such problems relating to implementation of transfer either for routine administrative reasons or for promotional reasons, transfer liability is usually made a pre-condition to employment. Most of the organizations have well drawn transfer policies in this regard. While, in other organizations, transfer is still a prerogative of the management.

Lateral transfer is the vertical movement of employees and denotes significant change in the work content. Cross functional or cross lateral transfers, throughout the career of an employee, keep him fresh and receptive to new ideas and make him more creative and productive.

Horizontal transfer, on the other hand, is the movement within the same job-family. While job enrichment and job enlargement exercises do not involve, in reality, any movement from one job to another, lateral and horizontal transfer indicate physical movement from one job to another and, thus, have some potential to motivate employees intrinsically.

Both lateral and horizontal transfer can be effectively used for structure and content plateaued employees as temporary promotion alternatives. In some organizations, such transfers are made to equip the employees for assuming higher responsibilities, consequent upon promotion.

12.7 REWARD POLICIES

Reward policy sets guidelines for decision-making and action. It may include statements of guiding principles or common purposes. Reward policies may be written or implied, and can be identified by the following features:

- They provide a positive indication of what the organisation and its management may be expected to do and how they will behave in given circumstances.

- They indicate the amount of discretion like managers can exercise, suggesting answers to be question 'How do I deal with this reward issue in the circumstances?'

- Employee reward systems refer to programs set up by a company to reward performance and motivate employees on individual and/or group levels. They are normally considered separate from salary but may be monetary in nature or otherwise have a cost to the company. While previously considered the domain of large companies, small businesses have also begun employing them as a tool to lure top employees in a competitive job market as well as to increase employee performance.

Purpose

Employee reward covers how people are rewarded in accordance with their value to an organisation. It is about both financial and non-financial rewards and embraces the strategies, policies, structures and processes used to develop and maintain reward systems. The ways in which people are valued can make a considerable impact on the effectiveness of the organisation and is at the heart of the employment relationship.

The aim of employee reward policies and practices is to help attract, retain and motivate high-quality people. Getting it wrong can have a significant negative effect on the motivation, commitment and morale of employees. Personnel and development professionals will be involved frequently in reward issues, whether they are generalists or specialise in people resourcing, learning and development or employee relations. An integrated approach to human resource management means that all these aspects have to be considered together so that a mutually reinforcing and interrelated set of personnel policies and practices can be developed.

Personnel and development practitioners are expected to play their part alongside line managers in maximising the contribution of people to the achievement of corporate purposes. They must understand the business context and the importance of adopting a strategic viewpoint when meeting business needs in partnership with their colleagues.

This standard defines how thinking performers can meet these requirements in the field of employee reward. It is relevant for:

- Any personnel/human resources practitioner at a relatively early stage in their career, responsible for a range of basic personnel operations and wanting to develop deeper and broader knowledge and skills and make a professional contribution to the employee reward process.

- Externally-based consultants providing advice and services in many organisational types, sectors and settings.

The keys to developing a reward program are as follows:

- Identification of company or group goals that the reward program will support

- Identification of the desired employee performance or behaviours that will reinforce the company's goals

- Determination of key measurements of the performance or behaviour, based on the individual or group's previous achievements

- Determination of appropriate rewards

- Communication of program to employees

- Reward Policies set guidelines for decision making and actions. It may include statements of guiding principles for common purposes.

Reward policies may be written or implied and can be identified by the following features:

- They provide a positive indication of what the organization and its management may be expected to do and how they will behave in given circumstances.

- They indicate the amount of discretion line margin can exercise, suggesting answers to questions 'how do I deal with this reward issue in the circumstances?'

12.8 REWARD POLICY ISSUES

- *Competitive pay:* The 'pay stance' or 'pay policy' of the organisation indicates the extent to which it wants to be 'marketed' - i.e., the relationship it wishes to maintain between its pay levels and market rates.

- *Internal equity:* The degree to which internal equity is a prime consideration and the circumstances in which the need to be competitive may override the principle of internal equity.

- *Variable pay:* The extent, if any, to which the firm believes that pay should vary according to performance, competence and/or skill.

- *Individual or team reward:* The need for rewards to concentrate on individual or team performance.

- *Employee benefits:* The types and levels of employee benefits to be provided and the extent to which employees can choose the benefits they want.

- *Total reward mix:* The mix of total rewards as between base pay, variable pay, employee benefits and non-financial rewards.

- *Structure:* The extent to which the organisation wants a hierarchical and relatively formal (narrow-banded) structure or one that is flexible and broad banded

- *Reward priorities:* The degree to which the organisation wants to concentrate on 'piling the rewards high' for the relatively small number of key players, or recognises the need to provide rewards which will support the steady improvement of the many. (In other words, who are the people likely to exert the most leverage on overall business performance who should be rewarded accordingly?)

- *Differentials:* The levels of reward at the top of the organisation compared with average and minimum reward levels.

- *Flexibility:* The amount of flexibility allowable in operating the reward system; the degree of consistency required in applying policies; the amount of control exercised from the centre.

- *Uniformity:* The extent to which pay structures and policies should apply to the whole organisation or be flexible for different levels or categories of employees.

- *Devolution:* The amount of authority to be devolved to line managers to make pay decisions.

- *Control:* How much control should be exercised from the centre over the implementation of reward policies.

- *Gender neutrality:* The approach to be adopted towards eliminating gender bias in reward processes and structures so as to ensure equal pay for work of equal value.

- *Partnership:* The extent to which the organisation believes in sharing success with employees.

- *Involvement:* How much employees are involved in pay decisions that affect them.

12.8.1 Content of Reward Policies

There is no such thing as an ideal set of reward policies or a list of headings that should be included, although most policy statements refer to at least some of the issues listed above.

12.8.2 Developing Reward Policies

Reward policies should be developed by:

- Referring to the list of policy issues and adding or subtracting items which appear to be most relevant, taking into account the structure, culture, management style and values of the organisation, its reward philosophy and its business, personnel and reward strategies.

- Deciding under each heading, in consultation with those concerned, what policy approach is likely to be most relevant to the business priorities of the organisation and the needs of its employees.

- Ensuring that the policies are practical (implementable) and will provide the requisite level of guidance for decision and action.

- Deciding on the amount of training and guidance which will be required to enable line managers and others to implement policies with an appropriate degree of consistency.

- Communicating the policies to all affected by them: ideally, they should be expressed in writing and the communication process should include briefing-groups to ensure that employees have the opportunity to seek clarification and make suggestions.

12.8.3 Reviewing Policies

It needs to be re-emphasised that all aspects of reward management are dynamic and evolutionary. They cannot stand still. They must be continually reviewed and modified in line with changes in organisation structures, strategic priorities, core values, processes, technologies and the new demands such changes make on people.

Check Your Progress

Fill in the blanks:

1. The _____ form of promotion, contrarily, ensures objective evaluation of the responsibilities and duties vis-à-vis different levels of an organisation.

2. _____ is basically a formal exercise in an organisation with a view to evaluating the employees performance in a documented form at periodic intervals.

3. _____ transfer is the vertical movement of employees and denotes significant change in the work content.

4. Employee _____ covers how people are rewarded in accordance with their value to an organisation.

12.9 LET US SUM UP

Transfer, promotion and job rotation are three different types of employees movement, which facilitate adjustment of manpower both within and outside the organizations.

Today's organizations are required to frequently restructure the jobs, to keep pace with the changing technology, systems and practices. This necessitates restructuring of manpower. Without suitable policies on promotion, transfer and job rotation it is difficult for an organisation to enforce them. Again policies need to be periodically reviewed to ensure their relevance. For HRP, all these three instruments provide adequate flexibility.

12.10 LESSON END ACTIVITY

The promotion and reward of employees relate to the productivity of employees elaborate this to the class through a visual presentation on 'Promotion and its Impact on Employees'.

12.11 KEYWORDS

Transfer: Transfer is the lateral movement of employees from one position, division, department or unit to another.

Production Transfers: Such transfers are done for stabilizing employment.

Replacement Transfers: Such transfers are effected during lay-off, when senior employees may be transferred or relocated to protect their interest against employees with short service.

Versatility Transfers: To prevent employees to develop proprietary interest in the job, materials and equipment used on the job and workloads.

Personal or Remedial Transfers: Such transfers are usually made in the interest of the employees, as they often may request for transfer on grounds of health, age or family issues. To correct erroneous placement also such transfers are made.

Shift Transfers: Such transfers are effected within the shift itself (without any change in job etc.), where the shift system of work is prevalent. Shift system is a regularized rotation of employees from one shift to another.

Promotion: Promotion basically is a reward for efficiency. It is conferment of additional benefits, usually in the form of higher pay, for an increase in responsibility or skill which is formalized by an increase in status or rank.

Employee Reward Systems: Employee reward systems refer to programs set up by a company to reward performance and motivate employees on individual and/or group levels. They are normally considered separate from salary but may be monetary in nature or otherwise have a cost to the company.

12.12 QUESTIONS FOR DISCUSSION

1. Define transfer. Why is transfer necessary for an organisation? What are the different types of transfer?

2. Is it necessary for an organisation to have a transfer policy? Justify your answer duly pointing out important components of a transfer policy. Do you think transfer is absolutely a management prerogative?

3. What is promotion? In what way does it differ from 'promotion from within'? What are the different forms of promotion?

4. Briefly state the elements and purposes of promotion.

5. You have been asked by an organisation to draft a promotion policy for their employees. What are the areas, you think you should consider, while drafting such a policy?

6. Briefly state the different basis of promotion. Identify at least three factors, which you think are important while taking a promotion decision.

7. Is it possible to ensure increased status for employees without actually promoting them? Select at least three promotion alternatives, which can confer increased status and job satisfaction to plateaued employees.

8. Write short notes on:

   (a) Lateral Transfer

   (b) Replacement Transfer

   (c) Merit Rating

Check Your Progress: Model Answer

1. Formal

2. Performances appraisal

3. Lateral

4. Reward

12.13 REFERENCES & SUGGESTED READINGS

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BLOCK IV

UNIT-13

TRAINING AND DEVELOPMENT

13.0 AIMS AND OBJECTIVES

After studying this lesson, you should be able to:

- Identify the need for training

- Define the terms like training, development and education

- Discuss the relationship between training and various learning principles

- Outline the areas and types of training

- Describe the systems approach to training

- List the various training methods that are currently employed

- Evaluate the effectiveness of training programmes

13.1 INTRODUCTION

Training is an important HRD activity which reinforces HRP in an organisation. Apart from the need for internal staffing, training enhances job related skills and also facilitates acquiring of new skills required for averting skill obsolescence in an organisation.

HRD is a macro concept and it consists of organized services of learning activities within a given time limit for achieving desired behavioural changes in people. From the organizational point of view, HRD is a process and it helps employees to improve their functional capabilities for present and future roles. It also develops their general capabilities, harness their inner potentialities, and there by facilitates for self and organizational development.

Discussions on training remain incomplete without linking the same to performance appraisal. This is because performance appraisal is one single important tool, which helps in deciding about training requirements for an organisation and it reinforces training activities. There are lot of misconceptions about training, education and development functions vis-à-vis HRD, which we have clarified in the introductory lesson. Without precisely knowing the functions of training, education and development, as pointed out earlier, it would be difficult for us to appreciate the objectives, roles and significance of training in an organisation.

13.2 DEFINITION AND PURPOSE OF TRAINING

Training may be defined as a systematized tailor made programme to suit the needs of a particular organisation for developing certain attitudes, actions, skills and abilities in employees irrespective of their functional levels. Training therefore, serves the following important purposes for an organisation.

- To increase the performance level of an employee and to develop him/her in such a manner that he/she can rise to the position of higher responsibility.

- To constantly develop manpower to meet the current as well as future needs of the organisation.

- To ensure effective utilization of human resources.

- To integrate individual goals with the organisation goals by creating a climate so that an individual employee can best achieve his goals by achieving the goals of the organisation. To be more specific, this is the stage of identifying employees with the organisation.

13.2.1 Need for Manpower Training

Most of the organizations prefer internal manning of positions than external hiring for obvious motivational benefits and cost effectiveness. Even though training, *prima facie*, emphasizes on increasing the performance level of an employee, a continuous training function enables the organisation to develop employees for future responsible positions in the organisation itself.

The needs for manpower training in an organisation may be categorized as follows:

- ***Updating Knowledge:*** Technological advancement, business environmental changes and new management philosophies have now made it imperative for the organisation to renew and update the knowledge and skills of the employees so that they do not become redundant for obvious functional incompetence.

  The first and foremost need for manpower training therefore, is to renew and update knowledge and skills of employees to sustain their effective performance and so also to develop them for future managerial positions.

- ***Avoiding Obsolescence:*** Recent economic liberalization programmes of Government of India are necessitating organizational restructuring, which *inter alia*, calls for training the employees, irrespective of their functional level, for their redeployment in restructured jobs. Therefore, the second important need for training is to avert functional obsolescence.

- ***Improving Performance:*** Continuous training being required to renew and update knowledge and skills of employees, it makes them functionally effective. The third need is therefore, to make employees effective in their performance through continuous training.

- ***Developing Human Skills:*** Apart from emphasizing on technical and conceptual skills, new training programmes also emphasize on developing human skills of employees. Such human skill is necessary for effective interpersonal relations and sustaining healthy work environment. This need for training therefore, also cannot be altogether ignored.

- ***Imparting Trade-specific Skills:*** In industrial employment, the convention is to recruit workers and employees through compulsory apprenticeship training. Such apprenticeship training enables an organisation to impart industry and trade specific skills to workers. This also, therefore, is an important need for manpower training.

- *Stabilizing the Workforce:* Throughout the world the importance of training is now increasingly felt for stabilizing the workforce to withstand the technological change and for making the organisation dynamic in this changed process. Management theorists now unanimously agree that it is the responsibility of the organisation to train and develop their manpower as a continuous process.

13.3 CLASSIFICATION OF TRAINING PROGRAMMES

Depending on the functional level and occupational categories of employees, an organisation can classify training programmes as under:

Table 13.1: Classification of Training Programmes

Level	Types of Training
1. Workers	(i) Introduction
	(ii) Job Training
	(iii) Craft Training
	(iv) Special Purpose Training
2. Supervisors	(i) Induction
	(ii) Foremanship/Shopfloor Supervision
	(iii) Manpower Management
3. Staff Members	(i) Introduction
	(ii) Professional
	(iii) Technical
	(iv) Human Relations
4. Managers and Executives	(i) Induction
	(ii) Executive Training
	(iii) Training in Executive Develop

Apart from the above routine training programmes for different levels, training on total quality awareness and training encompassing all aspects of total quality management have now become almost compulsory for all functional levels.

13.3.1 Induction and Orientation

These terms are interchangeably used to give a friendly welcome to the new employees as members of the organisation so also to introduce the new employees with the available installations (plant and machineries, systems), work norms, organizational objectives and the job positions of the employees. Some organizations make available programmed instruction materials to new employees to help them to get acquainted with the departmental rules and regulations, their entitlement for leave, pay, overtime, retirement benefits and other miscellaneous privileges, which affect their whole service. Tata Iron and Steel Co. circulates to all their new employees, a brief booklet under the name and style of 'Write Your Future in Steel' to illustrate their career prospectus. However such documented materials cannot be made available by all organizations. They try to supplement it through a brief induction programme.

13.3.2 Supervisory Training Programme Training and Retraining

Supervisors monitor the work of the workers and are arms of the management. They must have adequate skill, experience, ability and leadership. A supervisor is required to do a job in five broad areas, i.e., knowledge of the work, awareness of responsibilities, capacity to instruct, skill in improving methods and ability to work with people.

13.3.3 Training for Top and Middle Management

Top and middle management personnel are trained mainly on the following eight areas to expose them to the managerial practices:

- *Planning:* This covers the policy, general programme and plans of the organisation and also methods for effective action.
- *Control:* To check current performance against predetermined standards (as mentioned in the plans) to ensure progress and also to record experience from the working of plans to serve as a guide to possible future operations.
- *Coordination:* To balance the team efforts, ensuring proper allocation of activities among different members of the group.
- *Motivation:* This covers employees morale and is sought through by proper leadership. The art of self-motivation has to be included in the manager and executives.
- *Inspiration:* It is the act or power of exerting influence on the intellect or emotions, which ultimately leads to the creative thinking and work. Inspiration arouses our mind to special and unusual activity, stimulating our creativity.
- *Communication:* It is the process of transferring information through interactions with two or more persons. Communication interchanges our thoughts, opinions, sharing of information by speech, in writing or through body language.
- *Decision:* It is the choice of selecting the best course of action between alternatives. Thus, it helps to come to a conclusive point to solve a problem, selecting the best courses of actions.
- *Integration:* It helps in establishing link between previously separate systems, services, applications or processes. In manufacturing, integration is a process to combine separately produced components or sub-systems, addressing problems through interactions.

13.3.4 Sequence of a Training Programme

Any training programme should follow the order of sequence of actions, as under, to make it effective.

- Designing the programme and matching with the learning process
- Matching the programme to the organizational expectations
- Developing the training group
- Identifying the themes of training and development
- Achieving consistency in training

13.3.5 Need for a Training Policy

To ensure consistency in Training and Development Function, the HRM department of each organisation develops a suitable training policy, defining the scope, objective, philosophy and techniques. Such a training policy, *inter-alia*, serves the following purposes:

- It defines what the organisation intends to accomplish through training.
- It indicates the type of persons to be responsible for training functions.
- It identifies the formal and informal nature of training.
- It spells out the duration, time and place of training.
- It indicates the need for engaging outside institutions for training.
- It embraces and includes training in relation to labour policies of the organisation.

13.4 STEPS FOR DESIGNING THE TRAINING PROGRAMME

Traditionally, training needs identification is done by the HRD department, which to keep pace with organizational requirements identifies a series of training modules for different categories of employees and publishes such training calendars to circulate among different departments to depute their employees for such training courses. Depending on the facilities available, some of these training courses are also offered utilizing in-house training faculty, while for others (where expertise is not available) such training may either be offered by retaining professional trainers or by deputing employees to attend some outside training courses.

However, to ensure better utilization of employees' acquired knowledge and skill, identification of training needs are now being left with the respective departmental heads, who because of their proximity with the employees concerned can better suggest the training and development needs. Hence, right at the beginning of the year, HRD department circulates the format for suggesting training requirements of different departments, which after necessary processing, are developed as training calendars. The heads of the departments through performance appraisal, job evaluation and keeping in mind future requirements (due to change of technology, etc.), may identify such training requirements and also study the cost-benefit aspect closely monitoring employees' post-training performance.

Incidentally, it has now also become one important corporate practices in line with ISO Certification requirement.

The following steps are involved in designing the training programme:

- *Selecting Strategies:* The first step is to choose a strategy or strategies for training methods. Strategies prioritize training objectives and also help in selecting training areas which may be skill formation, developing conceptual understanding, etc.

- *Breaking Objectives:* The second step in to break the general training objectives into different parts like, knowledge, understanding and skills. Each constituent part of the training objective is matched with appropriate training events.

- *Choosing Methods:* The next step is to use specifications for different training methods to decide over time the facilities required for the programme as a whole.

- *Deciding on Packages:* The fourth step is to decide different package in which programmes could be offered. An organisation at this stage considers different training packages, keeping in view the time and cost aspects.

- *Designing the Programme:* The final step is to design the training programme.

13.5 TRAINING METHODS

The following methods are mostly used for training of employees:

(i) *On-the-Job Training:* Under this technique, an employee is put on-the-job and is trained to perform the said job thereby helping the employee to acquire the skills for performing the said job in future.

Most of the organizations utilize the services of senior workers to impart such training. Training and Retraining Apprenticeship, creation of 'assistant-to' positions, job rotation and special assignments are different forms of such training programmes.

(ii) *Job Instruction Training:* This is training through step-by-step learning. Usually steps necessary for a job are identified in order of sequence and an employee is exposed to the different steps of a job by an experienced trainer.

(iii) *Vestibule Training:* This method duplicates on-the-job situation away from the actual worksite with machinery and equipment similar to those used in actual production or operation and is used to help employees to acquire a new skill. Usually, training is given away from the production centre.

(iv) *Training Centre–Training:* Such site trainings are given in the form of lectures, conferences, case studies, role playing and discussions.

(v) *Simulation:* Simulation again duplicates the actual condition encountered on a job. The vestibule training method or the business-game method are the examples of business simulation.

(vi) *Apprenticeship:* Such training is given for a longer duration to help the employees to acquire skills in specific trade(s). A major part of this training is given on the job.

(vii) *Off-the-job Methods:* These methods consist of:

(a) *Lectures:* Through lectures, participants are motivated to learn. Lectures focus on understanding rather than enriching knowledge and skills through reading assignments and experience. However, empirical studies on the effectiveness of training through lecture methods indicate that this is not effective for obvious inability of participants to retain the information and, failure of trainers to make such sessions more interesting relating to on-the-job experience.

(b) *Conference Method:* It is a participative group centred method through which participants develop knowledge and understanding by small group discussions and active participation.

(c) *Group Discussion:* This is also a very useful method of training and is usually based on papers prepared by trainees on a given subject. The trainees read their papers which are usually followed by critical discussions. It may, however be a follow-up discussion on some statement or on a paper presented by an expert.

(d) *Case Study:* Case study method helps students to learn on their own by independent thinking. A set of data or some descriptive materials are given to the participants asking them to analyze, identify the problems and also to recommend solutions for the same.

(e) *Role Playing:* This training method particularly helps in learning human relations skills through practice and imbibing an insight into one's own behaviour. Trainees of such a programme are informed of a situation and asked to play their roles in the imaginary situation before the rest of the class. This therefore, helps in the enriching of interactional skills of the employees.

(f) *Programmed Instruction:* This method is pre-arranged desired course of proceeding to the learning or acquisition of specific skills or knowledge. Information in such programmes is conveniently broken into different units, to allow the trainees to learn at their convenient pace.

(g) *T-Group Training:* T-group is sensitivity training, and takes place under laboratory conditions and is mostly instructed and thus an informal kind of training. The trainer in such a training programme is a catalyst. He helps the individual participant to understand how others perceive his behaviour, how he reacts to the behaviour of others and how and when a group acts either in a negative or in a positive way.

(h) *E-learning:* Training programmes delivered via Intranet are now thought of as the most cost-effective route. It is not only cost effective but also caters to the real time information need of employees. However, it involves convergence of several technologies, like, hardware, software, web designing and authoring, instructional design, multimedia design. telecommunications and finally internet intranet network management. Organizations can outsource e-learning training modules at relatively cheaper rate. Even though training through e-learning is globally increasing, we do not have adequate empirical evidence to justify this.

13.6 TYPES OF TRAINING

There are many approaches to training. We focus here on the types of training that are commonly employed in present-day organisations.

- *Skills training:* This type of training is most common in organisations. The process here is fairly simple. The need for training in basic skills (such as reading, writing, computing, speaking, listening, problem solving, managing oneself, knowing how to learn, working as part of a team, leading others) is identified through assessment. Specific training objectives are set and training content is developed to meet those objectives. Several methods are available for imparting these basic skills in modern organisations (such as lectures, apprenticeship, on-the-job, coaching, etc.). Before employing these methods, managers should:

  ❖ Explain how the training will help the trainees in their jobs.

  ❖ Relate the training to the trainees' goals.

  ❖ Respect and consider participant responses and use these as a resource.

  ❖ Encourage trainees to learn by doing.

  ❖ Give feedback on progress towards meeting learning objectives.

- *Refresher training:* Rapid changes in technology may force companies to go in for this kind of training. By organising short-term courses which incorporate the latest developments in a particular field, the company may keep its employees up-to-date and ready to take on emerging challenges. It is conducted at regular intervals by taking the help of outside consultants who specialise in a particular descriptive.

- *Cross-functional training:* Cross-functional training involves training employees to perform operations in areas other than their assigned job. There are many approaches to cross functional training. Job rotation can be used to provide a manager in one functional area with a broader perspective than he would otherwise have. Departments can exchange personnel for a certain period so that each employee understands how other departments are functioning. High performing workers can act as peer trainers and help employees develop skills in another area of operation. Cross-functional training provides the following benefits to an organisation (and the workers as well): (1) Workers gain rich experience in handling diverse jobs; they become more adaptable and versatile. (2) They can better engineer their own career paths (3) They not only know their job well but also understand how others are able to perform under a different set of constraints. (4) A broader perspective increases workers' understanding of the business and reduces the need for supervision. (5) When workers can fill in for other workers who are absent, it is easier to use flexible scheduling, which is increasingly in demand as more employees want to spend more time with their families. Eli Lilly and Company (India), for example, encourages cross-functional

movements to make the organisation equally attractive to both specialists and generalists.

Thermax: At Thermax (over 1200 employees nearly ₹ 600 crore turnover, 6 per cent attrition rate) high-potential individuals are given greater exposure, high visibility and asked to chart out a career vision through an ongoing dialogue.

GCPL: Godrej Consumer Products Ltd.'s (1052 employees, nearly ₹ 500 crore sales) talent management system allows bright employees to acquire a wide variety of skills through job rotation (e.g., sales systems, project management skills, IT skills, Team building skills, etc.). Outstanding performers get salary increase instantaneously.

Sapient Corporation: (914 employees with over $ 202 million global sales). At Sapient employees work on 48-50 projects at any given time. Some of these are executed entirely by the local employees from their Gurgaon and Bangalore offices.

Johnson & Johnson: (1419 employees with over $ 41,000 million global sales) J&J constantly encourages its employees to upgrade their skills and knowledge through short-term programmes at institutes like the IIMs, XLRI, etc. apart from rotating employees on challenging tasks.

Monsanto India: (354 employees with nearly $ 5,000 global sales) Monsanto sets stiff targets for employees, but trains employees with a rare rigour so that they get a fair shot at those. People identified as future leaders are given internal international positions.

P&G: (Over ₹ 750 crore sales and powerful brands like Vicks, Tide, Ariel, Pantene, Whisper, Pampers, Head and Shoulders, etc.) P&G relies on the 'promote-from-within philosophy'. It hires freshers straight out of B-school, trains and empowers them to handle challenging jobs from day 1. Says a new recruit from IIM Ahmedabad:

"I am two months old in the company and already handling a new brand launch".

Source: BT-Hewitt Study, 2003; BT-Mercer-TNS Study, 2004; Grow Talent Study. B. World, 1.9.2003 and 6.12.2004

- *Team training:* Team training generally covers two areas: content tasks and group processes. Content tasks specify the team's goals such as cost control and problem solving. Group processes reflect the way members function as a team – for example, how they interact with each other, how they sort out differences, how they participate, etc. Companies are investing heavy amounts, nowadays, in training new employees to listen to each other and to cooperate. They are using outdoor experiential training techniques to develop teamwork and team spirit among their employees (such as scaling a mountain, preparing recipes for colleagues at a restaurant, sailing through uncharted waters, crossing a jungle, etc.). The training basically throws light on (i) how members should communicate with each other (ii) how they have to cooperate and get ahead (iii) how they should deal with conflicting situations (iv) how they should find their way, using collective wisdom and experience to good advantage. (Buchen)

- *Creativity training:* Companies like Mudra Communications, Titan Industries, and Wipro encourage their employees to think unconventionally, break the rules, take risks, go out of the box and devise unexpected solutions. (Hequet; Kawatra; Solomon)

In creativity training, trainers often focus on three things:

(a) *Breaking away:* In order to break away from restrictions, the trainee is expected to (i) identify the dominant ideas influencing his own thinking (ii) define the boundaries within which he is working (iii) bring the assumptions out into the open and challenge everything.

(b) *Generate new ideas:* To generate new ideas, the trainee should open up his mind; look at the problem from all possible angles and list as many alternative approaches as possible. The trainee should allow his mind to wander over alternatives freely, expose himself to new influences (people, articles, books, situations), switch over from one perspective to another, arrange cross fertilisation of ideas with other people and use analogies to spark off ideas.

(c) *Delaying judgement:* To promote creative thinking, the trainee should not try to kill off ideas too quickly; they should be held back until he is able to generate as many ideas as possible. He should allow ideas to grow a little. Brainstorming (getting a large number of ideas from a group of people in a short time) often helps in generating as many ideas as possible without pausing to evaluate them. It helps in releasing ideas, overcoming inhibitions, cross fertilizing ideas and getting away from patterned thinking.

- *Diversity training:* Diversity training considers all of the diverse dimensions in the workplace – race, gender, age, disabilities, lifestyles, culture, education, ideas and backgrounds – while designing a training programme. It aims to create better cross-cultural sensitivity with the aim of fostering more harmonious and fruitful working relationships among a firm's employees. The programme covers two things: (i) awareness building, which helps employees appreciate the key benefits of diversity, and (ii) skill building, which offers the knowledge, skills and abilities required for working with people having varied backgrounds.

- *Literacy training:* Inability to write, speak and work well with others could often come in the way of discharging duties, especially at the lower levels. Workers, in such situations, may fail to understand safety messages, appreciate the importance of sticking to rules, and commit avoidable mistakes. Functional illiteracy (low skill level in a particular content area) may be a serious impediment to a firm's productivity and competitiveness. Functional literacy programmes focus on the basic skills required to perform a job adequately and capitalize on most workers' motivation to get help in a particular area. Tutorial programmes, home assignments, reading and writing exercises, simple mathematical tests, etc., are generally used in all company in-house programmes meant to improve the literacy levels of employees with weak reading, writing or arithmetic skills.

- *Orientation training:* In orientation training, new hires get a first hand view of what the company stands for, how the work is carried out and how to get along with colleagues. In short, 'they learn the ropes', the specific ways of doing things in a proper manner. When a new employee is from a different country and culture, this initial training is especially important in helping new employees adjust in the company.

13.7 TRAINING NEEDS ASSESSMENT

Training efforts must aim at meeting the requirements of the organisation (long-term) and the individual employees (short-term). This involves finding answers to questions such as: Whether training is needed? If yes, where is it needed? Which training is needed? etc. Once we identify training gaps within the organisation, it becomes easy

to design an appropriate training programme. Training needs can be identified through the following types of analysis:

- *Organisational analysis:* It involves a study of the entire organisation in terms of its objectives, its resources, the utilisation of these resources, in order to achieve stated objectives and its interaction pattern with environment. The important elements that are closely examined in this connection are:

  - ❖ *Analysis of objectives:* This is a study of short-term and long-term objectives and the strategies followed at various levels to meet these objectives.

  - ❖ *Resource utilisation analysis:* How the various organisational resources (human, physical and financial) are put to use is the main focus of this study. The contributions of various departments are also examined by establishing efficiency indices for each unit. This is done to find out comparative labour costs, whether a unit is undermanned or over-manned.

  - ❖ *Environmental scanning:* Here the economic, political, socio-cultural and technological environment of the organisation is examined.

  - ❖ *Organisational climate analysis:* The climate of an organisation speaks about the attitudes of members towards work, company policies, supervisors, etc. Absenteeism, turnover ratios generally reflect the prevailing employee attitudes. These can be used to find out whether training efforts have improved the overall climate within the company or not.

- *Task or role analysis:* This is a detailed examination of a job, its components, its various operations and conditions under which it has to be performed. The focus here is on the roles played by an individual and the training needed to perform such roles. The whole exercise is meant to find out how the various tasks have to be performed and what kind of skills, knowledge, attitudes are needed to meet the job needs. Questionnaires, interviews, reports, tests, observation and other methods are generally used to collect job related information from time-to-time. After collecting the information, an appropriate training programme may be designed, paying attention to (i) performance standards required of employees, (ii) the tasks they have to discharge, (iii) the methods they will employ on the job and (iv) how they have learned such methods, etc.

- *Person analysis:* Here the focus is on the individual in a given job. There are three issues to be resolved through manpower analysis. First, we try to find out whether performance is satisfactory and training is required. Second, whether the employee is capable of being trained and the specific areas in which training is needed. Finally, we need to state whether poor performers (who can improve with requisite training inputs) on the job need to be replaced by those who can do the job. Other options to training such as modifications in the job or processes should also be looked into. Personal observation, performance reviews, supervisory reports, diagnostic tests help in collecting the required information and select particular training options that try to improve the performance of individual workers.

To be effective, training efforts must continuously monitor and coordinate the three kinds of analyses described above. An appropriate programme that meets the company's objectives, task and employee needs, may then be introduced. Further, the training needs have to be prioritised so that the limited resources that are allocated to fill training gaps are put to use in a proper way.

13.8 EVALUATION OF TRAINING PROGRAMME

Training evaluation checks whether training has had the desired impact or not. It also tries to ensure whether candidates are able to implement their learning in their respective workplaces or not. The process of training evaluation has been defined as "any attempt to obtain information on the effects of training performance and to assess the value of training in the light of that information." Training evaluation helps in offering feedback to the candidates by defining the objectives and linking it to learning outcomes. It helps in finding the relationship between acquired knowledge, transfer of knowledge at the workplace and training. It helps in controlling the training programme because if the training is not effective, then it can be dealt with accordingly. It helps in determining that whether the actual outcomes are aligned with the expected outcomes.

13.8.1 Process of Training Evaluation

- *Before Training:* The learner's skills and knowledge are assessed before the training programme. During the start of training, candidates generally perceive it as a waste of resources because at most of the times candidates are unaware of the objectives and learning outcomes of the programme. Once aware, they are asked to give their opinions on the methods used and whether those methods confirm to the candidates preferences and learning style.

- *During Training:* It is the phase at which instruction is started. This phase usually consist of short tests at regular intervals.

- *After Training:* It is the phase when learner's skills and knowledge are assessed again to measure the effectiveness of the training. This phase is designed to determine whether training has had the desired effect at individual department and organisational levels. There are various evaluation techniques for this phase.

13.8.2 Five Levels of Training Evaluation

Hamblin suggested five levels at which evaluation of training can take place, viz., reactions, learning, job behaviour, organisation and ultimate value.

1. *Reactions:* Trainee's reactions to the overall usefulness of the training including the coverage of the topics, the method of presentation, and the techniques used to clarify things, often throw light on the effectiveness of the programme. Potential questions to trainees might include: (i) What were your learning goals for the programme? (ii) Did you achieve them? (iii) Did you like this programme? (iv) Would you recommend it to others who have similar learning goals? (v) What suggestions do you have for improving the programme? (vi) Should the organisation continue to offer it?

2. *Learning:* Training programme, trainer's ability and trainee's ability are evaluated on the basis of quantity of content learned and time in which it is learned and learner's ability to use or apply the content learned.

3. *Job behaviour:* This evaluation includes the manner and extent to which the trainee has applied his learning to his job.

4. *Organisation:* This evaluation measures the use of training, learning and change in the job behaviour of the department/organisation in the form of increased productivity, quality, morale, sales turnover and the like.

5. *Ultimate value:* It is the measurement of ultimate result of the contributions of the training programme to the company goals like survival, growth, profitability, etc.,

and to the individual goals like development of personality and social goals like maximising social benefit

An example of an assessment form to be completed by trainees is given in Table 13.2.

Table 13.2: An Example of a Trainee Reaction Questionnaire

Evaluation Questionnaire
(Please return this form unsigned to Development Group)

1. Considering everything, how would you rate this program? (Check one)

   Unsatisfactory _____ Satisfactory _____ Good _____ Outstanding _____

   Please explain briefly the reasons for the rating you have given

2. Were your expectations exceeded _____ matched _____ fallen below _____ ? (Check one)

3. Are you going to recommend this training programme to other members of your department?

   Yes _____ No _____ If you checked "yes," please describe the job titles held by the people to whom you would recommend this programme?

   _____

4. Please rate the relative value (1 = very valuable; 2 = worthwhile; 3 = negligible) of the following components of the training program to you:

   Videocassettes _____   Role-playing exercises _____

   Workbooks _____   Small group discussion _____

   Small group discussions _____   Lectures _____

5. Please rate the main lecturer's presentation (1 = not effective, 2 = somewhat effective; 3 = very effective) in terms of:

   Ability to Communicate

   Emphasis on Key Points _____

   Visual Aids _____

   Handout Materials

6. Please rate the following cases, readings, and videocassettes by placing a checkmark in the appropriate column:

	Excellent	Good	Fair	Poor
Overcoming Resistance to Change				
Reviewing Performance Goals				
Setting Performance Levels				
Handling Employee Performance				
Slade Co.				
Superior Slate Quarry				
McGregor's Theory X and Y				
Henry Manufacturing				
First Federal Savings				
Claremont Industries				

7. Was the ratio of lectures to cases (check one); High _____ Ok _____ Low _____ ?

8. Were the videocassettes pertinent to your work? (check one)

   To most of my work _____

   To some of my work _____

   To none of my work _____

9. To help the training director and the staff provide further improvements in future programs, please given us your frank opinion of each case discussion leader's contribution to your learning. (Place your check marks in the appropriate boxes.)

	Excellent	Above Average	Average	Below Average	Poor
DAVIS					
GLEASON					
LAIRD					
MARTIN					
FONTELLO					
SHALL					
SUMMERS					
WILSON					
ZIMMER					

How would you evaluate your participation in the program? (Check)
Overall workload: Too heavy _____ Just right _____ too light _____
Case Preparation: Too heavy _____ Just right _____ Too light _____
Homework assignments: Too heavy _____ Just right _____ Too Light _____
What suggestions do you have for improving the program?
_____
_____
_____

10. How would you evaluate your participation in the program? (check)

Over workload:
Top light _____   Too heavy _____   Too heavy _____

Case preparation:
Top light _____   Too heavy _____   Too heavy _____

Homework assignments:
Top light _____   Too heavy _____   Too heavy _____

11. What suggestions do you have for improving the program?
_____
_____
_____
_____

13.8.3 Decision Points in Planning Training Evaluation

John Dopyera and Louise Pitone identified eight decision points in planning training evaluation. They are as follows:

1. Should an evaluation be done? Who should evaluate?

2. What is the purpose of evaluation? There are mainly two purposes of doing evaluation. They are justification evaluation and determination evaluation. Justification evaluations are undertaken as reactions to mandates, other purposes that will make evaluation efforts more fruitful. These purposes include training needs assessment, programme improvements and impact evaluation.

3. What will be measured? The focus of the evaluation will be on training and delivery, programme content, materials, impact of training on individuals through learning, behaviour or performance change. Learning can be measured through pre-test and post-test. Evaluate the effects of training after the trainee returns to the work place, using changes in between or the work results as indicators.

4. How comprehensive will the evaluation be? The scope of the duration and comprehensiveness of the evaluation are influenced by available support, communication and evaluation purpose.

5. Who has the authority and responsibility? Who has the authority and responsibility at different stages of evaluation will be determined by the factors like personnel, credibility of internal staff, communication, and objectivity of internal staff to do an evaluation regardless of results.

6. What are the sources of data? The most common sources of evaluation data are reactions, opinions and/or test results of the participants, managers, supervisors, production records, quality control, financial records, personnel records, safety records, etc.

7. How will the data be collected and compiled? Data can be collected before training for needs analysis or pre-testing purpose, during training programme to make improvements along the way and after training for evaluation. Next step is selection of treatment or control groups and determination of nature of samples. Data can be compiled either manually or by computers.

8. How will the data be analysed and reported? First reporting issue is concerned with audiences like participants or trainees, training staff, managers, customers, etc. Second and third issues are concerned with analysis and results and accuracy, policies and format respectively.

These decision points are intended to increase awareness of, and interest in, the evaluation of training, to improve planning skills and to encourage more systematic evaluation of training.

13.8.4 Methods of Evaluation

Various methods can be used to collect data on the outcomes of training. Some of these are as follows:

- *Questionnaires:* Comprehensive questionnaires could be used to obtain opinions, reactions, and views of trainees.

- *Tests:* Standard tests could be used to find out whether trainees have learnt anything during and after the training.

- *Interviews:* Interviews could be conducted to find the usefulness of training offered to operatives.

- *Studies:* Comprehensive studies could be carried out eliciting the opinions and judgements of trainers, superiors and peer groups about the training.

- *Human resource factors:* Training can also be evaluated on the basis of employee satisfaction, which in turn can be examined on the basis of decrease in employee turnover, absenteeism, accidents, grievances, discharges, dismissals, etc.

- *Cost benefit analysis:* The costs of training (cost of hiring trainers, tools to learn, training centre, wastage, production stoppage, opportunity cost of trainers and trainees) could be compared with its value (in terms of reduced learning time, improved learning, superior performance) in order to evaluate a training programme.

- *Feedback:* After the evaluation, the situation should be examined to identify the probable causes for gaps in performance. The training evaluation information (about costs, time spent, outcomes, etc.) should be provided to the instructors, trainees and other parties concerned for control, correction and improvement of trainees' activities. The training evaluator should follow it up sincerely so as to ensure effective implementation of the feedback report at every stage.

13.9 EXECUTIVE DEVELOPMENT

Managers are the indispensable resources, the priceless assets of an organisation. They generate creative ideas, translate them into concrete action plans and produce results. When they succeed, they are able to keep everyone in good humour — including shareholders, employees and the general public. They are hailed as 'invincible corporate heroes' and even treated as prized possessions of a country. When they fail,

they destroy the scarce corporate resources and make everyone cry. The outcomes of managerial actions, thus, are going to be deep, profound and decisive. To get ahead in the race especially in a complex, dynamic and ever-changing world, managers need to develop their capabilities that go beyond those required by the current job.

13.9.1 Concept

Development is an education process as it tries to enhance one's ability to understand and interpret knowledge in a useful way. Development is different from training in that it is often the result of experience and the maturity that comes with it. It is possible to train most people to drive a vehicle, operate a computer, or assemble a radio. However, development in such areas as judging what is right-and-wrong, taking responsibility for results, thinking logically, understanding cause and effect relationships, synthesising experiences to visualise relationships, improving communication skills, etc., may or may not come through over time. Training certainly helps in improving these types of skills. But when the intent is to enhance executives' ability to handle diverse jobs and prepare them for future challenges, the focus must shift to executive development. Executive development focuses more on the manager's personal growth. It is more future oriented and more concerned with education than employee training.

13.9.2 Definition

Executive or management development is a planned, systematic and continuous process of learning and growth by which managers develop their conceptual and analytical abilities to manage. It is the result of not only participation in formal courses of instruction but also of actual job experience. It is primarily concerned with improving the performance of managers by giving them stimulating opportunities for growth and development.

- It is a planned effort to improve executives' ability to handle a variety of assignments.

- It is not a one-shot deal, but a continuous, ongoing activity.

- It aims at improving the total personality of an executive.

- It aims at meeting future needs unlike training, which seeks to meet current needs.

- It is a long-term process, as managers take time to acquire and improve their capabilities.

- It is proactive in nature as it focuses attention on the present as well as future requirements of both the organisation and the individual.

13.9.3 Importance

Executive Development has become indispensable to modern organisations in view of the following reasons:

- For any business, 'Executive Development' is an invaluable investment in the long run. It helps managers to acquire Knowledge, Skills and Abilities (KSAs) required grappling with complex changes in environment, technology and processes quite successfully. They can have a better grip over market forces and get ahead of others in the race in a confident manner.

- Developmental efforts help executives to realise their own career goals and aspirations in a planned way.

- Executives can show superior performance on the job. By handling varied jobs of increasing difficulty and scope, they become more useful, versatile and productive. The rich experience that they gain over a period of time would help them step into the shoes of their superiors easily.

- Executive Development programmes help managers to broaden their outlook, look into various problems dispassionately, examine the consequences carefully, appreciate how others would react to a particular solution and discharge their responsibilities taking a holistic view of the entire organisation.

- The special courses, projects, committee assignments, job rotation and other exercises help managers to have a feel of how to discharge their duties without rubbing people (subordinates, peers, superiors, competitors, customers, etc.) the wrong way.

13.10 STEPS IN THE ORGANISATION OF A MANAGEMENT DEVELOPMENT PROGRAMME

The following are the important steps in the organisation of a management development programme (Noe; Wexley; Qumnones)

- *Analysis of organisational development needs:* After deciding to launch a management development programme, a close and critical examination of the present and future developmental needs of the organisation has to be made. We should know how many and what type of managers are required to meet the present and future requirements.

  A comparison of the already existing talents with those that are required to meet the projected needs will help the top management to take a policy decision as to whether it wishes to fill those positions from within the organisation or from outside sources.

- *Appraisal of present management talents:* In order to make the above suggested comparison, a qualitative assessment of the existing executive talents should be made and an estimate of their potential for development should be added to that. Only then can it be compared with the projected required talents.

- *Inventory of management manpower:* This is prepared to have a complete set of information about each executive in each position. For each member of the executive team, a card is prepared listing such data as name, age, length of service, education, work experience, health record, psychological test results and performance appraisal data, etc. The selection of individuals for a management development programme is made on the basis of the kind of background they possess.

  Such information, when analysed, discloses the strengths as well as weaknesses or deficiencies of managers in certain functions relating to the future needs of the organisations.

- *Planning of individual development programmes:* Guided by the results of the performance appraisal that indicates the strengths and weaknesses of each of the executives, this activity of planning of individual development programme can be performed.

- *Establishment of development programmes:* It is the duty of the HR department to establish the developmental opportunities. The HR department has to identify the existing level of skills, knowledge, etc., of various executives and compare them with their respective job requirements. Thus, it identifies developmental

needs and requirements and establishes specific development programmes, like leadership courses, management games, sensitivity training, etc.

- *Evaluation of results:* Executive development programmes consume a lot of time, money and effort. It is, therefore, essential to find out whether the programmes have been on track or not. Programme evaluation will cover the areas where changes need to be undertaken so that the participants would find the same to be relevant and useful for enriching their knowledge and experience in future. Opinion surveys, tests, interviews, observation of trainee reactions, rating of the various components of training, etc., could be used to evaluate executive development programmes.

13.10.1 Career Stages

A career, as mentioned above, includes many positions, stages and transitions just as a person's life does. It can be easily understood if we think of a career consisting of several stages. Most of us have gone or will go through the under mentioned five stages:

Exploration

This is the career stage that usually ends in one's mid-twenties as one makes the transition from college to work. What we hear from our teachers, friends and relations; our own observations of careers of our parents shape our future career choices at this stage. From an organisational standpoint, this stage has least relevance as it takes place prior to employment. However, the organisation can still track the minds of young people by offering internships to them or offering on-the-job training to bright students. For the individual, this is the stage of self-exploration seeking answers to various puzzling questions about careers.

Establishment

This is the career stage where one begins the search for work and picks up the first job. It includes the first experiences on the job, peer group evaluations, personal tensions and anxieties that confront a person trying to make his mark. This period is characterized by committing mistakes, learning from those mistakes and assuming increased responsibilities. One does not reach the summit at this stage as he rarely gets a chance to handle powerful assignments. It is like going uphill, spending lot of time and energies all the while.

- List all your wins and achievements, and then draw a second list from it – highlighting different aspects of your personality. Do not underplay your achievements.

- Seek help from all your contacts. Asking for help during job hunt is like asking for directions when you are lost. It is better to ask for directions than to stay lost.

- Your resume should not be a condensed biographical sketch (nor a razzle-dazzle document) of your life and work. It must reveal your experiences, diverse skills and vast knowledge in an appropriate manner.

- Be ready to respond positively ("I can do that") to tricky questions probing your knowledge and experience in a different area. Having a "can do" attitude can sometimes be more important than the actual experience. This way, one is sure to get at least interesting work where one can learn and get ahead.

- Be it a war or an interview, before actually going full throttle, one need to plan and prepare well and at the same time watch out for the unexpected. The best way out is to arm oneself with answers for all the possible questions.

- Try not to be everything in an interview. Most candidates try too hard in an interview and are very accommodating. Don't be. The most commonly asked question during interviews is "what could you contribute to this organisation?" The usual answer given is 'whatever you need'. This just shows your desperation. Guard against this.

- Negotiate salary, benefits and working conditions clearly, keeping realistic picture of your own fair market value and the current economic climate in mind. Most experts believe that a candidate should guard against winning a salary tug-of-war at the expense of losing the goodwill of his interviewer.

- Lost out on a job, no problem. It is always a good idea to call your interviewer and ask him for feedback on the reasons why you were not hired.

  Source: P Dalmia CEO, JobsAhead.com; Collectors' Series, Business World, 21.1.2002

Mid-career

Mid-career is a stage that is typically reached between the age of 35 and 50. At this point, one may continue to show improved performance, level off or begin to decline; you are no longer viewed as a 'learner'. Mistakes committed by you would be viewed seriously and may invite penalties as well. If you are good enough, you may grow and turn out good results. If you do not have the same fire in the belly when you started your career, the best thing would be to hold on to what you have. Technically speaking, a plateaued career stares at you. Plateauing is a condition of stagnating in one's current job. Since you are no longer ambitious and are more or less happy with what comes your way, the organisation can place you on jobs that require experience and maturity. The organisation can't discount your worth and treat you as deadwood, since you still retain the flavour and continue to show reasonably good performance. But then what would happen to those employees who have lost both interest and productivity at work? Organisations often show them the door or shift them to less important jobs.

According to William Ellis, the following strategies help a person get off to a flying start in a new position.

- *Make yourself visible early:* Try a novel tactic, use a stunningly different strategy or follow a route that's generally avoided by most others. Try anything so as to get noticed.

- *Overkill that first assignment:* In your first assignment, set impossible targets for yourself — which others can't even think of in their wildest dreams and deliver results faster than others.

- *Get the lay of the land:* Get as much information as possible about people, processes and activities in your work spot – at an amazing speed and become a quick and authoritative information source.

- *Say "sure" and figure out how later:* Management values the new employee who grabs a challenge and runs with it. Try to get over the hurdles somehow – through a painful process of trial and error and come back with winning solutions.

- *Accelerate your enthusiasm:* An enthusiastic newcomer can spark a whole department. Yet some days your enthusiasm will run low. There is a remedy, however; if you want to be enthusiastic, act enthusiastic. Inner enthusiasm follows, and it will have an echo effect on colleagues and bosses. Even cynical old hands want to help an enthusiastic new person.

- *Dare to Change the Entrenched Method:* Try to challenge the traditional old ways of doing things. Stretch yourself to find those creative ways that save lot of organisational time, energies and resources.

The greatest advantage of the fast start on a new job is the early creation of a winning mystique. Even if you were a little slow in the beginning, nothing says, you can't go to work tomorrow morning and act as if it was your first day on a new job. Better, late, than never?

Source: W. Ellis, "Get off to a fast start in your new Job," Reader's Digest, Win@Work, 2001.

Late Career

This is the stage where one relaxes a bit and plays the part of an elder statesperson. For those who continue to grow through the mid-career stage, this is the time to command respect from younger employees. Your varied experiences and judgement are greatly valued and your word will carry weight; undoubtedly, you can teach others and share your experiences with others.

For those who have stagnated or deteriorated during the previous stage, the late career brings the reality that they are no longer required to run the race and its better to redirect the energies to family, friends and hobbies.

Decline

During this period, a person's attention may turn to retirement. The achievements of a long career and the frustrations and anxieties that go along with that phase are left behind. Regardless of whether one is leaving a glorified career or a dismal job, one has to make adjustments and get along with people and things. To ensure smooth transition many organisations, nowadays, conduct training programmes for their retiring employees (about managing finances, coping with stress, how to use time productively, etc.).

- *Self-management:* The retiree must adjust to being self-directed after retirement. There is no longer any supervisor or work agenda dictating what to do and when to do it.

- *Need to belong:* The retiree is no longer a member of the workgroup that consumed so much of his time and formed an important social structure in the past. What takes its place?

- *Pride in achievement:* Achievement reinforces self-esteem and is often centred on work. In retirement, past achievements are quietly buried.

- *Territoriality:* The retiree's personal turf in the form of office, company, and title is lost in retirement. Other ways to fill the vacuum must be found.

- *Goals:* Organisations must often shape many of a person's goals. Some people may find it extremely difficult to set meaningful personal goals after retirement.

How do People Choose Careers?

Studies show that four general individual characteristics influence how people make career choices (Hall):

- *Interests:* People tend to go after careers that they believe match their interests.

- *Self-image:* A career is a reflection of a person's self image, as well as moulders of it.

- *Personality:* This factor includes a person's personal orientation (whether one is adventurous, outgoing, passive, submissive, artistic, etc.) and personal needs (including affiliation, power and achievement needs).

- *Social backgrounds:* Socio-economic status, education and occupational status of a person's parents are covered in this category.

Career Anchors

Just as boats put down anchors to keep them from drifting too far, individuals put down anchors to stabilise their career choices. Career anchors are distinct patterns of self-perceived talents, attitudes, motives and values that guide and stabilise a person's career after several years of real world experience and feedback. According to Schein, career anchors are difficult to predict ahead of time because they are evolutionary and a result of a process of discovery. You are not very sure about them until you are confronted with a choice such as moving to headquarters or start your own business (e.g., remember Ashok Scoota, who after 20 years of life as CEO in Shriram Refrigeration, joined Wipro Infotech as President and spent the next 15 years building it? He quit the job in 1999 to set up a software start up Mindtree when Wipro chief Azim Premji asked him to move to America). It is usually at such a point that all the person's past work experience, interests, and orientations converge into a discernible picture (or career anchor) that helps show what is personally most valuable. Based on his study of MIT graduates, Schein identified eight career anchors:

- *Managerial competence:* People having this drive seek managerial positions that offer opportunities for higher responsibility, decision making, power, etc.

- *Technical competence:* People who have a strong technical or functional career anchor seem to make career choices based on the technical or functional content of the work, such as engineering or accounting.

- *Security:* If your career anchor is security, then you are willing to do what is needed to maintain job security (complying with rules and regulations of every kind) a decent income and a stable future in the form of a good retirement package.

- *Creativity:* These people are driven by an overwhelming desire to do something that is entirely of their own making. For them, starting a new venture, working in a research lab, piloting a novel venture in a desert may be exciting alternatives, their idea of a creative vocation.

- *Autonomy:* These people seek a career that offers freedom of action and independence.

- *Dedication to a cause:* If this is your anchor, you focus on a cause that you believe is important (ending starvation deaths, bringing about word peace, cure for a disease, etc.)

- *Pure challenge:* If this is your career anchor, you seek to meet and overcome difficult barriers or obstacles (scaling a mountain, reviving sick companies, etc.). You basically seek novelty and variety in your work.

- *Life-style:* If this is your career anchor, you seek to integrate personal, career and family goals. You choose jobs that enable you to fit all parts of your life together.

13.11 CAREER PLANNING

Career planning is the process by which one selects career goals and the path to these goals. The major focus of career planning is on assisting the employees achieve a better match between personal goals and the opportunities that are realistically

available in the organisation. Career programmes should not concentrate only on career growth opportunities. Practically speaking, there may not be enough high level positions to make upward mobility a reality for a large number of employees. Hence, career-planning efforts need to pinpoint and highlight those areas that offer psychological success instead of vertical growth.

Career planning is not an event or end in itself, but a continuous process of developing human resources for achieving optimum results. It must, however, be noted that individual and organisational careers are not separate and distinct. A person who is not able to translate his career plan into action within the organisation may probably quit the job, if he has a choice. Organisations, therefore, should help employees in career planning so that both can satisfy each other's needs.

13.11.1 Career Planning vs. Human Resource Planning

Human Resource planning is the process of analysing and estimating the need for and availability of employees. Through Human Resource planning, the Personnel department is able to prepare a summary of skills and potentials available within the organisation. Career planning assists in finding those employees who could be groomed for higher level positions, on the strength of their performance.

Human Resource planning gives valuable information about the availability of human resources for expansion, growth, etc. (expansion of facilities, construction of a new plant, opening a new branch, launching a new product, etc.). On the other hand, career planning only gives us a picture of who could succeed in case any major developments leading to retirement, death, resignation of existing employees.

Human Resource planning is tied to the overall strategic planning efforts of the organisation. There cannot be an effective manpower planning, if career planning is not carried out properly.

13.11.2 Need for Career Planning

Every employee has a desire to grow and scale new heights in his workplace continuously. If there are enough opportunities, he can pursue his career goals and exploit his potential fully. He feels highly motivated when the organisation shows him a clear path as to how he can meet his personal ambitions while trying to realise corporate goals. Unfortunately, as pointed out by John Leach, organisations do not pay adequate attention to this aspect in actual practice for a variety of reasons. The demands of employees are not matched with organisational needs; no effort is made to show how the employees can grow within certain limits, what happens to an employee five years down the line if he does well, whether the organisation is trying to offer mere jobs or long-lasting careers, etc. When recognition does not come in time for meritorious performance and a certain amount of confusion prevails in the minds of employees whether they are 'in' with a chance to grow or not, they look for greener pastures outside. Key executives leave in frustration and the organisation suffers badly when turnover figures rise. Any recruitment effort made in panic to fill the vacancies is not going to be effective. So, the absence of a career plan is going to make a big difference to both the employees and the organisation. Employees do not get right breaks at a right time; their morale will be low and they are always on their toes trying to find escape routes.

Organisations are not going to benefit from high employee turnover. New employees mean additional selection and training costs. Bridging the gaps through short-term replacements is not going to pay in terms of productivity. Organisations, therefore, try to put their career plans in place and educate employees about the opportunities that exist internally for talented people. Without such a progressive outlook, organisations cannot prosper.

13.11.3 Objectives

Career planning seeks to meet the following objectives:

- Attract and retain talent by offering careers, not jobs.

- Use human resources effectively and achieve greater productivity.

- Reduce employee turnover.

- Improve employee morale and motivation.

- Meet the immediate and future human resource needs of the organisation on a timely basis.

13.11.4 Process

The career planning process involves the following steps:

- *Identifying individual needs and aspirations*: Most individuals do not have a clear cut idea about their career aspirations, anchors and goals. The human resource professionals must, therefore, help an employee by providing as much information as possible showing what kind of work would suit the employee most, taking his skills, experience, and aptitude into account. Such assistance is extended through workshops/seminars while the employees are subjected to psychological testing, simulation exercises, etc. The basic purpose of such an exercise is to help an employee form a clear view about what he should do to build his career within the company. Workshops and seminars increase employee interest by showing the value of career planning. They help employees set career goals, identify career paths and uncover specific career development activities. These individual efforts may be supplemented by printed or taped information. To assist employees in a better way, organisations construct a data bank consisting of information on the career histories, skill evaluations and career preferences of its employees (known as skill or talent inventory).

- *Analysing career opportunities:* Once career needs and aspirations of employees are known, the organisation has to provide career paths for each position. Career paths show career progression possibilities clearly. They indicate the various positions that one could hold over a period of time, if one is able to perform well. Career paths change over time, of course, in tune with employee's needs and organisational requirements. While outlining career paths, the claims of experienced persons lacking professional degrees and that of young recruits with excellent degrees but without experience need to be balanced properly.

- *Aligning needs and opportunities:* After employees have identified their needs and have realised the existence of career opportunities the remaining problem is one of alignment. This process consists of two steps: first, identify the potential of employees and then undertake career development programmes (discussed later on elaborately) with a view to align employee needs and organisational opportunities. Through performance appraisal, the potential of employees can be assessed to some extent. Such an appraisal would help reveal employees who need further training, employees who can take up added responsibilities, etc. After identifying the potential of employees certain developmental techniques such as special assignments, planned position rotation, supervisory coaching, job enrichment, understudy programmes can be undertaken to update employee knowledge and skills.

- *Action plans and periodic review:* The matching process would uncover gaps. These need to be bridged through individual career development efforts and organisation supported efforts from time to time. After initiating these steps, it is

necessary to review the whole thing every now and then. This will help the employee know in which direction he is moving, what changes are likely to take place, what kind of skills are needed to face new and emerging organisational challenges. From an organisational standpoint also, it is necessary to find out how employees are doing, what are their goals and aspirations, whether the career paths are in tune with individual needs and serve the overall corporate objectives, etc.

13.12 CAREER DEVELOPMENT

Career development consists of the personal actions one undertakes to achieve a career plan. The terms 'career development' and 'employee development' need to be differentiated at this stage. Career development looks at the long-term career effectiveness of employees, whereas employee development focuses on effectiveness of an employee in the immediate future. The actions for career development may be initiated by the individual himself or by the organisation. These are discussed below:

13.12.1 Individual Career Development

Career progress and development is largely the outcome of actions on the part of an individual. Some of the important steps that could help an individual cross the hurdles on the way 'up' may include:

- *Performance:* Career progress rests largely on performance. If the performance is sub-standard, even modest career goals can't be achieved.

- *Exposure:* Career development comes through exposure, which implies becoming known by those who decide promotions, transfers and other career opportunities. You must undertake actions that would attract the attention of those who matter most in an organisation.

- *Networking:* Networking implies professional and personal contacts that would help in striking good deals outside (e.g., lucrative job offers, business deals, etc.). For years men have used private clubs, professional associations, old-boy networks, etc., to gain exposure and achieve their career ambitions.

- *Leveraging:* Resigning to further one's career with another employer is known as leveraging. When the opportunity is irresistible, the only option left is to resign from the current position and take up the new job (opportunity in terms of better pay, new title, a new learning experience, etc.). However, jumping over jobs frequently (job-hopping) may not be a good career strategy in the long run.

- *Loyalty to career:* Professionals and recent college graduates generally jump jobs frequently when they start their career. They do not think that career-long dedication to the same organisation may not help them further their career ambitions. To overcome this problem, companies such as Infosys, NIIT, WIPRO (all information technology companies where the turnover ratios are generally high) have come out with lucrative, innovative compensation packages in addition to employee stock option plans for those who remain with the company for a specified period.

- *Mentors and sponsors:* A mentor is, generally speaking, an older person in a managerial role offering informal career advice to a junior employee. Mentors take junior employees as their protégés and offer advice and guidance on how to survive and get ahead in the organisation. They act as role models. A sponsor, on the other hand, is someone in the organisation who can create career development opportunities.

- **Key subordinates:** Qualified and knowledgeable subordinates, often extend invaluable help that enables their bosses to come up in life. When the bosses cross the bridge, they take the key subordinates also along with them. In his own self interest, the subordinate must try to find that winning horse on which he can bet.

- **Expand ability:** Employees who are career conscious must prepare themselves for future opportunities that may come their way internally or externally by taking a series of proactive steps (e.g., attending a training programme, acquiring a degree, updating skills in an area, etc.).

13.12.2 Organisational Career Development

The assistance from managers and HR department is equally important in achieving individual career goals and meeting organisational needs. A variety of tools and activities are employed for this purpose.

- **Self-assessment tools:** Here the employees go through a process in which they think through their life roles, interests, skills and work attitudes and preferences. They identify career goals, develop suitable action plans and point out obstacles that come in the way. Two self-assessment tools are quite commonly used in organisations. The first one is called the career-planning workshop. After individuals complete their self-assessments, they share their findings with others in career workshops. These workshops throw light on how to prepare and follow through individual career strategies. The second tool, called a career workbook, consists of a form of career guide in the question-answer format outlining steps for realising career goals. Individuals use this company specific, tailor-made guide to learn about their career chances. This guide generally throws light on organisation's structure, career paths, qualifications for jobs and career ladders.

- **Individual counselling:** Employee counselling is a process whereby employees are guided in overcoming performance problems. It is usually done through face-to-face meetings between the employee and the counsellor or coach. Here, discussions of employees' interests, goals, current job activities and performance and career objectives take place. Counselling is generally offered by the HR department. Sometimes outside experts are also being called in. If supervisors act as coaches they should be given clearly defined roles and training. This is, however, a costly and time consuming process.

- **Information services:** Employment opportunities at various levels are made known to employees through information services of various kinds. Records of employees' skills, knowledge, experience and performance indicate the possible candidates for filling up such vacancies. For compiling and communicating career-related information to employees, organisations basically use four methods:

  (a) *Job posting system:* Job posting systems are used by companies to inform employees about vacancies in the organisation through notice boards, newsletters and other company publications.

  (b) *Skills inventory:* Skills inventories (containing employees' work histories, qualifications, accomplishments, career objectives, geographical preferences, possible retirement dates, etc.) are created to help organisations learn the characteristics of their workforces so that they can use the skills of their employees, whenever required. Skills inventories also reveal shortage of critical skills among employees, which is helpful in tracing training needs.

  (c) *Career ladders and career paths:* Career paths and ladders throw light on career progression and future job opportunities in the organisation. They indicate a career plan complete with the goal, intermediate steps and time-tables for realising the goal. Usually career paths for fast-track

employees are laid down in most organisations outlining a series of career moves that these employees need to initiate in order to reach higher level positions.

(d) *Career resource centre:* The career centre is a sort of library in the organisation established to distribute career development materials such as reference books. career manuals, brochures, newsletters and learning guides and self-study tapes.

- *Employee assessment programmes:* Initially. a new recruit is informed about career policies and procedures of the company. Socialisation efforts help the recruit learn about these things quickly. An experienced employee, acting as a coach may also help the new recruit form a realistic view of the skills needed at various levels and develop appropriate career goals and action plans. Formal orientation programmes are used to educate employees on career programmes, career paths and opportunities for advancement within the company.

Several assessment programmes are also used to evaluate the employees' potential for growth and development in the organisation. They include assessment centre, psychological testing, promotability forecasts and succession planning.

(a) *Assessment centres:* A number of performance simulation tests and exercises (tests, interviews, in-baskets, business games) are used to rate a candidate's potential in assessment centre method. The performance on these exercises is evaluated by a panel of raters and the candidates are given feedback on their strengths and weaknesses. This feedback helps participants to assess where they stand and what is to be done to scale the corporate ladder in future.

(b) *Psychological tests:* Diagnostic tests are used to help candidates determine their vocational interests, personality types, work attitudes and other personal characteristics that may uncover their career needs and preferences.

(c) *Promotability forecasts:* This is a process of identifying employees with high career potential and giving them necessary training and thereby groom them for higher positions.

(d) *Succession planning:* This is a report card showing which individuals are ready to move into higher positions in the company. The HR department keeps records of all potential candidates who could move into senior positions, whenever required.

- *Employee developmental programmes:* These consist of skill assessment (explained above) and training efforts that organisations use to groom their employees for future vacancies. Seminars, workshops, job rotations and mentoring programmes are used to develop a broad base of skills as a part of such developmental activities.

- *Career programmes for special groups:* In recent years, there is growing evidence regarding dual career families developing tensions and frictions owing to their inability to reconcile the differences between family roles and work demands. When we talk of dual career couples (a situation where both husband and wife have distinct careers outside the home) certain puzzling questions arise naturally: Whose career is important; who takes care of children; What if the wife gets a tempting promotion in another location; that buys groceries and cleans the house if both are busy, etc. Realising these problems, organisations are providing a place and a procedure for discussing such role conflicts and coping strategies. They are coming out with schemes such as part-time work, long parental leave, child care centres, flexible working hours and promotions and transfers in tune with the demands of dual career conflicts.

15 | Introduction of Organization Behaviour

The Chapter Covers :

15.1 INTRODUCTION

Organizations face multiple challenges and threats today — threat to effectiveness, efficiency and profitability; challenges from turbulent environments, increased competition and constant challenge to maintain its culture. Individuals in organizations likewise face multiple challenges finding satisfaction in and through work, fighting obsolescence of one's knowledge and skills, maintaining dignity and purpose in pursuit of organizational goals.

It is essential for every manager to have a proper understanding of organization behaviour. This chapter introduces the basic idea about organization behaviour as a subject and traces the development of OB as a discipline. Now, it may be an obvious question that why the understanding of OB is required? Some of the reasons are: To learn about yourself and how to deal with others. Organizations are increasingly expecting individuals to be able to work in teams, at least some of the time. Some or you may want to be managers or entrepreneurs.

In order to be effective, organizations need to develop their interpersonal or people skills. According to Robbins (2003), Organizational behaviour (OB) is a field of study that investigates the impact that individuals, groups, and structure have on behaviour within an organization, and then applies that knowledge to make organizations work more effectively. Specifically, OB focuses on how to improve productivity, reduce absenteeism and turnover, and increase employee citizenship and job satisfaction. An organization consists of people and so it is also a social system. The field of organizational behaviour (OB) draws primarily from the behavioural science disciplines of psychology, social psychology, sociology and cultural anthropology. The areas on which OB focuses are *individuals* who will often be working within *groups*, which themselves work within *organizations*, as well as all the interrelationships between them. OB involves the study of process-how people in social systems function with each-other to get work done.

Some of the specific themes embraced by OB are personality theory, attitudes and values, motivation and learning, interpersonal behaviour, group dynamics, leadership and teamwork, organizational structure and design, decision-making, power, conflict, and negotiation.

Organization

Organization is a consciously coordinated social unit, composed of a group of people, which functions on a relatively continuous basis to achieve a common goal or set of goals.

Manufacturing units, service firms and MNC's are organizations; it also includes schools, hospitals, churches, military units, retail stores, police departments, volunteer organizations, start-ups, and local, state and federal government agencies.

Organizations can be located in the public sector or the private sector, they can be unionized or not, they can be publicly traded or they can be privately held. If they are publicly traded, senior managers typically are responsible to a board of directors, which may or may not take an active role in the how the firm is run. The managers themselves may or may not own shares of the firm. If the firm is privately held, it may be run by the owners or the managers' report to the owners.

Organization is the foundation upon which the whole structure of management is built. Organization is related with developing a frame work where the total work is divided into manageable components in order to facilitate the achievement of objectives or goals. Thus, organisation is the structure or mechanism (machinery) that enables living things to work together. In a static sense, an organization is a structure or machinery manned by group of individuals who are working together towards a common goal. Alike 'management', the term 'organization' has also been used in a number of ways.

Different authors have defined organisation in different ways. The main definitions of organization are as follows:

According to Keith Davis, "Organisation may be defined as a group of individuals, large of small, that is cooperating under the direction of executive leadership in accomplishment of certain common object."

According to Chester I. Barnard, "Organisation is a system of co-operative activities of two or more persons."

According to Louis A. Allen, "Organisation is the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority, and

establishing relationship for the purpose of enabling people to work most effectively together in accomplishing objectives."

According to Mooney and Railey, "Organisation is the form of every human association for the attainment of a common purpose."

Characteristics / Features of Organization

1. **Outlining the Objectives:** Born with the enterprise are its long-life objectives of profitable manufacturing and selling its products. Other objectives must be established by the administration from time to time to aid and support this main objective.

2. **Identifying and Enumerating the Activities:** After the objective is selected, the management has to identify total task involved and its break-up closely related component activities that are to be performed by and individual or division or a department.

3. **Assigning the Duties:** When activities have been grouped according to similarities and common purposes, they should be organized by a particular department. Within the department, the functional duties should be allotted to particular individuals.

4. **Defining and Granting the Authority:** The authority and responsibility should be well defined and should correspond to each other. A close relationship between authority and responsibility should be established.

5. **Creating Authority Relationship:** After assigning the duties and delegations of authority, the establishment of relationship is done. It involves deciding who will act under whom, who will be his subordinates, what will be his span of control and what will be his status in the organization. Besides these formal relationships, some informal organizations should also be developed.

Importance / Need / Advantages / Significance of Organization

The significance or main advantages of organization are as follows:

1. **Facilitated Administration and management:** Organization is an important and the only tool to achieve enterprise goals set as administration and explained by management. Sound organization increases efficiency, avoids delay and duplication of work, increases managerial efficiency, increases promptness, and motivates employees to perform their responsibility.

2. **Help in the Growth of Enterprise:** Good organisation is helpful to the growth, expansion and diversifications of the enterprise.

3. **Ensures Optimum Use of Human Resources:** Good organisation establishes persons with different interests, skills, knowledge and viewpoints.

4. **Stimulates Creativity:** A sound and well-conceived organisation structure is the source of creative thinking and initiation of new ideas.

5. **A Tool of Achieving Objectives:** Organization is a vital tool in the hands of the management for achieving set objectives of the business enterprise.

6. **Co-ordination in the Enterprises:** Different jobs and positions are welded together by structural relationship of the organization. The organizational process exerts its due and balanced emphasis on the co-ordination of various activities.

Sound or Good Organization

A sound or good or ideal and result-oriented organisation must possess the following characteristics:

1. **Realization of Objectives:** Organisation is tool of achieving objectives of an enterprise. For this purpose, the organisation should be divided in several department, sub-departments, branches and units etc.

2. **Harmonious Grouping of Functions:** For achieving the organisation objectives there must be harmonious grouping of functions, jobs and sub-jobs In such a way so that there is action, consultation and co-ordination without any delay and difficulty.

3. **Reasonable Span of Control:** Another characteristic of organisation is that it should have reasonable span of control. Ordinarily, a person (personnel) cannot control more than five or six subordinates.

4. **Clear-cut allocation of Duties and Responsibilities:** There must be clear-cut allocation of duties and responsibilities in any scheme of sound organisation. Every executive must know his scope of activities, the ideal number is three.

5. **Promotion of Satisfaction:** The most important element of any human organisation is the promotion of satisfaction of workers. Man works in a group or in an organisation and hence the success or failure of any organisation depends on as to how much the organisation is in a position to provide satisfaction to individuals or group working under him.

6. **Fullest Utilization of Manpower:** Another important characteristic of an ideal organisation is as to how far it is successful in making fullest and economical utilization of the available manpower.

7. **Provision and Development and Expansion:** Another important of an ideal organisation is that there exists the necessary provision for development and expansion so that it is possible to expand and develop any organisation according to needs and requirements and necessary changes alternatives may be made.

8. **Coordination and cooperation:** In order to achieve the objectives of the enterprise, there must be close coordination and cooperation in the activities of everybody working in the organisation. Further, there should also be active coordination and cooperation amongst the various departments and sub-departments.

9. **Unity of Command:** There must be unity of command. No one in any organisation should report to more than one line supervisor, and everybody must know to whom he reports and who reports to him. No subordinate should get orders from more than one supervisor; otherwise it will lead to confusion, chaos and conflict.

10. **Effective System of Communication:** An ideal organisation must possess effective system of communication. The inter-communication system should be clear and easier and there should be no ambiguity at and level.

11. **High Morale:** An ideal organisation is that in which the workers possess high morale. They work with full capacity, energy, enthusiasm, devotion and sincerity.

12. **Flexibility:** The last but not the least important characteristic of an ideal organisation is that it should be flexible so that necessary changes and modifications in the size of the organisation as well as technology could be easily and conveniently effected.

Organizations may be studied from two perspectives- micro and macro. Micro perspective of organizational study focuses on human beings in the organizations. It studies human beings as individuals and groups, variables determining his behavior in the organization. The micro aspect of organizational study is generally the subject matter of Organizational behavior. The macro aspect of organizational study is the subject matter of Organizational theory.

15.2 Concept of Organizational behavior

Organizational behaviour (OB) is a field of study that investigates the impact that individuals, groups, and structure have on behaviour within an organization, then applies that knowledge to make organizations work more effectively (Robbins, 2003).

In recent times, we notice the following changes in the organizational set up:

1. Demise of traditional hierarchical structure

2. Emergence of workforce with different expectations form organizations

3. Advancement of information technology

4. Increasing importance on empowerment and teamwork

5. Concern for work-life balance

Buchanan and Huczynski (1997) have defined Organizations as:

"Social arrangements, constructed by people who can also change them. Organizations can be repressive and stifling, but they can also be designed to provide opportunities for self-fulfillment and individual expression. The point is that human consequences depend on how organizations are designed and run."

Barnard (1938) defined Organizations:

"As system of co-operative activities - and their co-ordination requires something intangible and personal that is largely a matter of personal relationships". There are a number of definitions that we can draw on to illuminate and deepen our understanding of the concept of organizational behaviour.

According to Pugh, (1971):

OB is concerned with "the study of the structure, functioning and performance of organizations, and the behaviour of groups and individuals within them".

Ivancevich and Matteson, (1998) in their book Organizational Behaviour and Management.

They opine that OB is about "the study of human behaviour, attitudes and performance within an organizational setting; drawing on theory, methods, and principles from such disciplines as psychology, sociology, and cultural anthropology to learn about individual perception, values, learning capabilities, and actions while working with groups and within the total organization; analyzing the external environment's effect on the organization and its human resources, missions, objectives and strategies".

What emerges from these definitions is a view of OB as:

1. A way of thinking

2. An interdisciplinary field

3. Having a distinctly humanistic outlook

4. Performance oriented

5. Seeing the external environment as critical

6. Using scientific method

7. Having an applications orientation

Organizational Behaviour emphasizes on intellectual capital as represented by the sum total of knowledge, expertise, and dedication of an organization's workforce. It recognizes that even in the age of high technology, people are the indispensable human resources whose knowledge and performance advance the organization's purpose, mission, and strategies. Only through human efforts can the great advantages be realized from other material resources of organizations, such as, technology, information, raw materials, and money.

A large number of people have contributed to the growth of OB as "a discipline. Some of the most important works have been done by Adam Smith, Frederick Taylor, Henri Fayol, Max Weber, Mary Parker Follet. Abraham Maslow, B F. Skinner, to name a few. Organizational behaviour is an applied behavioural science that is built upon contributions from a number of behavioural disciplines The main areas are psychology sociology, social psychology, anthropology, and political science.

Organizational behavior is a diverse field of study involving the integration of the behavioral sciences into the study of people's behavior within the organization. It is the integration of relevant knowledge of these areas (Political science, sociology, psychology, sociology or anthropology) that has given us a new field of study — Organizational Behavior.

The unique mission of organizational behavior is to apply the concepts of behavioral sciences to the pressing problems of management, and, more generally, to administrative theory and practice. OB is the study and application of knowledge about how people, individuals, and groups act in organizations. That is, it interprets people-organization relationships in terms of the whole person, whole group, whole organization, and whole social system. Its purpose is to build better relationships by achieving human objectives, organizational objectives, and social objectives.

According to Aldag and Brief, "OB is a branch of the social systems that seeks to build theories that can be applied to predicting, understanding, and controlling behavior in work organizations."

Stephen P Robins defines "Organizational behavior as a systematic study of the actions and attitudes that people exhibit within organizations."

Accordingly Organizational behavior can be defined as —

"The study and application of knowledge about human behavior related to other elements of an organization such as structure, technology and social systems.

On the basis of definitions stated and various other definitions, we can draw following conclusions related to nature and scope of Organizational Behavior:

1. **Interdisciplinary Approach :**

   Organizational Behavior integrates knowledge from various relevant disciplines. OB draws heavily from psychology, sociology, and anthropology. Besides it also takes relevant things from economics, political science, law and history. These disciplines exits separately, but OB integrates the relevant contents of these disciplines.

2. **An Applied Science :**

   Organizational Behavior is oriented towards understanding the forces that affect behavior so that their affects may be predicted and guided towards

effective functioning of organization. The basic goal of OB is to make application of various researchers to solve the organizational problems particularly related to human behavior aspect.

3. **Behavioral Approach to Management :**

Organizational Behavior is directly connected with the human side of management, but it is not the whole of management. Organizational Behavior is related with the conceptual and human dimensions of management.

4. **Concern with Environment :**

Organizational Behavior is concerned with issues like compatibility with environment e.g. person-culture fit, cross-cultural management etc.

5. **Scientific Method :**

Organizational Behavior follows the scientific method and makes use of logical theory in its investigation and in answering the research questions. It is empirical, interpretive, critical and creative science.

6. **Contingency Approach :**

There are very few absolutes in Organizational Behavior. The approach is directed towards developing managerial actions that are most appropriate for a specific situation.

7. **A Total Systems Approach :**

Organizational Behavior is a systematic vision as it takes into account all the variables affecting organizational functioning. The systems approach is an integrative approach which takes into account all the variables affecting organizational functioning. Man's nature is quite complex and OB by applying systems approach tries to find solution of this complexity.

8. **Normative and value centered :**

Organizational Behavior is a value-centered science. A normative science, unlike the positive science suggests only cause-effect relationships, prescribes how the various findings of the researches can be applied to get organizational results which are acceptable to the society.

9. **Utilizes two Kinds of Logic :**

It utilizes both objective and subjective logic. Objectivity is concerned with reaching a fact through empirical analyses. Subjectivity is concerned with deciding about an issue through intuition, common sense, experiences, gut feeling, metaphors, learning from stories and cases, persuasive literature etc.

10. **Humanistic and optimistic :**

OB focuses the attention on people from humanistic point of view. It is based on the belief that needs and motivation of people are of high concern. Further, there is optimism about the innate potential of man to be independent, creative, productive, and capable of contributing positively to the objectives of the organization.

Importance of studying Organizational Behavior

A study of OB is beneficial in many ways. Some of the benefits of studying OB are following:

1. Understanding human behavior
2. Controlling and directing human behavior
3. Organizational adaption.
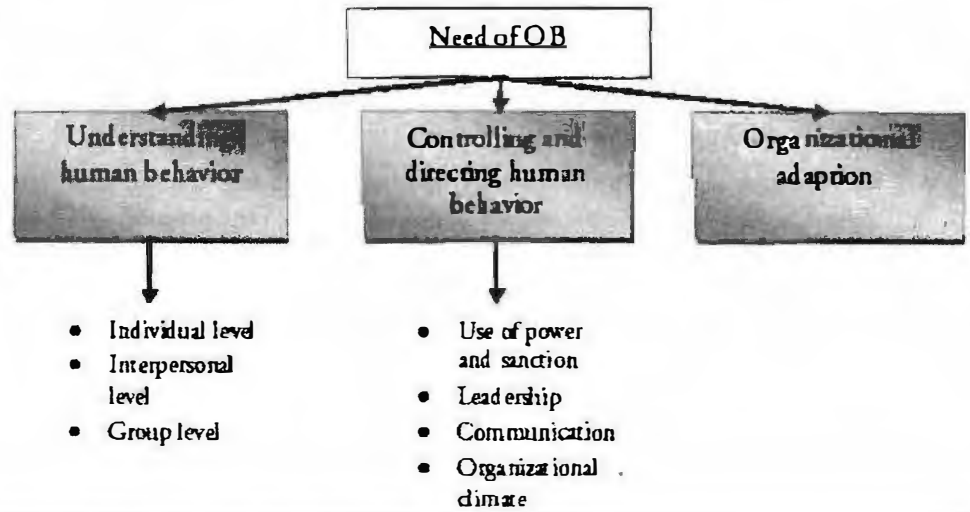
15.3 Understanding human behavior

For shaping human behavior in definite direction for achieving certain predetermined objectives, managers must know how the people in the organization behave.

1. **Individual level:**

   The behavior of human beings as a social man is the first issue in behavioral science. It provides for analyzing why and how an individual behaves in a particular way.

2. **Interpersonal Level :**

   Human behavior can be understood at the level of interpersonal interaction. Such interpersonal interaction is normally in paired relationship which represents man's most natural attempt at socialization. OB provides means for understanding this interpersonal relationship in the organization.

3. **Group Level:** Though people interpret anything at their individual level, they are often modified by group pressure which, thus, becomes a force in shaping human behavior. Thus, individuals should be studied in group also.

Controlling and directing Human behavior

After understanding the mechanisms of human behavior, managers are required to control and direct the behavior so that it conforms to standards required for achieving organizational objectives.

1. **Use of power and sanction :**

   Organizational behavior can be controlled and directed by the use of power and sanction which are formally prescribed by the organization. Power is referred to as capacity of an individual to take certain action and may be utilized in many ways. The use of power is related with sanction in the organization.

2. **Leadership :**

   Another method of bringing human behavior in tune with organizational requirement is leadership. Today, the difference between a successful and failing organization lies in the quality of leadership of its managerial personnel. OB identifies various leadership styles available to a manager and analysis which style is more appropriate in a given situation.

3. **Communication :**

   People in the organization particularly at higher level, spend considerable time in communicating. To achieve organizational effectiveness, the communication must be effective.

4. **Organizational climate :**

Organizational climate refers to total organizational situations affecting human behavior. OB suggests the approach to create organizational climate in totality rather than merely improving the psychological conditions or increasing employee satisfaction by changing isolated work process.

15.4 Organization adaption

Organizations as dynamic entities are characterized by pervasive change. In this age of environmental variability, the real job of a manager is to provide continuity in organizations because the organizations have to adapt themselves to the environmental changes by making suitable internal arrangements.

Advantages of OB

- It helps an individual understand oneself. It is a systematic study of the actions and attitudes that people exhibit within organisation.
- It helps managers in getting the work done through effective ways.
- It emphasizes the interaction and relations between the organisation and individual behavior, thus making an attempt to fulfill psychological contract between individuals and the organisation.
- It helps to develop work-related behavior and job satisfaction.
- It helps in building motivating climate.
- It helps in building cordial industrial relations.
- It helps in the field of marketing through deeper insight of consumer behavior, and managing and motivating field employees.
- It helps in predicting behavior and applying it in some meaningful way to make organizations more effective.
- It implies effective management of human resources.
- It helps to improve functional behavior leading to productivity, effectiveness, efficiency, organizational citizenship, and also helps to reduce dysfunctional behavior at work place like absenteeism, employee turnover, dissatisfaction, tardiness etc.

15.5 Goals of Organizational Behavior

There are some goals of organizational behavior which are as follows:

- **Describe :**

  The first goal is to describe, systematically how people behave under a variety of conditions. Achieving this goal allows managers to communicate about human behavior at work using a common language.

- **Understand :**

  A second goal is to understand any people behave as they do. The managers would be frustrated if they could talk about behavior of their employees, but not understand the reasons behind those actions.

- **Predict :**

  The managers would have capacity to predict which employees might be dedicated and productive or which ones might have absent, cause problem. And thus the managers could take preventive actions.

- **Control :**

  The final goal of OB is to control and develop some human activity at work. Since managers are held responsible for performance outcome, they are vitally interested in being able to make an impact on employee behavior, skill development, team effort, and productivity. Managers need to be able to

improve results through the actions they and their employees take, and organizational behavior can aid them in their pursuit of this goal.

Elements of organizational Behavior

Organizations operate their functional activities by some elements, which affect organizations.

- **People :**

  People make up the internal social system in the organization. They consist of individuals and groups. Groups may be large or small, formal and informal, official or unofficial. Human organization changes every day. People are living, thinking and feeling beings that created the organization and try to achieve the objectives and goals.

- **Structure :**

  Structure defines the formal relationship and use of people in the organization. Different people in an organization are given different roles and they have certain relationship with others. Those people have to be related in some structural way so that their work can be effectively coordinated.

- **Technology :**

  The technology imparts the physical and economic conditions within which people work. With their bear hands people can do nothing. So they are given assistance of building, machines, tools, processes and resources. The nature of technology depends very much on the nature of the organization, influences the work or working conditions.

- **Social System :**

  Social system provide external environment within which organization operates. A single organization cannot exist alone. It is a part of the whole. A single organization cannot give everything and therefore there are many other organizations. All these organizations influence each other.

15.6 Contributing Fields/disciplines towards the development of Organizational Behavior

OB draws various concepts and principles from behavioral sciences and some other core disciplines of behavioral sciences i.e. psychology, sociology, and anthropology. Since these disciplines themselves are part of social sciences, it can be said that OB draws something from social sciences like economics, history, and political science.

The contributions of core disciplines of behavioral sciences to organizational behavior are as follows:

1. **Psychology :**

   The term psychology comes from the Greek word 'psyche' meaning soul or spirit. Psychology is an applied science, which attempts to explain human behavior in a particular situation and predicts actions of individuals. Psychologists have been able to modify individual behavior largely with the help of various studies. It has contributed towards various theories on learning, motivation, personality, training and development, theories on individual decision making, leadership, job satisfaction, performance appraisal, attitude, ego state, job design, work stress and conflict management.

   Studies of these theories can improve personal skills, bring change in attitude and develop positive approach to organizational systems. Various psychological tests are conducted in the organizations for selection of employees, measuring personality attributes and aptitude. Various other dimensions of human personality are also measured. These instruments are scientific in nature and have been finalized after a great deal of research. Field of psychology continues to explore new areas applicable to the field of organizational behavior. Contribution of psychology has enriched the organizational behavior field.

2. **Medicine :**

   Medicine is perhaps the newest field affecting organizational behavior. The primary area of interest is work related stress, tension and depression. The study of causes and consequences of stress and use of medicinal drugs to reduce stress is fast becoming area of study within the organizational setting.

3. **Sociology :**

   Sociology can be described as an academic discipline that utilizes the scientific method in accumulating knowledge about man's social behavior. Science of Sociology studies the impact of culture on group behavior and has contributed to a large extent to the field of group-dynamics, roles that individual plays in the organization, communication, norms, status, power, conflict management, formal organization theory, group processes and group decision-making. It studies the patterned, shared human behavior; the way in which people act toward one another. It specifically studies social groups, social behavior, society, customs, institutions, social class, status, social mobility, and prestige.

   To managerial practice, its contribution is mainly in the field ob bureaucracy, role structures, social system theory, group dynamics, effect of industrialization on the social behavior, etc.

4. **Political science :**

   Political science has also contributed to the field of Organizational behavior. The themes of interest to political scientist include how and why people acquire power and such topics as political behavior, group decision making, conflict behavior of interest groups, formation of coalition, etc. Stability of government at national level is one major factor for promotion of international business, financial investments, expansion and employment. Various government rules and regulations play a very decisive role in growth of the organization. All organizations have to abide by the rules of the government of the day.

5. **Social psychology :**

   Working organizations are formal assembly of people who are assigned specific jobs and play a vital role in formulating human behavior. It is a subject where concept of psychology and sociology are blend to achieve better human behavior in organization. The field has contributed to manage change, group decision-making, communication and ability of people in the organization, to maintain social norms.

6. **Anthropology :**

   The term anthropology combines the Greek stem '*anthropo*' meaning man and the noun ending 'logy' meaning science. Thus, anthropology can be defined as the science of man. It is a field of study relating to human activities in various cultural and environmental frameworks. It understands difference in behavior based on value system of different cultures of various countries. It particularly studies civilization, forms of cultures and their impact on individuals and groups, biological features of man and evolutionary pattern, speech and relationship among languages.

7. **Engineering :**

   This discipline, too, has influenced OB. Industrial engineering, in particular, has long been concerned with work measurement, productivity, workflow analysis and design, and labor relations. Obviously, all these are important for OB.

8. **Economics :**

Economics aids in the understanding of economic conditions at a given time, economic policies of the government, allocation of scarce resources to different competing alternatives, and all these factors affect the organizational climate. OB has learned a great deal from such economic factors as labor market dynamics, cost-benefit analysis, marginal utility analysis, human resource planning and forecasting and decision-making.

Psychology	1) Personality 2) Perception 3) Attitude 4) Learning 5) Motivation 6) Job satisfaction 7) Training 8) Leadership effectiveness 9) Performance appraisal 10) Employee selection 11) Work Design
Medicine	1) Stress 2) Tension 3) Depression
Sociology	1) Group Dynamics 2) Communication 3) Leadership 4) Power and politics 5) Conflict
	1) Organizational structures 2) Formal/informal organizations 3) Organizational culture 4) Organizational climate
Social psychology	1) Behavioral change 2) Attitude change 3) Communication 4) Group Processes 5) Group decision-Making
Anthropology	1) Individual Culture 2) Organizational culture 3) Organizational Environment
Political science	1) Organizational power 2) Politics 3) Conflicts
Industrial engineering	1) Work measurement 2) Productivity measurement 3) Workflow analysis and design 4) Labor relations
Economics	1) Government policies 2) Allocation of scarce resources

Individual → Group → Organizations → **Study of OB**

Management Challenges and opportunities for OB/ Responding to global and cultural diversity

The study is more relevant to organizational behavior today due to globalization, mergers and acquisitions of various industries. The advent of the 21st century has created a situation wherein cross-cultural people will have to work in one particular industry. Managers will have to deal with individuals and groups belonging to different ethnic cultures and exercise adequate control or even channelize behavior in the desired direction by appropriately manipulating various cultural factors.

Organization behavior has used the studies on comparative attitudes and cross-cultural transactions. Environment studies conducted by the field of anthropology aims to understand organizational human behavior so that acquisitions and mergers are smooth. Organizations are bound by its culture that is formed by human beings.

15.7 Responding to Globalization

Managing in a global economy poses many challenges and opportunities. World economy is becoming increasingly global in character. Barriers to trade between different countries have been reduced to a great extent. Many foreign multinational corporations have brought technology and capital into India and are now competing among themselves and with the Indian firms. Organizations are no longer constrained by national borders. Globalization affects a manager's people skills in at least two ways.

- First, if you are a manager, you are increasingly likely to find yourself in a foreign assignment.

- Second, even in your own country, you are going to find yourself working with bosses, peers, and other employees who were born and raised in different cultures.

15.8 Managing Workforce Diversity

Workforce diversity is one of the most important and broad-based challenges currently facing organizations. While globalization focuses on differences between people from different countries, Workforce diversity addresses differences between people within a given country. Workforce diversity means that organizations are becoming more heterogeneous in terms of gender, race, and ethnicity. It is an issue in Canada, Australia, South Africa, Japan, and Europe as well as the United States. Employees do not set aside their cultural values and lifestyle preferences when they come to work. Workforce diversity has important implications for management practice:

- Managers have to shift their approach to recognizing differences and responding to those differences

- Provide diversity training and revamping benefit programs to accommodate the different needs of employees.

Improving Quality and Productivity

Total quality management (TQM) is a philosophy of management that is driven by the constant attainment of customer satisfaction through the continuous improvement of all organizational processes. Implementing quality programs requires extensive employee involvement. Process reengineering asks the question: "How would we do things around here if we were starting over from scratch?"

Every process is evaluated in terms of contribution to goals. Rather than make incremental changes, often old systems are eliminated entirely and replaced with new systems. Organizations have to change not only their technology but way of their working. To improve productivity and quality, managers must:

- Adopt suitable practices to ensure that employees accept change willingly and become part of mission of spreading quality consciousness throughout the organization.

15.9 Responding to the Labor Shortage

If trends continue as expected, the U.S. will have a labor shortage for the next 10-15 years (particularly in skilled positions). The labor shortage is a function of low birth rates and labor participation rates. However immigration does little help to solve the problem. Wages and benefits are not enough to keep talented workers. Managers must understand human behavior and respond accordingly.

15.10 Improving Customer Service and People Skills

The majority of employees in developed countries work in service jobs—jobs that require substantive interaction with the firm's customers. For example, 80 percent of U.S. workers are employed in service industries. Employee attitudes and behavior are directly related to customer satisfaction requiring management to create a customer responsive culture.

People skills are essential to managerial effectiveness. OB provides the concepts and theories that allow managers to predict employee behavior in given situations.

15.11 Empowering People

Today managers are being called coaches, advisers, sponsors, or facilitators, and in many organizations, employees are now called associates. There is a vague impression between the roles of managers and workers; decision making is being pushed down to the operating level, where workers are being given the freedom to make choices about schedules and procedures and to solve work-related problems. Managers are empowering employees.

- They are putting employees in charge of what they do.
- Managers have to learn how to give up control.
- Employees have to learn how to take responsibility for their work and make appropriate decisions.

Coping with "Temporariness"

Managers have always been concerned with change. Change is an ongoing activity for most managers. The concept of continuous improvement, for instance, implies constant change. In the past, managing could be characterized by long periods of stability, interrupted occasionally by short periods of change. Today, long periods of ongoing change are interrupted occasionally by short periods of stability.

Permanent "temporariness":

Both managers and employees must learn to live with flexibility, spontaneity, and unpredictability. The jobs that workers perform are in a permanent state of flux, so

workers need to continually update their knowledge and skills to perform new job requirements.

1. Work groups are also increasingly in a state of unrest. Predictability has been replaced by temporary work groups, teams that include members from different departments and whose members change all the time, and the increased use of employee rotation to fill constantly changing work assignments.

2. Organizations themselves are in a state of unrest. They reorganize their various divisions, sell off poor-performing businesses, downsize operations, subcontract non-critical services and operations to other organizations, and replace permanent employees with temporaries.

15.12 Stimulating Innovation and Change

Successful organizations must foster innovation and the art of change. Companies that maintain flexibility, continually improve quality, and beat their competition to the marketplace with innovative products and services will be tomorrow's winners. Employees are critical to an organization's ability to change and innovate.

15.13 Helping Employees Balance Work-Life Conflicts

The creation of the global workforce means workers are on-call 24-hours a day or working on non-traditional shifts. Communication technology has provided a vehicle for working at any time or any place. Employees are working longer hours per week from 43 to 47 hours per week since 1977. The lifestyles of families have changes creating conflict: more dual career couples and single parents find it hard to fulfill commitments to home, children, spouse, parents, and friends. Employees want jobs that allow flexibility and provide time for a "life."

Improving Ethical Behavior

In an organizational world characterized by restrained, expectations of increasing worker productivity, and tough competition, many employees feel pressured to engage in questionable practices. Members of organizations are increasingly finding themselves facing ethical dilemmas in which they are required to define right and wrong conduct. Examples of decisions employees might have to make are:

1 "Blowing the whistle" on illegal activities

2 Following orders with which they do not personally agree

3 Possibly giving inflated performance evaluations that could save an employee's job

4 Playing politics to help with career advancement, etc.

Organizations are responding to this issue by:

1 Writing and distributing codes of ethics

2 Providing in-house advisors

3 Creating protection mechanisms for employees who reveal internal unethical practices

Managers need to create an ethically healthy environment for employees where they confront a minimal degree of ambiguity regarding right or wrong behaviors.

15.14 MODELS OF ORGANIZATIONAL BEHAVIOR

Autocratic Model

The autocratic model depends on power. Those who are in command must have the power to demand. "You do this-or else," meaning that an employee who does not

follow orders will be penalized. In an autocratic environment the managerial orientation is formal, official authority. This authority is delegated by right of command over the people to it applies.

Under autocratic environment the employee is obedience to a boss, not respect for a manager.

The psychological result for employees is dependence on their boss, whose power to hire, fire, and "perspire" they is almost absolute.

The boss pays minimum wages because minimum performance is given by employees. They are willing to give minimum performance-though sometimes reluctantly-because they must satisfy survival needs for themselves and their families. Some employees give higher performance because of internal achievement drives, because they personally like their boss, because the boss is "a natural-born leader," or because of some other factor; but most of them give only minimum performance.

The Custodial Model

Workers being managed under the autocratic model often feel insecurity and frustration. They may even show aggression towards their boss and their families and neighbors. That is why progressive managers felt that there must be some way to develop better employee relationships so that insecurity and frustration could be dispelled. A successful custodial approach depends on economic resources. The resulting managerial orientation is toward money to pay wages and benefits.

Since employees' physical needs are already reasonably met, the employer looks to security needs as a motivating force. If an organization does not have the wealth to provide pensions and pay other benefits, it cannot follow a custodial approach.

The custodial approach leads to employee dependence on the organization. Rather than being dependence on their boss for their weekly bread, employees now depend on organizations for their security and welfare. Employees working in a custodial environment become psychologically preoccupied with their economic rewards and benefits.

As a result of their treatment, they are well maintained and contended. However, contentment does not necessarily produce strong motivation; it may produce only passive cooperation. The result tends to be those employees do not perform much more effectively than under the old autocratic approach.

The Supportive Model

The supportive model depends on leadership instead of power or money. Through leadership, management provides a climate to help employees grow and accomplish in the interests of the organization the things of which they are capable. The basic idea behind this theory is that leadership motivates the people to work and not the power of money as in custodian model.

The leader assumes that workers are not by nature passive and resistant to organizational needs, but that they are made so by an inadequately supportive climate at work. They will take responsibility, develop a drive to contribute, and improve them if management will give them a chance. Management orientation, therefore, is to support the employee's job performance rather than to simply support employee benefit payments as in the custodial approach.

Since management supports employees in their work, the psychological result is a feeling of participation and task involvement in the organization. Employee may say

"we" instead of "they" when referring to their organization. Employees are more strongly motivated than by earlier models because of their status and recognition needs are better met. Thus they have awakened drives for work.

The Collegial Model

A useful extension of the supportive model is the collegial model. The term "collegial" relates to a body of people working together cooperatively.

The collegial model depends on management's building a feeling of partnership with employees. The result is that employees feel needed and useful. They feel that managers are contributing also, so it is easy to accept and respect their roles in their organization. Managers are seen as joint contributors rather than as bosses.

The managerial orientation is toward teamwork. Management is the coach that builds a better team. The employee's response to this situation is responsibility. For example employees produce quality work not because management tells them to do so or because the inspector will catch them if they do not, but because they feel inside themselves an obligation to provide others with high quality. They also feel an obligation to uphold quality standards that will bring credit to their jobs and company.

The psychological result of the collegial approach for the employee is self-discipline. Feeling responsible, employees discipline themselves for performance on the team in the same way that the members of a football team discipline themselves to training standards and the rules of the game. In this kind of environment employees normally feel some degree of fulfillment, worthwhile contribution, and self-actualization, even though the amount may be modest in some situation. This self-actualization will lead to moderate enthusiasm in performance.

The System Model

An emerging model of organization behavior is the system model. It is the result of a strong search for higher meaning at work by many of today's employees; they want more than just a paycheck and job security from their jobs. Since they are being asked to spend many hours of their day at work, they want a work context there that is ethical, infused with integrity and trust, and provide an opportunity to experience a growing sense of community among coworkers.

To accomplish this, managers must increasingly demonstrate a sense of caring and compassion, being sensitive to the needs of a diverse workforce with rapidly changing needs and complex personal and family needs. In response, many employees embrace the goal of organizational effectiveness, and reorganize the mutuality of company-employee obligations in a system viewpoint. They experience a sense of psychological ownership for the organization and its product and services.

They go beyond the self-discipline of the collegial approach until they reach a state of self-motivation, in which they take responsibility for their own goals and actions. As a result, the employee needs that are met are wide-ranging but often include the highest-order needs (e.g., social, status, esteem, autonomy, and self-actualization).

Because it provides employees an opportunity to meet these needs through their work as their work as well as understand the organization's perspectives, this new model can engender employees' passion and commitment to organizational goals. They are inspired; they feel important; they believe in the usefulness and viability of their system for the common good.

	Autocratic	Custodial	Supportive	Collegial
Basis of model	Power	Economic resources	Leadership	Partnership
Managerial Orientation	Authority	Money	Support	Team work
Employee Orientation	Obedience	Security and benefits	Job performance	Responsible behavior
Employee psychological result	Dependence on boss	Dependence on organization	Participation	Self-discipline
Employee needs met	Subsistence	Security	Status and recognition	Self-actualization
Performance result	Minimum	Passive cooperation	Awakened drives	Moderate enthusiasm

CASE STUDY

When most people hear "GILLETTE", one thing comes to mind—Razors. That's to be expected, since safety razors were invented by King C. Gillette in 1903, and the product in various forms has been the core of the company's business ever since. Few firms have dominated an industry so completely and for so long. Wet-razor shaving (as distinct from electric razors) is a $900 million market. Gillette's share is 62 percent, with the remainder divided among SCHICK—15 per cent, BIC—11 percent, WILKINSON sword—2 percent, and a number of private brands.

Gillette would like to achieve a similar position in the men's toiletries with a new line of products called the GILLETTE Series. However, its record that market is spotty at best.

One Gillette success, Right Guard Deodorant, was market leader in the 1960's. Right Guard was one of the first Aerosols, and it became a family product which was used both by men and women. However, the product has not changed although the deodorant market has become fragmented with the introduction of antiperspirants, various product forms and applicators, and many different scents. As a result, Gillette slipped to third position in deodorant sales behind P & G and Colgate—Palmolive.

An even more embarrassing situation is Gillette's foamy shaving cream, a natural fit with the razor business. S. C Johnson and Sons Edge Gel have supplanted that brand as the leading seller. These experiences created frustration at Gillette. Despite its preeminence in razors and blades, the company has been unable to sustain a leading position across the full range of toiletries.

Gillette is using its most recent success, the sensor razor, as a springboard for its new toiletries. The Sensor story provides the background necessary to understand the marketing of the Gillette Series, and also offers some insight into Gillette's marketing prowess.

Sensor- a high technology cartridge razor- was a gamble for Gillette because it ran counter to consumers' buying preferences. Disposable razors, which were produced by the French firm BIC in 1974, had gained control in nearly 80 % of the razor market by 1990. Gillette's analysis showed that disposables provide a worse shave than a cartridge blade, cost more to make than a blade and are sold at a lower profit margin. Despite its disdain for the product, competitive pressure forced Gillette to introduce its own disposable, Good News

As concern about the squeeze that disposables were putting on profit margins grew, Gillette began looking for a way to displace them. The company spent $ 300 million to develop a technology to significantly improve on the three attributes desired in shaving- closeness, comfort and safety. They came up with the Sensor, a razor with independently moving twin blades. The Sensor produces a superior shave, but it is also more expensive to produce than a disposable. So Gillette's gamble was that a better shave would be enough to justify a premium price, and in the process, displace the successful but not a very comfortable disposable razor. In addition to the R & D investment, Gillette spent $ 110 in the first year to advertise Sensor. The strategy paid off. Estimated 1992 sales for the brand was $ 390 million, and equally important, the share of the market held by the disposables has gone down to 42%.

Gillette then moved to capitalize on the success of Sensor. The company had a line of toiletries in development, and the decision was made to tie them closely to sensor. The line consists of 14 items:

1. two shaving gels for sensitive and regular skin

2. two shaving creams

3. two concentrated shaving gels

4. a clear gel anti- perspirant

5. a clear gel deodorant

6. an anti- perspirant stick

7. a deodorant stick

8. An after- shave gel

9. An after-shave lotion

10. An anti- perspirant aerosol and a deodorant body spray available only in Europe.

The products in the Gillette series were developed over a three year period at a cost of $ 75 million. They were tested on 70000 consumers. An indication of their newness is the fact that Gillette has 20 patents pending with them. Consideration had been given to introducing the line in 1992, but the introduction was cancelled by Gillette's CEO, Alfred Zeien. He insisted that the line not be launched until consumer tests showed that each of the 14 products was preferred to the best- performing brand in its category.

All the products have a common fragrance that Gillette calls Cool Wave. They come in silver and blue packages like the Sensor, and the black lines on the packages match the grooved sides of the Sensor Razor handle.

The items retail at $ 2.69 each, 10- 20 % higher than the prices of major competing items. As was the case with Sensor, Gillette hopes that the products' innovation will convince men to switch brands and pay the higher prices.

During the Gillette Series first year, the company spent $ 60 million on a joint advertising campaign with Sensor. Just like Sensor, the line was to introduce in January with ads on the Super Bowl. The campaign uses the same theme as Sensor. " The Best a man can get". Initial TV commercials were one minute in length. They started with 15 seconds on shaving gels, and cream, followed by 30 seconds on Sensor and 15 seconds on aftershaves. The deodorants are advertised separately.

The Gillette series faces two major problems:

- Convincing consumers that the line is actually better and the higher price justified will be more difficult than with SENSOR. With the razor, Gillette had name recognition as the dominant firm in the industry. In addition, the design differences the sensor were visible, and a consumer can directly enjoy a closer shave. With the toiletries, Gillette does not have a strong position in the consumers' minds, nor are the benefits provided by the products obvious. Furthermore, the men's toiletries market is extremely competitive. Powerful firms with proven marketing skills have taken a greater interest un this category. P & G has acquired Old Spice and Noxzema; Colgate owns Mennen, and Unilever purchased Brut. It's unlikely the rest of the firms in the market will sit back and ignore Gillette's activity.

- Gillette is tying, the new product line to the Sensor but using a different brand name. If consumers do not associate the Gillette Series with the innovativeness and success of Sensor, the new line may just be another brand in an already cluttered market.

According to a Gillette Vice President, one of the most compelling aspects of the Gillette series is its synergy with the company's core business—razors. If the new line is successful, Gillette anticipates adding other men's grooming products such as hair sprays and shampoos. The firm's CEO, Zeien says, " we're already the worldwide leader in blades, Will we be the world leader in other (toiletries) or not? That's our goal."

QUESTIONS:

1. How is the Gillette Series being positioned with respect to (a) competitors, (b) the target market, (c) the product class, (d) price and quality? What other positioning possibilities are there?

2. Is Gillette making the best use of the brand equity that has been created with Sensor?

3. What strategies do you propose to Gillette? Address the entire marketing mix.

15.15 SUMMARY:

- Organizational behaviour (OB) is a field of study that investigates the impact that individuals, groups, and structure have on behaviour within an organization, and then applies that knowledge to make organizations work more effectively.

- OB focuses on how to improve productivity, reduce absenteeism and turnover, and increase employee citizenship and job satisfaction. An organization consists of people and so it is also a social system.

- Organizations can be located in the public sector or the private sector, they can be unionized or not, they can be publicly traded or they can be privately held.

- Organizational behaviour (OB) is a field of study that investigates the impact that individuals, groups, and structure have on behaviour within an organi-

zation, and then applies that knowledge to make organizations work more effectively.

- Organizational Behaviour emphasizes on intellectual capital as represented by the sum total of knowledge, expertise, and dedication of an organization's workforce.

- Organization behavior has used the studies on comparative attitudes and cross-cultural transactions. Environment studies conducted by the field of anthropology aims to understand organizational human behavior so that acquisitions and mergers are smooth. Organizations are bound by its culture that is formed by human beings.

- Workforce diversity is one of the most important and broad-based challenges currently facing organizations.

- While globalization focuses on differences between people from different countries, workforce diversity addresses differences between people within a given country.

- Workforce diversity means that organizations are becoming more heterogeneous in terms of gender, race, and ethnicity.

- Total quality management (TQM) is a philosophy of management that is driven by the constant attainment of customer satisfaction through the continuous improvement of all organizational processes.

ANSWERS TO 'CHECK YOUR PROGRESS'

1. Organization is the consciously coordinated social unit, composed of a group of people, which functions of a relatively continuous basis to achieve a common goal or set of goals.

2. Organization behavior is a field of study that investigates the impact that individuals, groups, and structures have on behavior within an organization, and then applies that knowledge to make organizations work more effectively.

3. Elements of Organization Behaviour: People, Structure, Technology and Social System.

4. Workforce diversity means that organizations are becoming more heterogeneous in terms of gender, race and ethnicity.

5. Total quality management is the philosophy of management that is driven by the constant attainment of customer satisfaction through the continuous improvement of all organizational processes.

15.16 TEST YOURSELF

1) Explain the concept of Organisation. What are its features and significances?

2) What essential elements required for a sound or ideal and result-oriented organisation?

3) What do you mean by Organizational behavior?

4) Why study of Organizational Behavior is important?

5) Explain elements of Organizational Behavior.

6) What are the Contributing disciplines towards the development of Organizational Behavior?

7) What are the various challenges and opportunities for OB?

8) Explain models of Organizational Behavior.

15.17 REFERENCE

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15.18 FURTHER READING

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- Organization Behaviour-Stephen P. Robbins, Seema Sanghi-Pearson Education.

16 | Foundations of Individual Behaviour

Individual Behaviour

NOTES

The Chapter Covers :

16.2 Concept of Behaviour

16.3 Foundations of Individual Behaviour

16.4 Personality

16.5 Perception

16.6 Factors Influencing Perception

16.7 Characteristics of The Perceiver

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16.11 Motivating Employees In Organizations

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16.1 INTRODUCTION

Behaviour is what a person does. Behaviour is defined as the observable and measurable activity of human beings. This is known as overt behaviour. Activities that qualify under this categoty show great variation; these may be in the form of mental process like decision making, or in the form of physical process like handling a machine. There is another aspect of behaviour which is non-observable or measurable, known as covert behaviour like feelings, attitude formation- favourable or unfavourable, perception formation, etc. The covert behaviour is a significant part of the total behaviour because it shapes and influences overt behaviour. Thus understanding of the total behaviour is important.

FOUNDATIONS OF INDIVIDUAL BEHAVIOUR

Factors that affect an individual's behaviour may broadly be classified into two major categories:

1. Physiological, and
2. Socio-psychological
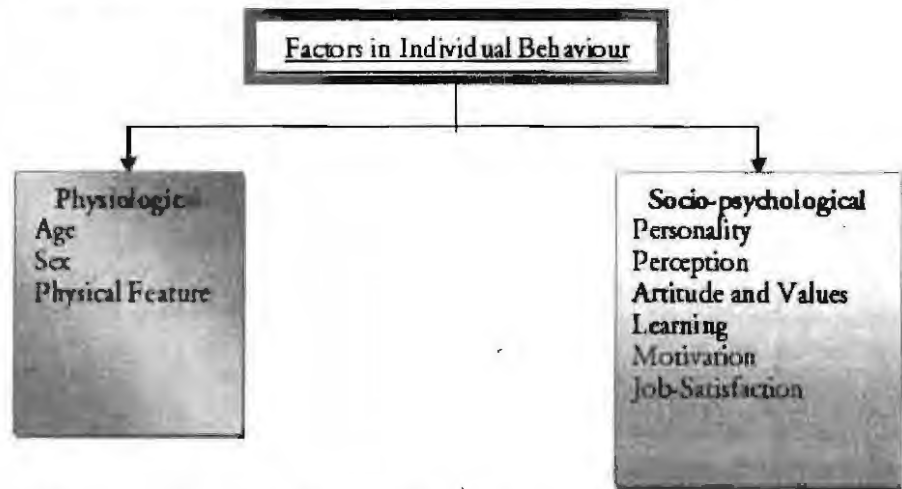
It may be mentioned that physiological factors are biological and, therefore, they cannot be learned. Socio-psychological factors can be developed by an individual over the period of time through learning and practice.

BIOGRAPHICAL CHARACTERISTICS

Human beings possess certain biological endowments which are vital to their behaviour. Various psychological characteristics of heredity, sensory organs, physical build-up, and nervous system determine the outcome of the behaviour. However, a person is not merely a conglomeration of organs, nerves, bones and brain but a much more complex.

- Age
- Gender
- Marital status
- Ability

Age: The importance of relationship between age and job performance is increasing. It is tempting to assume that age is also inversely related to absenteeism. In general, older employees have lower rates of avoidable absence. However, they have higher rates of unavoidable absence, probably due to their poorer health associated with aging and longer recovery periods when injured.

There is a widespread belief that productivity declines with age and that individual skills decay over time. Reviews of the research find that age and job performance are unrelated. This seems to be true for almost all types of jobs, professional and non-professional.

Gender: There are few, if any, important differences between men and women that will affect their job performance, including the areas of:

    a. Problem-solving

    b. Analytical skills

    c. Competitive drive

    d. Motivation

    e. Sociability

    f. Learning ability

There is no evidence indicating that an employee's gender affects job satisfaction. There is a difference between men and women in terms of preference for work schedules. Mothers of preschool children are more likely to prefer part-time work, flexible work schedules, and telecommuting in order to accommodate their family responsibilities. Women's quit rates are similar to men's. The research on absence consistently indicates that women have higher rates of absenteeism.

Marital Status: There are not enough studies to draw any conclusions about the effect of marital status on job productivity. Research consistently indicates that married employees have fewer absences, undergo fewer turnovers, and are more satisfied with their jobs than are their unmarried co-workers. More research needs to be done on the other statuses besides single or married, such as divorce, domestic partnering, etc.

Ability: We were not all created equal. Everyone has strengths and weaknesses in terms of ability in performing certain tasks or activities; the issue is about knowing how people differ in abilities and using that knowledge to increase performance. Ability refers to an individual's capacity to perform the various tasks in a job. It is a current assessment of what one can do. Individual overall abilities are made up of two sets of factors: intellectual and physical.

- **Intellectual Abilities:** Intellectual abilities are those needed to perform mental activities. IQ tests are designed to ascertain one's general intellectual abilities. Examples of such tests are popular college admission tests such as the SAT, GMAT, and LSAT. The seven most frequently cited dimensions making up intellectual abilities are: number aptitude, verbal comprehension, perceptual speed, inductive reasoning, deductive reasoning, spatial visualization, and memory.

  Jobs differ in the demands they place on incumbents to use their intellectual abilities. For example, the more information-processing demands that exist in a job, the more general intelligence and verbal abilities will be necessary to perform the job successfully. A careful review of the evidence demonstrates that tests that assess verbal, numerical, spatial, and perceptual abilities are valid predictors of job proficiency at all levels of jobs. New research in this area focuses on "multiple intelligences," which breaks down intelligence into its four sub-parts: cognitive, social, emotional, and cultural.

- **Physical Abilities:** Specific physical abilities gain importance in doing less skilled and more standardized jobs. Research has identified nine basic abilities involved in the performance of physical tasks. Individuals differ in the extent to which they have each of these abilities. High employee performance is likely to be achieved when management matches the extent to which a job requires each of the nine abilities and the employees' abilities.

The Ability-Job Fit: Employee performance is enhanced when there is a high ability-job fit. The specific intellectual or physical abilities required depend on the ability requirements of the job. For example, pilots need strong spatial-visualization abilities. Directing attention at only the employee's abilities, or only the ability requirements of the job, ignores the fact that employee performance depends on the interaction of the two.

When the fit is poor, employees are likely to fail. When the ability-job fit is out of sync because the employee has abilities that far exceed the requirements of the job, performance is likely to be adequate, but there will be organizational inefficiencies and possible declines in employee satisfaction. Abilities significantly above those required can also reduce the employee's job satisfaction when the employee's desire to use his or her abilities is particularly strong and is frustrated by the limitations of the job.

16.4 PERSONALITY

Personality factors are extremely important in organisational setting. While perception, learning, motivation, etc, deal with some specific aspects of human behaviour, personality takes the whole man concept because it affects the various psychological processes.

The term personality is the role which the person (actor) displays in the public domain at large. Personality is a dynamic concept describing the growth and development of a person's whole psychological system-it looks at some aggregate whole that is greater than the sum of the parts. For psychologists, personality includes:

i) Eternal appearances and behaviour

ii) The inner awareness of self as a permanent organizing force, and

iii) The particular organization of measurable traits, both inner and outer.

Concept of Personality:

The term personality has been derived from Latin word 'personare', which means 'to speak through'. Thus personality is used in terms of influencing others through external appearance. Personality is an internalized system which includes all those aspects of a person that are inherited as well as those that are learned. Personality can be defined as a dynamic and organized set of characteristics possessed by a person that uniquely influences his or her cognitions, motivations, arid behaviours in various situations.

According to Gordon Allport, "Personality is the dynamic organization within the individual of those psychophysical systems that determine his unique adjustments to his environment."

According to Schiffman & Kanuk, "Personality can be defined as those inner psychological characteristics that both determine and reflect how a person responds to his or her environment."

According to Cattell (1965) 'that which permits a prediction of what a person will do in a given situation.'

J.B Kolasa (1978) defines personality as - "Personality is a broad, amorphous designation relating to fundamental approaches of persons to others and themselves. To most psychologists and students of behaviour, this term refers to the study of the characteristic traits of an individual, relationships between these traits and the way in which a person adjusts to other people and situations".

According to Gluck (1968) - "Personality is a pattern of stable states and characteristics of a person that influences his or her behaviour toward goal achievement. Each person has unique ways of protecting these states".

James D Thompson and Donald Van Houten (1967) define personality as -"a very diverse and complex psychological concept. The word 'personality' may mean something like outgoing, invigorating interpersonal abilities ... but we must also recognize and explain the fact that development results in man acquiring a distinctiveness or uniqueness which gives him identity that enables him and us to recognize him as apart from others. These distinguishing characteristics are summarized by the term 'personality'.

From the above definitions we can say that personality is a very diverse and complex psychological concept. It is concerned with external appearance and behaviour, self, measurable traits, and situational interactions.

Nature of Personality:

Personality has some characteristics which are observed in the behaviour of employees. These are as follows:

1) **Personality Traits:** Personality is the sum of different traits of a person. It is the composition of physical appearance, emotional attributes, sociability,

objectivity, friendliness, thoughtfulness and so on. Personality is character-ized by major trait dimensions such as restraint, emotional stability, objec-tivity, personal relations, etc.

2) **Personality reflects individual differences:** Many individuals tend to be simi-lar in terms of single personality characteristics. Many people can be de-scribed as high in sociability while others can be described as low in socia-bility. Personality is a useful concept because it enables us to categorize consumers into different groups on the basis single trait.

3) **Personality can change:** Personality can change under certain circumsrances. An individual personality may be altered by major life events such as the birth of a child, the death of a loved one, a divorce, or a major career promotion.

4) **Personality is consistent and enduring:** The stable nature of personality such as that it is unreasonable for marketers to attempt to change consumer's personalities to confirm to certain products. Personality characteristics influ-ence consumer responses and attempt to obtain to relevant traits inherent in their target group of consumers.

Importance of personality

A consideration of personality differences of focal persons is important for following three reasons:

1) Many people arouse hostility and aggression in their associates while some others invoke sympathy and supportive responses because of their personality features/ traits. In the same way, some people encourage while others dis-courage free and open communication in view of their personality traits as perceived by their subordinates and associates.

2) Personality characteristics tend to produce different emotional reactions to stress. Some people tolerate severely stressful situations while others are over-whelmed with tensions under similar circumstances.

3) Individual personality leads to individual differences in styles of coping with stress.

Factors affecting personality:

The factors affecting personality development are illustrated below:

1) **Heredity:** The relationship of heredity with personality is a well-accepted fact. Traits like physique, eye color, hair color, height, temperament, energy level, intelligence, reflexes, etc. are generally referred to describe the influence of heredity in developing personality. The heredity approach argues that the ultimate explanation of an individual's personality is the molecular structure of the genes, located in the chromosomes. Robbins (2003) has argued that the three different streams of research lend some credibility to the argument that heredity plays an important part in determining an individual's person-ality. The first looks at the genetic underpinnings of human behavior and temperament among young children. The second addresses the study of twins who were separated at birth and the third examines the consistency in job satisfaction over time and across situations.

2) **Environment:** Environment comprises of culture, family, social and situ-ational factors. The environmental factors influence personality of an indi-vidual since they provide the basis of certain experiences: which determine the individual's view about life, both positive and negative.

3) **Culture:** Culture establishes norms, attitudes and values that are passed on from generation to generation and create consistencies over time. Every cul-ture expects and trains its members to behave in the ways that are acceptable to the group. People from different cultural groups have different attitudes

towards independence, aggression, competition, cooperation, artistic talent, etc. However, on the basis of culture, an individual's personality cannot be always assessed, since individuals within the same culture (but from different family and sub-cultural background) have been seen to differ in their behaviour. To a marked degree, the child's cultural group defines the range of experiences and situations he is likely to encounter and the values and personality characteristics that will be reinforced and hence learned." Culture requires both conformity and acceptance from its members.

4) **Family:** One of the most important determinants of the personality of a person is the immediate family. Families influence the behaviour of a person especially in the early stages of life. The nature of such influence will depend upon the socio-economic level of the family, family size, race, religion, parent's educational level and geographic location.

The parents play an especially important part in the identification process, which is important to the person's early development. According to Mischel, the process can be examined from three different perspectives.

i. Identification can be viewed as the similarity of behaviour including feelings and attitudes between child and model, the parents being the first model.

ii. Identification can be looked at as the child's motives or desires to be like the model.

iii. It can be viewed as the process through which the child actually takes on the attributes of the model.

From all three perspectives, the identification process is fundamental to the understanding of personality development.

5) **Situation:** Situational factors also play a crucial role in determining the personality of a person. Every individual goes through different type of experiences and events in his/her life. Some of the events and experiences, which an individual goes through in his/her life, can serve as important determinants of his/her personality. A trauma suffered by a person in the childhood can sometime change the structure of his/her own personality.

6) **Social Factors:** There is increasing recognition given to the role of other relevant persons, groups and especially organizations, which greatly influence an individual's personality. This is commonly called the socialization process. Socialization involves the process by which a person acquires, from the enormously wide range of behavioral potentialities that are open to him or her, those that are ultimately synthesized and absorbed. Socialization starts with the initial contact between a mother and her new infant. After infancy, ether members of the immediate family - father, brothers, sisters and close relatives or friends, then the social group: peers, school friends and members of the work group - play influential roles.

Theories of Personality

Psychoanalytic Theory / Freudian Theory: Psychoanalytic theory is based on belief that man is motivated more by unseen forces than he is controlled by conscious and rational thought. Freud, the father of psychoanalytic theory, proposed that every individual's personality is the product of a struggle among three interacting forces - the id, the ego and the super ego.

1) **The ID:** The id is the source of psychic energy and seeks immediate gratification for biological or instinctual needs. Freud believed that instinct could be classified under life instincts and death instincts. Example of life instincts are hunger thrust and sex. The energy involved in their activity is the libido. The id operates on what is called the **pleasure principle** i.e. it acts to avoid tension and seeks immediate pleasure.

2) **The Ego:** The Ego is the conscious and logical part of human personality and it is associated with the loyalty principle. The ID represents the unconscious part on the other hand, ego is the conscious part. It operates on what is called the reality principle, which is capable of postponing the release of tension until that time when it will be effectively directed at coping up with external environment. Out of the functioning of the id and ego, many conflicting situation arises because id wants immediate pleasure, while ego dictates denial or postponement to more appropriate time and place. In order to dissolve a conflict the ego gets support from the super ego.

3) **The super ego:** The super ego represents social and personal norms and serves as an ethical constraint on behaviour. The super ego provides norms to ego to determine what is wrong and what is right.

The psychoanalytic theory of Freud is based on the theoretical conception, rather than a measurable item for scientific variation. This theory is not very relevant from behavioural science point of view because it does not give a total picture of behaviour emerging from the personality.

Socio-psychological Theory / Non Freudian Personality Theory: Socio-psychological personality theory recognizes the interdependence of the individual and society. The individual attempts to meet the needs of the society, while society helps the individual to attain his goal.

Socio-psychological theory differs from psychoanalytic in two respects. First, social variables, and not the biological instincts, are the important determinants in shaping personality. Second, behavioural motivation is conscious; man knows his needs and wants, and his behaviour is directed to meet these needs.

The theorists accept that socio-psychological factors determine personality; however there is no general agreement as to the relative importance of social variables. For Example: Fromm emphasised the importance of social context, while Sullivian and Horney stressed interpersonal behaviour, and Alder employed different variables. Horney's model suggests that human behaviour results from three predominant interpersonal orientations- complaint, aggressive, and detached.

1. Complaint people are dependent on other people and move towards others.

2. Aggressive are motivated by the need for power and move toward others.

3. Detached people are self- sufficient and move away from others.

Socio-psychological theory offers, to a very great extent, the answer to the problems of emergence of personality, particularly in terms of the influence of social factors in shaping personality. The managers in the organisations can take clue from this theory in shaping the behaviour of their employees.

Trait Theory: A trait theory is defined as "any distinguishing, relatively enduring way in which one individual differs from another". Trait factor theory presents a quantitative approach to the study of personality. Trair theorists advocated that personality tests will indicate the individual differences in terms of specific traits. There are basically three assumption of this theory:

1. Traits are common to many individuals and vary in absolute amounts between individuals.

2. Traits are relatively stable and exert fairly universal effects on behaviour. Thus, a consistent functioning of personality variables is predictive of a wide variety of behaviours.

3. Traits can be inferred from the measurement of behavioural indicators.

This theory is based on the personality research. In this research, typical study attempts to find a relationship between set of personality variables and assorted behaviour. This contributes personality tests to the behavioural science. However, this theory is very descriptive rather than analytical and is a long way from being comprehensive theory of personality.

Self Theory: The psychoanalytic, socio-psychological, and trait theories of personality represent the more traditional approaches to explaining the complex human personality. Self- theory, also termed as organismic or field theory, emphasises the totality and interrelatedness of all behaviours. This theory treats the organism as a whole to a greater degree than do any of the other theoretical formulations. The Carl Roger's self theory of personality is very relevant in organisation behaviour. He defines the self concept as organised consistent, conceptual, gestalt composed of perceptions of the "I' or "me" and the perceptions of the relationships of the "I" or "me" to others and to various aspects of life, together with the values attached to these perceptions. There are four factors in self concept, these are as follows:

1. **Self-image:** The self-image is the way one sees one-self. Every person has certain beliefs about who or what he is; taken together, these beliefs are a person's self-image or identity.

2. **Ideal-self:** The ideal-self denotes the way one would like to be. The ideal self is different from self-image in the fact that the self- image indicates the reality of the person as perceived by him, while ideal-self indicates the ideal position as perceived by him.

3. **Looking glass-self:** The looking glass-self is the perception of the person about how others perceive his qualities and characteristics. This is the perception of others perception. In simple words, the way one thinks people perceive about him and not the way people actually see him.

4. **Real-self:** The real self is what one really is. The first three aspects of the self-concept are the functions of the individual perception and they may be same as real-self or different from it.

LEARNING

Introduction:

Learning is a continuous process. It occurs all the time. Learning is a relatively change in behaviour that occurs as a result of experience. We can say that changes in the behaviour indicate that learning has taken place and that learning is a change in behaviour. Learning may be defined as a relatively permanent change in behaviour as a result of prior experiences.

Definition:

According to E.R. Hilgard, "Learning is a relatively permanent change in behaviour that occurs as a result of prior experience." It can be said that change in behaviour indicates that learning has taken place and that learning is a change in behaviour.

According to W. McGehee, "Learning has taken place if an individual behaves reacts; respond as a result of experience in a manner different from the way he formerly behaved."

Characteristics of learning:

1) **Strength of learning:** What is required to bring about a strong and long-lasting learned response? Advertisements of most brands hammer into the customer the benefits and qualities of their respective brands so that the customer does not forget them. The strength of learning is heavily influenced by four factors: importance, reinforcement, repetition and imagery.

   1. **Importance** refers to the value that the consumer places on the information to be learned.

   2. **Reinforcement** is anything, which increases the likelihood that a given response will be repeated in the future.

   3. **Repetition** increases the strength and speed of learning. Very simply, the more times we are exposed to information, or practice a certain kind of behaviour, the more likely we are to learn it.

4. Imagery refers to the images created by words. These words may either be a brand name or a corporate name.

2) **Extinction:** Marketers basically want consumers to learn and remember positive features, feelings and behaviours associated with their brands. However, extinction or forgetting as it is more commonly termed occurs when the reinforcement for the learned response is withdrawn. For instance, if the advertisements for a particular brand are withdrawn for a considerable period of time, both from the print and the electronic media, the probability of the brand being forgotten by the consumers is very high.

3) **Stimulus Generalization:** Stimulus generalization, often referred to as the rub-off effect occurs when a response to one stimulus is elicited by a similar but distinct stimulus. Thus, a consumer who has learnt over repeated use the surf detergent is effective and washes the best will assume that their surf excel will also be very effective. Thus, the consumer has engaged in stimulus generalization.

4) **Stimulus Discrimination:** Stimulus discrimination refers to the process of learning to respond differently to somewhat similar stimuli.

5) **Response Environment:** It appears that consumers generally learn more information than they are able to retrieve. That is, we frequently have relevant information stored in memory that we cannot access when desired. One factor that influences our ability to retrieve stored information is the strength of the original learning. The stronger the original learning the more likely relevant information will be retrieved when required.

Principal Elements of Learning:

Consumers learn in several ways. Primarily, there are four elements of learning:

1. **Motive:** Motives arouse individuals, thereby increasing their readiness to respond. This arousal function is essential, since it activates the energy needed to engage in learning activity. In addition, any success at achieving the motivating goal, or avoiding some unpleasant situation, tends to reduce arousal. Because this is reinforcing, such activity will have a greater tendency to occur again in similar situations. Thus, marketers strive to have their brand or its name available when relevant consumer motives are aroused because it is expected that consumers will learn a connection between the product and motive.

2. **Cues:** A cue may be viewed as a weak stimulus not strong enough to arouse Consumers, but capable of providing direction to motivated activity. That is, it influences the manner in which consumers respond to a motive. The shopping environment is packed with cues, such as promotions and product colours, which consumers can use to choose between various response options in a learning situation. For example, when we are hungry we are guided by certain cues, such as restaurant signs and the aroma of food cooking, because we have learned that these stimuli are associated with food preparation and consumption.

3. **Response:** A response may be viewed as a mental or physical activity the consumer makes in reaction to a stimulus situation. Responses appropriate to a particular situation are learned over time through experience in facing that situation. The occurrence of a response is not always observable. Therefore, it must again be emphasized that our inability to observe responses does not necessarily mean that learning is not taking place.

4. **Reinforcement:** The most widely acceptable view of reinforcement is anything that follows a response and increases the tendency for the response to reoccur in a similar situation. Because reinforced behaviour tends to be repeated. Consumers can learn to develop successful means of responding to their needs of changing conditions.

Theories of Learning:

When we act, we learn. Learning induces changes in our behaviour arising from experience. Most human behaviour is learned, although much learning is incidental. Learning theorists believe that learning is produced through the interplay of drives (motives), stimuli, cues, responses, and reinforcement. Two popular approaches to learning are classical conditioning and operant conditioning.

Learning theory teaches marketers that they can build demand for a product by associating it with strong drives, using motivating cues, and providing positive reinforcement. A new company can enter the market by appealing to the same drives that competitors use and by providing similar cues, because buyers are more likely to transfer loyalty to similar brands (generalization); or the company might design its brand to appeal to the different set of drives and offer strong cue inducements to switch (discrimination).

1. Classical conditioning:

Classical Conditioning is a type of conditioning in which an individual responds to some stimulus that would not ordinarily produce such a response. Classical conditioning has some important implications to understand human behaviour. Since higher-order conditioning for learning by human-beings is important, its implication must be recognized. Another implication of higher-order conditioning is that reinforcement can be acquired. A conditioned stimulus becomes reinforcing under higher-order conditioning.

Classical conditioning is passive. Something happens and we react in a specific way. It is voluntary rather than reflexive. For example, employees choose to arrive at work on time, ask their boss for help with problems, or "good off" when no one is watching. The learning of those behaviours is better understood by looking at operant conditioning.

Pavlov's early work on dogs was known as classical conditioning. Pavlov discovered that when dogs were fed meat powder they salivated. Pavlov then discovered that if a bell were rung before the dogs were fed, the dogs would begin salivating in anticipation of being fed (this was efficient, since they could then begin digesting the meat powder immediately). Pavlov then found that after the meat had been "paired" with the meat powder enough times, Pavlov could ring the bell without feeding the dogs and they would still salivate.

In the jargon of classical conditioning, the meat powder was an unconditioned stimulus (US) and the salivation was, when preceded by the meat powder, an unconditioned response (UR). That is, it is a biologically "hard-wired" response to salivate when you are fed. By pairing the bell with the unconditioned stimulus, the bell became a conditioned stimulus (CS) and salivation in response to the bell (with no meat powder) became a conditioned response (CR).

Many modern day advertisers use classical conditioning in some way. Consider this sequence:
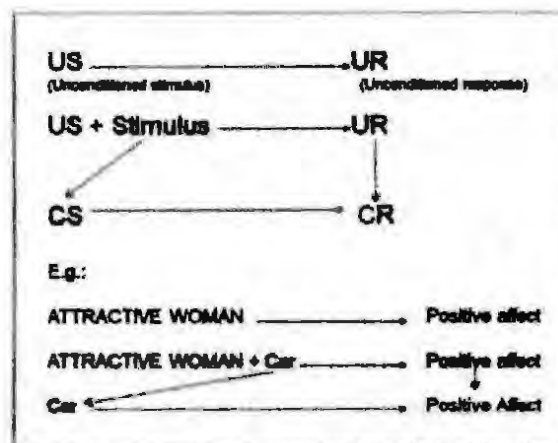
2) Operant Conditioning:

Operant Conditioning is a type of conditioning in which desired voluntary behaviour leads to a reward or prevents a punishment. People learn to behave to get something they want or to avoid something they don't want. Operant behaviour means voluntary or learned behaviour in contrast to reflexive or unlearned behaviour. The tendency to repeat such behaviour is influenced by the reinforcement or lack of reinforcement brought about by the consequences of the behaviour. Reinforcement, therefore, strengthens behaviour and increases the likelihood that it will be repeated.

Instrumental, or operant, conditioning, involves a different series of events, and this what we usually think of as learning. The general pattern is:

There are three major forms of operant learning. In *positive reinforcement*, an individual does something and is rewarded. He or she is then more likely to repeat the behavior. For example, you eat a candy bar (behavior), it tastes good (consequence), and you are thus more likely to eat a similar candy bar in the future (behavioral change).
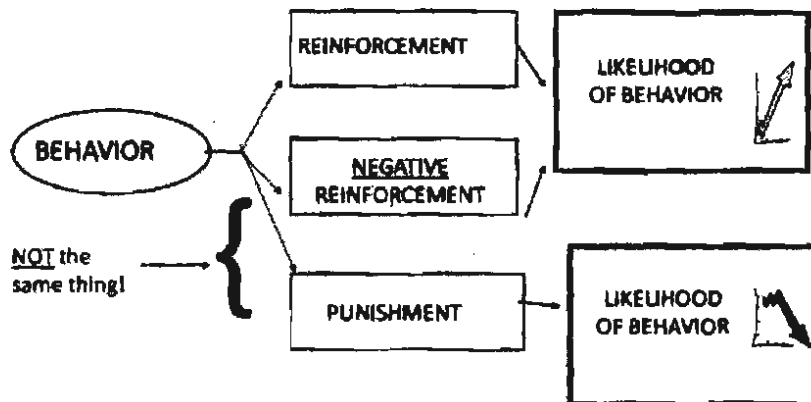
Punishment is the opposite. You eat what looks like a piece of candy (behavior), only to discover that it is a piece of soap with a foul taste (consequences), and subsequently you are less likely to ear anything that looks remotely like that thing ever again (changed behavior).

It should be noted that *negative reinforcement* is very different from punishment. An example of negative reinforcement is an obnoxious sales person who calls you up on the phone, pressuring you into buying something you don't want to do (aversive stimulus). You eventually agree to buy it (changed behavior), and the sales person leaves you alone (the aversive stimulus is terminated as a result of consequences of your behavior).

The Harvard psychologist B.F. Skinner did research for operant conditioning. Skinner argued that creating pleasing consequences to follow specific forms of behaviour would increase the frequency of that behaviour. People will most likely engage in desired behaviours if they are positively reinforced for doing so. Rewards are most effective if they immediately follow the desired response. In addition, behaviour that is not rewarded, or is punished, is less likely to be repeated. A simple example of the operant behaviour is the application of brake by a vehicle driver to avoid accident. Here, the possibility of accident without application of brake is stimulus situation, application of brake is the behaviour and avoidance of accident is the consequence of behaviour. Through this process, human beings learn what behaviours will be rewarding and they engage in those behaviours.

The major differences between classical and operant conditioning can be summarized as follows:

Classical conditioning	Operant conditioning
Conditioning element is stimulus.	Conditioning element is reward/punishment.
Conditioning is implemented before response.	Conditioning is implemented after response.
First we produce a stimulus and then we expect the desired behaviour.	First we get a behaviour pattern and then either by reward or by avoidance of punishment we reinforce that behaviour.

3) Cognitive Learning:

Instead of viewing learning as the development of connections between stimuli and responses, cognitive theorists stress the importance of perception, problem solving, and insight. This viewpoint contends that much learning occurs not as a result of trial and error or practice but through discovering meaningful patterns which enable us to solve problems. Cognitive learning involves learning ideas, concepts, attitudes, and facts that contribute to our ability to reason, solve problems and learn relationships without direct experience or reinforcement. Cognitive learning can range from very simple information acquisition to complex, creative problem solving.

Various forms of cognitive learning could be:

i) **Iconic Rote Learning:** It involves learning the association between two or more concepts in the absence of conditioning.

ii) **Vicarious Learning/Modelling:** It is another important way in which consumer learning takes place. It is not necessary for consumers to directly experience a reward to learn. Instead, the consumer can observe the behavior of other and adjust that of his accordingly. Likewise, he may also use imagery to anticipate the outcome of various courses of action.

iii) **Reasoning:** It represents the most complex form of cognitive learning. In reasoning, individuals engage in creative thinking to restructure and recombine existing information as well as new information to form new associations and concepts.

4) Social Learning Theory :

People can learn through observation and direct experience. Much of what we have learned comes from watching models-presents, teachers, peers, motion picture and television performers, bosses and so forth.

Social-learning theory is an extension of operant conditioning-that is. It assumes that behaviour is a function of consequences it also acknowledges the existence of observational learning and the importance of perception in learning. Four processes to determine the influence that a model will have on an individual are:

i) <u>Attention processes</u>: People learn from a model only when they recognize and pay attention to its critical features. We tend to be most influenced by models that are attractive, repeatedly available, important to us, or similar to us in our estimation.

ii) <u>Retention processes</u>: A model's influence will depend on how well the individual remembers the model's action after the model is no longer readily available.

iii) <u>Motor Reproduction processes</u>: After a person has seen a new behaviour by observing the model, the watching must be converted into doing. This process then demonstrates that the individual can perform the modelled activities.

iv) <u>Reinforcement processes</u>: Individuals will be motivated to exhibit the modelled behaviour if positive incentives or rewards are provided. Behaviours that are positively reinforced will be given more attention, learned better, and performed more often.

"We don't see things as they are; we see things as we are." Perception can be defined as a process by which individuals select, organize and interpret their sensory impressions, so as to give meaning to their environment. Perception is a complex process and differs from person to person. People's behaviour is influenced by their perception of reality, rather than the actual reality.

"Perception is the process of receiving information and making sense of the world around us. It involves deciding which information to notice, how to categorize this information and how to interpret it within the framework of existing knowledge."

Kolasa defines perception as the

"Selection and organization of material which stems from the outside environment at one time or the other to provide the meaningful entity we experience."

According to S.P. Robbins, *"Perception may be defined as a process by which individuals organize and interpret their sensory impressions in order to give meaning to their environment."*

According to Joseph Reitz, *"Perception includes all those processes by which an individual receives information about his environment – seeing, hearing, feeling, tasting and smelling."*

Features of perception

Following are the some feature of perception, which are as under:

- Perception is a mental process, whereby an individual selects data or information from the environment, organizes it and draws significance or meaning from it.

- Perception is basically a cognitive or thinking process and an individual's activities, emotions, feelings etc. are based on his perception.

- Perception being an intellectual and cognitive process will be subjective in nature. This means that differenr people may perceive the same environment differently based on the effect of the environment.
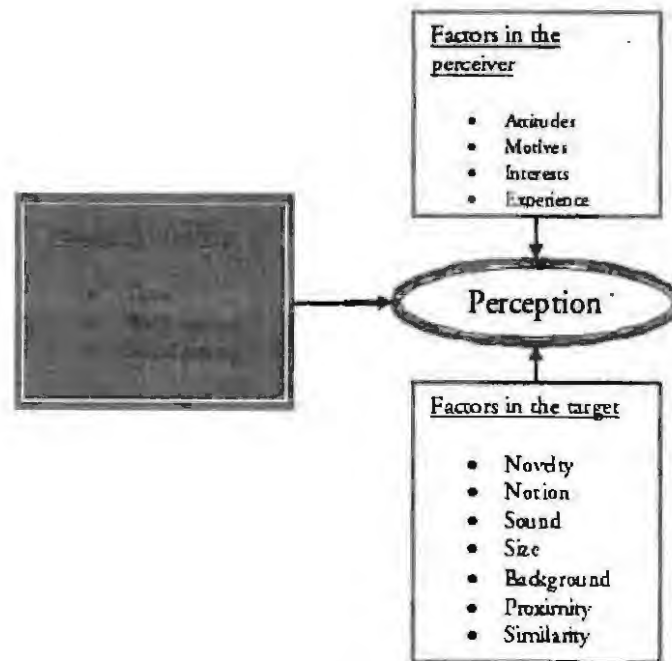
Perception involves **five** sub processes. They are stimulus, registration, interpretation, feedback and consequence.

1. Perception initiates with the presence of a stimulus situation. In organizational settings the superior forms the stimulus situation for the subordinate's perceptual process.

2. Registration involves the physiological mechanism including both sensory and neural. Obviously, an individual's physiological ability to hear and see influence his perception.

3. Interpretation is a highly crucial sub-process. Other psychological processes assist in perceptual interpretation. For instance, in work settings, his motivation, personality and learning process determines an individual's interpretation of a stimulus situation.

4. Feedback is important for interpreting the perceptual event data. In work settings, the psychological feedback that is likely to affect a subordinate's perception may be in the form of a variation in the behaviour of superior.

5. Perception ends in reaction or response, which may be in the overt or covert form. As a consequence of perception, an individual responds to work demands. These sub- processes indicate the complexity of perception.

16.6 FACTORS INFLUENCING PERCEPTION

A number of factors operate to shape and sometimes distort perception. These factors can reside in the *perceiver*, in the object or *target* being perceived or in the context of the *situation* in which the perception is made.

Factors in the perceiver
- Attitudes
- Motives
- Interests
- Experience

Perception

Factors in the target
- Novelty
- Notion
- Sound
- Size
- Background
- Proximity
- Similarity

The Perceiver : When an individual looks at a target and attempts to interpret what he or she sees, the interpretation is heavily influenced by personal characteristics of the individual perceiver. Among the more relevant personal characteristics affecting perception are attitudes, motives, interests, past experiences and expectations.

The Target : The characteristics of the target being observed can effect the perception. Loud people are more likely to be noticed than the quiet ones. There are extremely attractive and unattractive individuals. Motion, Sounds, Size and other attributes of a target shape the way we see it.

The Situation : The context in which we see the objects or events is important. Elements in the surrounding environment influence our perception. One may not notice a 25 year old female in an evening gown and heavy makeup; yet the same woman, attired for management class would certainly catch attention.

PERCEPTUAL PROCESS

Perception is the process which involves seeing, receiving, selecting, organizing, interpreting and giving meaning to the environment. This meaning is built on past experiences and accumulated values. The process involves input-throughput-output. There are various stimuli which act on a person which are cognitively processed by an individual and ultimately result in behaviour or action.
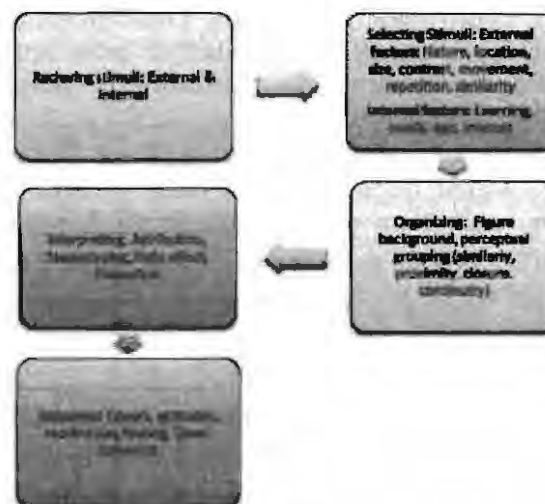
1. **Stimuli:** The process of perception starts with a stimuli. Through our sensory organs we receive various stimuli. Stimuli take five forms we see things, we hear sounds, we smell, we taste and we touch things

2. **Selection:** Individuals are bombarded with enormous stimuli which are selectively accepted by them. They tend to pay attention to only these constitute of their environment which are consistent with or which reinforce their own expectations. The selection is not random, but depends on internal and external factors. Internal factors relate to personal profile, age, sex, interest etc. External factors which lead to selective selection are intensity of stimuli, its size, colour, movement, repetition and so on.

3. **Organization:** Stimuli are organized to give some meaning to them. There are three ways by which the selected stimuli's are organized. These ways are grouping, closure, and simplification. Grouping is based on similarity and proximity of various perceived stimuli. Closure is used to fill the gaps in incomplete information to make them more meaningful. Simplification is used to make the information more meaningful and understandable. It can be said that, this is the process of placing selected perceptual stimuli into a framework for "storage".

4. **Interpretation:** The information collected and organized remains useless, until some meaning is attached to it. Interpretation is the most important element of the entire perceptual process. The information collected and organized makes no sense without interpretation. Interpretation is basically assigning meaning.

5. **Response:** It is last element in the perceptual process. It is the end result of entire perceptual process. The action may be positive or negative. Action may also be overt or covert. An overt action is easily visible and covert action relates to change in attitudes, opinions, feelings, impressions etc.

Frequently used shortcuts in judging others

1. **Selective perception:** People selectively interpret what they see on the basis of their interests, background, experience and attitudes. You are more likely to notice cars like your own or why some people may be reprimanded by their boss for doing something that, when done by another employee, goes unnoticed. Since we can't observe everything going on about us, we engage in selective perception.

   A group's perception of organizational activities is selectively altered to align with the vested interests they represent. In other words, when the stimuli are ambiguous, as in the steel company case, perception tends to be influenced more by an individual's base on interpretation (i.e., attitudes, interests and background) than by the stimulus itself.

   Selective perception allows us to "Speed-read" others, but not without the risk of drawing an inaccurate picture because we see what we want to see, we can draw unwarranted conclusions from an ambiguous situation. If there is a rumour going around the office that your company's sales are down and that large layoffs may be coming, a routine visit by a senior executive from headquarters might be interpreted as the first step in management's identification of people to be fired, when in reality such an action may be furthest thing from the mind of the senior executive.

2. **Halo Effect:** Drawing a general impression about an individual on the basis of a single characteristic. This phenomenon frequently occurs when students appraise their classroom instructor. Students may give prominence to a single trait such as enthusiasm and allow their entire evaluation to be tainted by how they judge the instructor on that one trait. Thus, an instructor may be quiet, assured, knowledgeable, and highly qualified, but if his style lacks zeal, those students would probably give him a low rating.

3. **Contrast Effects:** Evaluations of person's characteristics that are affected by comparisons with other people recently encountered who rank higher or lower on the same characteristics. An illustration of how contrast effects operate is an interview situation in which one sees a pool of job applications. Distortions in any given candidate's evaluation can occur as a result of his or her place in the interview schedule. The candidate is likely to receive a more favourable evaluation if preceded by mediocre applicants and less favourable evaluation if preceded by strong applicants.

4. **Projection:** Attributing one's own characteristics to other people. If you are honest and trustworthy, so you take it for granted that other people are equally honest and trustworthy. People who engage in projection tend to perceive others according to what they themselves are like rather than according to what the person being observed is really like. When observing others who actually are like them, these observes are quiet accurate; not because they perceptive but because they always judge people as being similar to themselves. So when they do find someone who is like them, they are naturally correct.

5. **Stereo Typing:** Judging someone on the basis of one's perception of the group to which that person belongs. It's less difficult to deal with an unmanageable number of stimuli if we use stereotypes. As an example, assume you're a sales manager looking to fill a sales position in your territory. You want to hire someone who is ambitious and hardworking and who can deal well with adversity. You've had good success in the past by hiring individuals who participated in athletics during college. So you focus your search by looking for candidates who participated in collegiate athletics. In so doing, you have cut down considerably on your search time. Furthermore, to the extent that athletes are ambitious, hardworking, and able to deal with adversity, the use of this stereotype can improve your decision making. The problem is when we inaccurately stereotype. All college athletes are not necessarily ambitious, hardworking or good at dealing with adversity. In organizations, we frequently hear comments that represent stereotypes based on gender, age, race, ethnicity, and even weight. "Women won't relocate for a promotion", "men are not interested in child care", "old workers can't learn new skills", "Asian immigrants are hardworking and conscientious", "overweight people lack discipline." From a perceptual standpoint, if people expect to see these stereotypes, that are what they will perceive, whether they are accurate or not.

16.7 CHARACTERISTICS OF THE PERCEIVER:

Several characteristics of the perceiver can affect perception. When an individual looks at a target and attempts to interpret what he or she stands: or, that interpretation is heavily influence by personal characteristics of the individual perceiver. The major characteristics of the perceiver influencing perception are:

a) **Attitudes:** The perceiver's attitudes affect perception. For example, suppose Mr. X is interviewing candidates for a very important position in his organization a position that requires negotiating contracts with suppliers, most of whom are male. Mr. X may feel that women are not capable of holding their own in tough negotiations. This attitude will doubtless affect his perceptions of the female candidates he interviews.

b) **Moods:** Moods can have a strong influence on the way we perceive someone. We think differently when we are happy. In addition, we remember information that is consistent with our mood state better than information that is inconsistent with our mood state. When in a positive mood, we form more positive impressions of others. When in a negative mood, we tend to evaluate others unfavorably.

c) **Motives:** Unsatisfied needs or motives stimulate individuals and may exert a strong influence on their perceptions. For example, in an organizational context, a boss who is insecure perceives a subordinate's efforts to do an

outstanding job as a threat to his or her own position. Personal insecurity can be translated into the perception that others are out to "get my job", regardless of the intention of the subordinates.

d) **Self-Concept:** Another factor that can affect social perception is the perceivers' self-concept. An individual with a positive self-concept tends to notice positive attributes in another person. In contrast, a negative self-concept can lead a perceiver to pick out negative traits in another person. Greater understanding of self allows us to have more accurate perceptions of others.

e) **Interest:** The focus of our attention appears to be influenced by our interests. Because our individual interests differ considerably, what one person notices in a situation can differ from what others perceive. For example, the supervisor who has just been reprimanded by his boss for coming late is more likely to notice his colleagues coming late tomorrow than he did last week. If you are preoccupied with a personal problem, you may find it hard to be attentive in class.

f) **Cognitive Structure:** Cognitive structure, an individual's pattern of thinking, also affects perception. Some people have a tendency to perceive physical traits, such as height, weight, and appearance, more readily. Others tend to focus more on central traits, or personality dispositions. Cognitive complexity allows a person to perceive multiple characteristics of another person rather than attending to just a few traits.

g) **Expectations:** Finally, expectations can distort your perceptions in that you will see what you expect to see.

16.8 VALUES AND ATTITUDES

VALUES:

Value is an enduring belief that a specific mode of conducts or end state of existence is Personally and socially preferable to the alternative modes of conduct or end states of existence. Once it is internalized, it becomes consciously or unconsciously, a standard or criterion for guiding action, for developing and maintaining attitudes toward relevant objects and situation, for justifying one's own and others actions and attitudes for morally judging oneself and others, and for comparing oneself with others. Value, therefore, is a standard or yardstick to guide actions, attitudes, evaluations and justifications of the self and others.

Values are tinged with moral flavor, involving an individual's judgment of what is right, good or desirable. Thus values:

- Provide standards of competence and morality.
- Are fewer in number than attitudes.
- Transcend specific objects, situations or persons.
- Are relatively permanent and resistant to change, and
- Are more central to the core of a person.

Individuals learn values as they grow and mature. They may change over the life span of an individual, as they develop a sense of self cultures, societies, and organizations shape values. Values are important to the study of organizational behavior because they lay the foundation for the understanding of attitudes and motivation and because they influence our perceptions.

1. Formation of Values

Values are learned and acquired primarily through experiences with people and institutions. Parents, for example, will have substantial influence on their children's values. A parent's reaction to everyday events demonstrates what is good and bad, acceptable and unacceptable and Important and unimportant. Values are also taught and reinforced in schools, religious organizations, and social groups. As we grow and develop, each source of influence contributes to our definition of what is important in life. Cultural morals have influence on the formation of values. Bas c convictions

of what is good or bad are derived from one's own culture.

2. Types of Values

All Port and his associates categorized values into six types.

1) Theoretical: Interested in the discovery of truth through reasoning and systematic thinking.

2) Economic: Interest in usefulness and practicality, including the accumulation of wealth.

3) Aesthetic: Interest in beauty, form and artistic harmony.

4) Social: Interest in people and love as a human relationship.

5) Political: Interest in graining power and influencing people.

6) Religious: Interest in unity and understanding the coi.mos as a whole.

3. Instrumental and Terminal Values

Rokeach distinguishes between two types of values: Instrumental and Terminal.

1) **Instrumental value** : Instrumental values reflect the means of achieving goals; that is, they represent the acceptable behavior to be used in achieving some end state. Instrumental values identified by Rokeach include ambition, honesty, self-sufficiency and courageousness.

Instrumental value refers to a single belief, which always takes the form: "I believe that such and such a mode of conduct (example honesty, courage, etc.) is Personnelly and socially preferable in all situations with respect to all objects." An instrumental value is a tool or means for acquiring a terminal value.

2) **Terminal Value** : Terminal values, in contrast, represent the goals to be achieved, or the end states of existence. Rokeach identified happiness, love, pleasure, self-respect, and freedom among the terminal values.

Terminal value takes a comparable form: I believe that such and such an end state of existence (example, salvation, or world at peace, etc.) are Personnelly and socially worth striving for." A terminal value is an ultimate goal in a desired status or outcome.

TERMINAL VALUE	INSTRUMENTAL VALUE
1. Comfortable life (a prosperous life)	1. Ambitious (hardworking)
2. An exciting life (a stimulating, active a spiring life)	2. Broad-minded (open-minded)
3. A sense of accomplishment (lasting contribution)	3. Capable (competent effective)
4. A world of peace (free of war and conflict)	4. Cheerful (light-heated, joyful)
5. A world of beauty (beauty of nature and the arts)	5. Clean (near, tidy)
6. Equality (brotherhood, equal opportunity for all)	6. Courageous (standing up for your beliefs)
7. Family security (taking care of loved ones)	7. Forgiving (willing to pardon others)
8. Freedom(independence, free choice)	8. Helpful (working for the welfare of others)
9. Happiness (contentedness)	9. Honest (sincere. truthful)
10.Inner harmony (freedom from inner conflict)	10. Imaginative (daring, creative)
11.Mature love (sexual and spiritual intimacy)	11. Independent (self-reliant, self-sufficient)
12.National security (protection from attack)	12. Intellectual (intelligent, reflective)
13.Pleasure (an enjoyable, leisurely life)	13. Logical (consistent, rational)
14.Salvation (saved, eternal life)	14. Loving (affectionate tender)

15. Self-respect (self-esteem)	15. Obedient (dutiful, respectful)
16. Social recognition (respect, admiration)	16. Polite (courteous, well mannered)
17. True friendship (close companionship)	17. Responsible (dependable, reliable)
	18. Self-controlled (restrained, self

Work Values: Work values are important because they affect how individuals behave on their jobs in terms of what is right and wrong. The work values most relevant to individuals are:

1) **Achievement:** Achievement is a concern for the advancement of one's career. This is shown in such behaviors as working hard and seeking opportunities to develop new skills.

2) **Honesty:** Honesty is, accurately providing information and refusing to mislead others for Personnel gain.

3) **Fairness:** Fairness emphasizes impartiality and recognizes different points of view.

Although individuals vary in their value systems, when they share similar values at work, the results are positive. This means that organizations recruiting job candidates should pay careful attention to an individual's values.

CONTEMPORARY ETHICAL ISSUES IN ORGANIZATIONS:

In contemporary organizations, people face ethical and moral dilemmas in many diverse areas. The key areas are:

i. **White-Collar Crime:** - Corporate criminal behaviors have resulted in big financial scandals. White-collar crime may occur in more subtle forms as well. Using work hours for conducting Personnel business, sending out Personnel mail using the company resources, inflating expenses, etc., is all practices some individuals would consider unethical. Whether the impact is large or small, white-collar crimes are important issues in organizations.

ii. **Employee Rights:** - Managing the rights of employees at work creates many ethical dilemmas in organizations. Some of those dilemmas are privacy issues, drug testing, etc. The use of employee data from computerized information systems presents many ethical concerns. Safeguarding employee's right to privacy and at the same time restricting access to sensitive data only to those who need it requires that the manager judiciously balances competing interests.

iii. **Sexual Harassment:** - Sexual harassment is unwelcome. Sexual attention, whether verbal or physical, that affects an employee's job conditions or creates a hostile working environment. Sexual harassment costs the company in the form of absenteeism, turnover, and loss of productivity. Companies may be required to pay damages to victims of sexual harassment. Besides, the company may face negative publicity because of sexual harassment cases.

iv. **Romantic Involvements:** - Hugging, kissing, sexual innuendos, and repeated requests for dates may constitute sexual harassment for some, but they are prelude to romance for others. This situation carries with it, a different set of ethical dilemmas for organizations. Conflicts occur within an organization when romantic involvements at work become disruptive. Moreover, employers are liable for acts of their employees and can thus be held liable for sexual harassment. Other employees might claim that the subordinate who is romantically involved with the supervisor gets preferential treatment. Romantic involvements at work can create a conflict of interest. A comprehensive

policy should require anyone who might be experiencing a conflict of interest to report it to his or her manager. The policy should also include an explanation of how unwelcome romantic advances can turn into sexual harassment.

   v. **Organizational Justice:** Another area in which moral and ethical dilemmas may arise for people at work concerns organizational justice, both distributive and procedural.

      a) **Distributive Justice:** Concerns the fairness of outcomes meted out to individuals.

      b) **Procedural Justice:** Concerns the fairness of the process by which outcomes is allocated.

The ethical questions here do not concern the just or unjust distribution of organizational resources. Rather, the ethical questions in procedural justice concern the process. Has the organization used the correct procedures in allocating resources? Have the right considerations such as competence and skill, been brought to bear in the decision process?

ATTITUDE

Meaning and Definition:

Attitude is a relatively permanent organizing or cognitive, perceptual, emotional, and motivational process with respect to some aspect of our environment. It is primarily a learned predisposition to respond in a consistently favourable or unfavourable manner with respect to a given object. Thus, an attitude is the way we think, feel and act toward some aspect of our environment. An attitude may be defined as a tendency to react positively or negatively in regard to an object. Attitudes are evaluative statements or judgments- either favourable or unfavourable- concerning objects, people or events.

According to **Bern**, 'Attitudes are likes and dislikes'.

According to **Engel**, 'Attitudes are an overall evaluation that allows one to respond in a consistently favourable or unfavourable manner with respect to a given object or alternative'.

According to **Allport**, *Attitude is "learned predispositions to respond to an object or class of object in a consistently favourable or unfavourable way."*

A definition of attitude popularized by cognitively oriented social psychologists is, "an enduring organization of motivational, emotional, perceptual and cognitive process with respect to some aspect of the individual's world.

Three Components of Attitudes:

According to above views, attitudes as being made up of three components:

   1) Cognitive component.

   2) Affective component and

   3) Behavioral component.

      1) **Cognitive Component:** This component includes the beliefs an individual has about a certain person, object, or situation. The belief that "discrimination is wrong" is a value statement. Such an opinion is the cognitive component of an attitude. Learned beliefs, such as "you need to work long hours to get ahead in this job", lead to attitudes that have an impact on behavior in the workplace. The cognition component of an

attitude reflects a person's perceptions or beliefs. Cognitive elements are evaluative beliefs and are measured by attitude scales or by asking about thoughts. The statement "I believe Japanese workers are industrious," reflects the cognitive component of an attitude. The cognitive component sets the stage for the more critical part of attitude- its affective component.

2) **Affective Component:** This component refers to the person's feelings that result from his or her beliefs about a person, object or situation. A person who believes that hard work earns promotions may feel anger or frustration when he or she works hard but is not promoted. The affective component becomes stronger as an individual has more frequent and direct experience with a focal object, person or situation. 'Affect' is the emotional component of an attitude. It refers to an individual's feeling about something or someone. Statements such as "I like this" or "I prefer that" reflect the affective component of an attitude. Affect is measured by physiological indicators such as galvanic skin response (changes in electrical resistance of skin which indicate emotional arousal) and blood pressure. These indicators show changes in emotions by measuring physiological arousal. If an individual is trying to hide his or her feelings, this might be shown by a change in arousal.

3) **Behavioral Component:** This component refers to the individual's behavioral that occurs as a result of his or her feeling about the focal person, object or situation. An individual may complain, request a transfer, or be less productive because he or she feels dissatisfied with work. The behavioral component of an attitude refers to an intention to behave in a certain way toward someone or something. The behavioral component is the intention to behave in a certain way towards an object or person. For example, our attitudes towards women in management may be inferred from an observation of the way we behave toward a female supervisor. We may be supportive, passive or hostile depending on our attitude. The behavioral component of an attitude is measured by observing behavior or by asking a person about behavior or intentions.

Importance of Employee Attitudes:

- Employee attitudes are important to organizations. When attitudes are negative or unfavorable, they are symptom of the underlying problem, and a contributing cause of forthcoming difficulties in an organization.

- Declining attitudes may result in strikes, work slowdown, absenteeism, and employee turnover. They can be a part of grievances, low performance, poor product quality and shabby customer services, employee theft and disciplinary problems.

- The organizational costs associated with poor employee attitudes may severally reduce its bottom-line competitiveness.

- Favourable attitudes, on the other hand, are desired by management because they tend to be connected with some of the positive outcomes that managers want. Employee satisfaction along with high productivity is a hallmark of well-managed organizations.

- Effective behavioural management that continuously works to build a supportive human climate in the organization can help produce favourable attitudes.

Characteristics of Attitudes:

1) **Attitudes have an Object:** Attitudes must have an object. That is, they must have a focal point whether it be an abstract concept, such as "ethical behaviour", or a tangible item, such as a motorcycle. The object can be a physical thing, such as a product, or it can be an action, such as buying a lawnmower. In addition, the object can be either one item, such as a person, or a collection of items such as a social group.

2) **Attitudes have direction, degree and intensity:** An attitude expresses how a person feels towards an object. It expresses

   a) Direction- The person is either favorable or unfavorable toward, or for against the object.

   b) Degree- How much the person either likes or dislikes the object.

   c) Intensity- The level of sureness or confidence of expression about the object, or how strongly a person feels about his or her conviction.

   Although degree and intensity might seem the same and are related, they are not synonymous.

3) **Attitudes have structure:** Attitudes display organization, which means that they have internal consistency and possess inter-attitudinal centrality. They also tend to be stable, to have varying degrees of salience, and to be generalizable.

4) **Attitudes are learned:** Learning precedes attitude formation and change. Attitudes are also derived from both direct and indirect experiences in life.

Types of Attitudes:

1) **Job satisfaction:** The term job satisfaction refers to an individual's general attitude towards his or her job. A person with a high level of job satisfaction holds positive attitudes towards the job, while a person who is dissatisfied with his or her job holds negative attitudes about the job.

2) **Job involvement:** The degree, to which a person identifies with his or her job, actively participates in it and considers his or her performance important to self-worth.

3) **Organizational commitment:** The degree to which an employee identifies with a particular organization and its goals and wishes to maintain membership in the organization.

ATTITUDE FORMATION

Attitudes are basically learned. People are not born with specific attitudes; rather they acquire them through the "process of sources of attitudes is learning". Attitudes reflect a person's previous reinforcement history.

The sources of a person's attitude are a mixture of

1) **Personal Experiences:** People form attitudes by coming in directly contact with an attitude object. By the time a person goes for work in a specified organization, he holds many attitudes towards the type of the job that is acceptable to him, the expected pay, working conditions and supervision. Through job experiences they develop attitudes about such factors as salary, performance reviews, job design, work group, affiliation and managerial capabilities etc. Previous work experience can account for the individual differences in attitudes such as loyalty, commitments, performance etc. Many

managers in work organizations frequently notice these differences in attitudes.

2) **Association:** People are highly influenced by the major groups or associations to which they belong. Geographic region, religion, educational background, race, sex, age and income-class all strongly influence attitudes. The nearer the group the stronger is the group influence on the attitudes of the individual.

3) **Family:** Family is the primary group that an individual belongs to. Family exerts influence on the initial core of attitudes held by an individual. Individuals develop certain attitudes from family members-parents, brothers, sisters etc. The family characteristics influence the individual's early attitude patterns. Researchers have found a high degree of relationship between parents and children in attitudes than they found between children and their peers. They also empirically observed low correlation between attitudes of the children and their teachers.

4) **Peer groups and society:** As people approach their adulthood, they increasingly rely on their peer groups for approval/attitude. How others judge an individual largely determine his self-image and approval-seeking behavior. Social class and religious affiliation also play vital role in forming attitudes of an individual. The culture, language, and the structure of society, all provide an individual with the boundaries of his initial attitudes.

5) **Models:** Some of the attitudes are developed through imitation of models. The process is something like this: In a particular situation, we see how another person behaves. We correctly or incorrectly interpret his behavior as representing certain attitudes and beliefs. If we identify with him and respect his judgment, we tend to accept his way of perceiving and feeling about the situation. Children are often quiet observant about how their parents react to different people and situations. They learn by watching whom their parent's respect, which they treat with condescension, whom they regard as friends, and whom they dislike. Such evaluations may be acquired without the child's directly interacting with such people.

6) **Institutional factors:** Many institutional factors function as sources and support of our attitudes and beliefs. For example, consider the description of a certain temple Aarti. When the people come into this temple, they bow down to pray, sit with heads bowed. Their clothes are clean and freshly washed. When the pujari signals and is with Aarti all start singing bhajan and clap. The entire process is devoted to ritual. From this we can get an idea as to the general character of the religious attitudes and beliefs. There is implicit attitude of reverence, an orientation toward a deity, a ritualized rather than spontaneous expression of feeling, a sharp differentiation between Pujari and devotees and so on. The different parts of the institution- the architecture, furnishes, people's clothing, and behavior- have a meaning which fits in with certain beliefs and attitudes. There are many other institutions in our society- schools, military organizations, and the like- which also function as sources and supports of attitudes and beliefs.

16.9 MOTIVATION

The word motivation is coined from the Latin word "movere", which means to move. Motivation is defined as an internal drive that activates behaviour and gives it direction. The term 'motivation theory' is concerned with the processes that describe why and how human behaviour is activated and directed. It is regarded as one of the most important areas of study in the field of organizational behaviour.

Motivation is an art of stimulating people to get the desired things done. A motive is a need or desire which stimulates and directs human behaviour. It is possible only when their needs are satisfied through proper incentive or rewards. Human behaviour is thus, result of needs, desires and wants. Motivation involves the creation of a positive will and desire among the workers to do their work in the best manner. The term motivation has been defined by many eminent authors as follows.

Michael, J. Jucius, *"Motivation is the act of stimulating someone or oneself to get a desired course of action, to push the right button to get the desired reaction."*

Dale, S. Beach, *"Motivation can be defined as a willingness to expand energy to achieve a goal or a reward."*

D.E. Mc. Farland, *"The concept of motivation is mainly psychological. It relates to those forces operating within the individual employees or subordinates which compel them to act or not to act in certain ways."*

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

Elements or characteristics of motivation:

1. **Incentive:** Motivation is the incentive of employees. It is a personal and natural feeling of the mind of the employees. This feeling arise in the mind of an individual. In fact an individual is inspired to make his efforts to satisfy the needs of his life.

2. **Unending Process:** Motivation is an unending process. Human needs are unlimited and people always feel a need. To satisfy these needs, the person must always be inspired with the incentives for work. Satisfaction of one need lead the feeling of another one and this process never ends.

3. **Psychological Concept:** Motivation is a psychological concept. It develops the mental and motivation power of an individual and motivates him to do more and better.

4. **Power to Act:** Motivation is a power to act. It inspires an individual to work. Feeling of a need creates tension and a person wants to work to satisfy his need. When the need is satisfied, the persons feel motivated to work for the achievement of common goals.

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

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

Aims or objectives of motivation:

1. To motivate the employees to do more work.

2. To satisfy the economic, social and psychological needs of the employees.

3. To develop human relations in the enterprise.

4. To increase the morale of employees.

5. To increase the efficiency of employees.

6. To get the co-operation of employees.

7. To establish sweet relations between labour and capital.

8. To get the maximum exploitation of human resources.

9. To achieve the objectives of enterprise.

Factors affecting motivation:

Factors affecting motivation may be divided into following parts:

1. **Monetary Incentives:** Monetary incentives are direct incentives provided to the employees of an enterprise. It includes the following incentives: (a) Proper wage or salary (b) Bonus (c) Overtime (d) Monetary rewards and (5) Interests on investments. Monetary incentives satisfy the basic needs of employees.

2. **Non- Monetary Incentives:** Monetary incentives are not sufficient to ensure more and better work by employees. Non-Monetary incentives are also provided to them to motivate them in the right direction. Such incentives motivate them to do more and more work. Following factors are included under this category: (a) Safety of work (b) Appraisal of work (c) Honour of employees (d) Behavior with employees (e) Opportunities of promotion (f) Delegation of authorities (g) To increase the feelings and suggestions of employees (h) To launch welfare schemes for the employees like housing facilities, medical facilities, recreation facilities, education facilities, insurance etc. (i) Co-partnership in management.

Importance of motivation

Motivation is a very important for an organization because of the following benefits it provides:-

1. **Puts human resources into action** : Every concern requires physical, financial and human resources to accomplish the goals. It is through motivation that the human resources can be utilized by making full use of it. This can be done by building willingness in employees to work. This will help the enterprise in securing best possible utilization of resources.

2. **Improves level of efficiency of employees** : The level of a subordinate or a employee does not only depend upon his qualifications and abilities. For getting best of his work performance, the gap between ability and willingness has to be filled which helps in improving the level of performance of subordinates. This will result into-

   a. Increase in productivity,

   b. Reducing cost of operations, and

   c. Improving overall efficiency.

3. **Leads to achievement of organizational goals** : The goals of an enterprise can be achieved only when the following factors take place:

   i) There is best possible utilization of resources,

   ii) There is a co-operative work environment,

   iii) The employees are goal-directed and they act in a purposive manner,

   iv) Goals can be achieved if co-ordination and co-operation takes place simultaneously which can be effectively done through motivation.

4. **Builds friendly relationship** : Motivation is an important factor which brings

employees satisfaction. This can be done by keeping into mind and framing an incentive plan for the benefit of the employees. In order to build a cordial, friendly atmosphere in a concern, the above steps should be taken by a manager. This would help in:

- Effective co-operation which brings stability;

- Industrial dispute and unrest in employees will reduce,

- The employees will be adaptable to the changes and there will be no resistance to the change,

- This will help in providing a smooth and sound concern in which individual interests will coincide with the organizational interests,

- This will result in profit maximization through increased productivity.

5. **Leads to stability of work force :** Stability of workforce is very important from the point of view of reputation and goodwill of a concern. The employees can remain loyal to the enterprise only when they have a feeling of participation in the management. The skills and efficiency of employees will always be of advantage to employees as well as employees. This will lead to a good public image in the market which will attract competent and qualified people into a concern. As it is said, "Old is gold" which suffices with the role of motivation here, the older the people, more, the experience and their adjustment into a concern which can be of benefit to the enterprise.

Motivation is important to an individual as:

- Motivation will help him achieve his personal goals.

- If an individual is motivated, he will have job satisfaction.

- Motivation will help in self-development of individual.

- An individual would always gain by working with a dynamic team.

Similarly, motivation is important to a business as:

- The more motivated the employees are, the more empowered the team is.

- The more is the team work and individual employee contribution, more profitable and successful is the business.

- During period of amendments, there will be more adaptability and creativity.

- Motivation will lead to an optimistic and challenging attitude at work place.

THEORIES OF MOTIVATION

ABRAHAM MASLOW'S "NEED HIERARCHY THEORY"

One of the most widely mentioned theories of motivation is the hierarchy of needs theory put forth by psychologist Abraham Maslow. Maslow saw human needs in the form of a hierarchy, ascending from the lowest to the highest, and he concluded that when one set of needs is satisfied, this kind of need ceases to be a motivator.

A. **Physiological needs:** These are important needs for sustaining the human life. Food, water, warmth, shelter, sleep, medicine and education are the basic physiological needs which fall in the primary list of need satisfaction. Maslow was of an opinion that until these needs were satisfied to a degree to maintain life, no other motivating factors can work.

B. **Security or Safety needs:** These are the needs to be free of physical danger and of the fear of losing a job, property, food or shelter. It also includes protection against any emotional harm.

C. **Social needs:** Since people are social beings, they need to belong and be accepted by others. People try to satisfy their need for affection, acceptance and friendship.

D. **Esteem needs:** According to Maslow, once people begin to satisfy their need to belong, they tend to want to be held in esteem both by themselves and by others. This kind of need produces such satisfaction as power, prestige status and self-confidence. It includes both internal esteem factors like self-respect, autonomy and achievements and external esteem factors such as states, recognition and attention.

E. **Need for self-actualization:** Maslow regards this as the highest need in his hierarchy. It is the drive to become what one is capable of becoming, it includes growth, achieving one's potential and self-fulfillment. It is to maximize one's potential and to accomplish something.

16.10 FREDERICK HERZBERG'S MOTIVATION-HYGIENE THEORY

Frederick has tried to modify Maslow's need Hierarchy theory. His theory is also known as Two-factor theory or Hygiene theory. He stated that there are certain satisfiers and dissatisfies for employees at work.
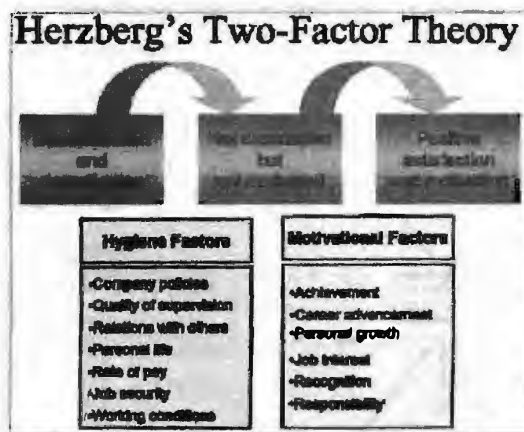
Intrinsic factors are related to job satisfaction, while extrinsic factors are associated with dissatisfaction. He devised his theory on the question: "What do people want from their jobs?" He asked people to describe in detail, such situations when they felt exceptionally good or exceptionally bad. From the responses that he received, he concluded that opposite of satisfaction is not dissatisfaction. Removing dissatisfying characteristics from a job does not necessarily make the job satisfying. He states that presence of certain factors in the organization is natural and the presence of the same does not lead to motivation. However, their non-presence leads to de-motivation. In similar manner there are certain factors, the absence of which causes no dissatisfaction, but their presence has motivational impact.
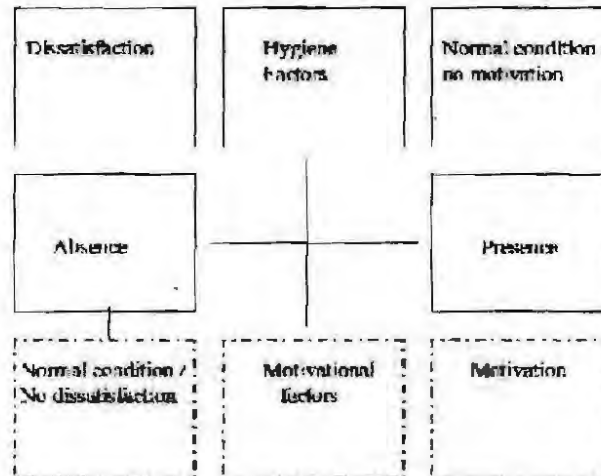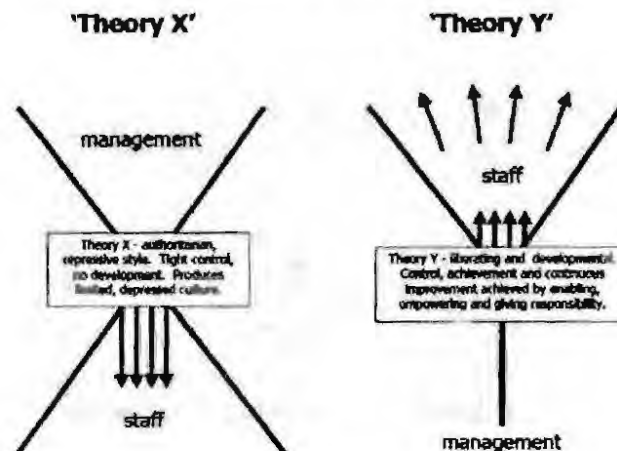

Examples of Hygiene factors are: Security, status, relationship with subordinates, personal life, salary, work conditions, relationship with supervisor and company policy and administration.

Examples of Motivational factors are: Growth prospectus job advancement, responsibility, challenges, recognition and achievements

"THEORY X AND THEORY Y" OF DOUGLAS MCGREGOR

McGregor, in his book "The Human side of Enterprise" states that people inside the organization can be managed in two ways. The first is basically negative, which falls under the category X and the other is basically positive, which falls under the category Y. After viewing the way in which the manager dealt with employees, McGregor concluded that a manager's view of the nature of human beings is based on a certain grouping of assumptions and that he or she tends to mold his or her behavior towards subordinates according to these assumptions.

Under the assumptions of theory X:

- Employees inherently do not like work and whenever possible, will attempt to avoid it.

- Because employees dislike work, they have to be forced, coerced or threatened with punishment to achieve goals.

- Employees avoid responsibilities and do not work fill formal directions are issued.

- Most workers place a greater importance on security over all other factors and display little ambition.

In contrast under the assumptions of theory Y:

- Physical and mental effort at work is as natural as rest or play.

- People do exercise self-control and self-direction and if they are committed to those goals.

- Average human beings are willing to take responsibility and exercise imagination, ingenuity and creativity in solving the problems of the organization.

- . That the way the things are organized, the average human being's brainpower is only partly used.

On analysis of the assumptions it can be detected that theory X assumes that lower-order needs dominate individuals and theory Y assumes that higher-order needs dominate individuals. An organization that is run on Theory X lines tends to be authoritarian in nature, the word "authoritarian" suggests such ideas as the "power to enforce obedience" and the "right to command." In contrast Theory Y organizations can be described as "participative", where the aims of the organization and of the individuals in it are integrated; individuals can achieve their own goals best by directing their efforts towards the success of the organization.

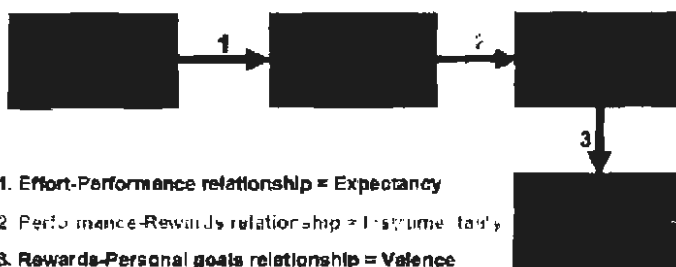### Vroom's Valence x Expectancy theory

The most widely accepted explanation of motivation has been propounded by Victor Vroom.

His theory is commonly known as *expectancy theory.* The theory argues that the strength of a tendency to act in a specific way depends on the strength of an expectation that the act will be followed by a given outcome and on the attractiveness of that outcome to the individual to make this simple, expectancy theory says that an employee can be motivated to perform better when there is a belief that the better performance will lead to good performance appraisal and that this shall result into realization of personal goal in form of some reward. Therefore;

Motivation = Valence x Expectancy

This leads us to a conclusion that:

Expectancy Theory
(Vroom)

1. Effort-Performance relationship = Expectancy

2. Performance-Rewards relationship = Instrumentality

3. Rewards-Personal goals relationship = Valence

The theory focuses on three things:

- Efforts and performance relationship
- Performance and reward relationship
- Rewards and personal goal relationship

16.11 MOTIVATING EMPLOYEES IN ORGANIZATIONS

A number of motivation theories have been discussed above. Based on these theories, the following suggestions summarize the essence about motivating employees in organizations.

- Recognize individual differences - Employees have different needs. Therefore, managers need to understand what is important to each employee. This will allow individualizing goals, level of involvement, and rewards to align with individual needs.
- Use goals and feedback - Employees should have tangible and specific goals. Feedback should also be provided regularly to inform the employees about their performance in pursuit of those goals.
- Include employees in decision-making - Employees should be included in making decisions that affect them, for example, choosing their own benefits, solving productivity and quality problems.

16.12 MOTIVATIONAL TOOLS

Some of the most important motivational tools have been discussed below:

- Management by Objective (MBO) - Management by objectives emphasizes participatively set goals that are tangible, verifiable, and measurable. Four ingredients common to MBO programmes are: goal specificity, participative decision-making, an explicit time period, and performance feedback (Robbins, 2003).
- Goal specificity - The objectives in MBO should be concise statements of expected accomplishments.
- Participative decision making - The manager and employee jointly choose the goals and agree on how they will be measured. An explicit time period - Each objective has a specific time period in which it is to be completed.
- Performance feedback - Continuous feedback on progress toward goals is provided so that workers can monitor and correct their own actions.

MBO and Goal-Setting Theory are closely linked. Goal-setting theory proposes that tangible goals result in a higher level of individual performance than do easy goals. Feedback on one's performance leads to higher performance. MBO also directly advocates specific goals and feedback, implies that goals must be perceived as feasible and is most effective when the goals are difficult enough to require stretching.

EMPLOYEE RECOGNITION PROGRAMMES

Employee recognition programmes consist of personal attention, expressing interest, approval, and appreciation for a job well done. They can take numerous forms. Employee Recognition Programmes has close link with Reinforcement Theory. Both the concept advocates that rewarding a behavior with recognition would lead to its repetition. Recognition can take many forms, such as, personally congratulating an employee, sending a handwritten note or an e-mail message or declaring the employee as a valuable contributor to the organizational objective.

EMPLOYEE INVOLVEMENT PROGRAMME

Employee involvement includes participative management, workplace democracy, empowerment, and employee ownership. Employees' involvement in the decision making would positively affect them and by increasing their autonomy and control over their work lives, employees will become more motivated, more committed to the organization, more productive, and more satisfied with their jobs.

Some forms of employee involvement have been discussed here: participative management, representative participation, quality circles, and employee stock ownership plans.

Participative management

Participative management is a process where subordinates share a significant degree of decision-making power with their immediate supervisors. The manager involves subordinates in decision making, consults with them about their views of the situation, asks for their suggestions, considers those suggestions in making a decision, and sometimes lets the subordinates make the decisions themselves.

The logic behind participative management is:

a) Managers often do not know everything their employees do.

b) Better decisions

c) Increased commitment to decisions

d) Intrinsically rewarding employees makes their jobs more interesting and meaningful.

The two most common forms of participative management are:

a) *Works councils* - They are groups of nominated or elected employees who must be consulted when management makes decisions. .

b) *Board representatives* - they are employees who sit on a company's board of directors and represent the interests of the firm's employees.

Quality circles (QC):

Quality Circles consist of a work group of eight to ten employees and supervisors who have a shared area of responsibility. Quality circles are small groups of employees who work voluntarily on company time to address quality-related problems such as quality control, cost reduction, production planning and techniques and even product design.

Key components of QC are (Robbins, 2003):

● They meet regularly on company time to discuss their quality problems, investigate causes of the problems, recommend solutions, and take corrective actions

● They take over the responsibility for solving quality problems and they generate and evaluate their own feedback.

Employee stock ownership plans (ESOPs):

Perhaps the ultimate reward to workers is for them, to own part of the organization. Employee stock ownership plans are company-established benefit plans in which employees acquire stock as part of their benefits ESOPs have the potential to increase employee job satisfaction and work motivation.

16.13 SPECIAL ISSUES IN MOTIVATION

Various groups of employees provide specific challenges in terms of motivation. Some of them are explained below

1. **Motivating the Diversified Work Force:** Not everyone is motivated by money. The needs of women physically disabled and other diverse groups are not the same. If you are going to maximize your employees' motivation, you have got to understand and respond to this diversity. This can be done in the following ways:

   i) We should be ready to design work schedules, compensation plans, benefits, and physical work settings, etc., to reflect the employees' varied needs.

      ● **Link rewards to performance** - Rewards should be contingent on performance and employees must perceive a clear linkage.

      ● **Maintain equity** - Rewards should be perceived by employees as equating with the inputs they bring to the job, i.e.; experience, skills, abilities, effort, and other obvious inputs should explain differences in performance and, hence, pay, job assignments, and other obvious rewards.

   ii) Allowing employees who are going for further training to colleges to vary their work schedule.

   iii) Offering employees facilities like childcare, flexible work hours and job sharing for employees with family responsibilities.

   iv) For employees coming from other states /countries providing them flexible leave possibilities to enable them to go home for extensive periods.

2. **Motivating Temporary Workers:** Temporary workers may be motivated in the following ways:

   i) When there is a system whereby permanent employees are selected from a pool of temporary employees, the latter will often work hard in hopes of becoming permanent.

   ii) The ability of a temporary employee to find a new job is largely dependent on his or her skills. Therefore, temporary employees may be provided with the opportunity for training.

   iii) When temporary employees work alongside permanent employees who earn more pay for doing the same job, they are likely to be demotivated. Separating such employees might help to lessen this problem.

3. **Motivating Professionals:** Professionals have a strong and long-term commitment to their field of expertise. Their loyalty is more often to their profession than to their employer. These professionals receive a great deal of intrinsic satisfaction from their work. They may be motivated in the following ways:

   i) Their loyalty is towards their profession. To keep current in their fields, they need to regularly update their knowledge. Therefore, providing them opportunities for training and development is one sure way of motivating them. Reward them with educational opportunities - staging workshops, attending conferences - that allow them to keep current in their field.

ii) The chief reward of a professional is the job itself. They prefer challenging jobs. Therefore, provide them with ongoing challenging projects.

iii) Professionals want others to think what they are working-on is important. Therefore, ask questions and engage in other actions that demonstrate that you are sincerely interested in what they are doing.

16.14 JOB SATISFACTION:

Measuring Job Satisfaction

Job satisfaction is the sense of fulfillment and pride felt by people who enjoy their work and do it well. For an organization, satisfied work force ensures commitment to high quality performance and increased productivity. Job satisfaction helps organizations to reduce complaints and grievances, absenteeism, turnover, and termination. Job satisfaction is also linked to a healthier work force and has been found to be a good indicator of longevity. And although only little correlation has been found between job satisfaction and productivity, it has also been found that satisfying or delighting employees is a prerequisite to satisfying or delighting customers, thus protecting the "bottom line (Brown, 1996).

The most important factors conductive to job satisfaction are:

i) **Mentally Challenging Work:** Employees tend to prefer jobs that give them opportunities to use their skills and abilities and offer a variety of tasks, freedom and feedback on how well they are doing. Under conditions of moderate challenge, most employees will experience pleasure and satisfaction.

ii) **Personality-Job Fit:** People with personality types congruent with their chosen vocations should find they have the right talents and abilities to meet the demands of their jobs; and because of this success, they have a greater probability of achieving high satisfaction from their work. It is important, therefore, to fit personality factors with job profiles.

iii) **Equitable Rewards:** Employees want pay systems and promotion policies that they perceive as being just, unambiguous, and in line with their expectations. When pay is seen as fair based on job demands, individual skill level, and industry pay standards, satisfaction is likely to result. Similarly, employees seek fair promotion policies and practices. Promotions provide opportunities for personal growth, more responsibilities and increased social status. Individuals who perceive that promotion decisions are made in a fair and just manner are likely to experience job satisfaction.

iv) **Supportive working conditions:** Employees prefer physical conditions that are comfortable and facilitate doing a good job. Temperature, light, noise and other environmental factors should not be extreme and provide personal comfort. Further, employees prefer working relatively close to home, in clean and relatively modern facilities and with adequate tools and equipment.

v) **Supportive Colleagues:** Employees have need for social interaction Therefore, having friendly and supportive co-workers and understanding supervisor's leads to increased job satisfaction. Most employees want their immediate supervisor to be understanding and friendly, those who offer praise for good performance, listen to employees' opinions and show a personal interest in them.

vi) **Whistle blowing:** Whistle-blowers are employees who inform authorities of wrong-doings of their companies or co workers. Whistle blowing is important because committed organizational members sometimes engage in unethical behaviour in an intense desire to succeed. Organizations can manage whistle blowing by communicating the conditions that are appropriate for the disclosure of wrong-doing. Clearly delineating wrongful behavior and the appropriate ways to respond are important organizational actions.

vii) **Social Responsibility:** Corporate social responsibility is the obligation of an organization to behave in ethical ways in the social environment in which it operates. Socially responsible actions are expected of organizations. Current concerns include protecting the environment, promoting worker safety, supporting social issues, investing in the community, etc. Managers must encourage both individual ethical behaviour and organizational social responsibility.

Job enrichment

It is a deliberate upgrading of responsibility, scope, and challenge in the work itself. Job enrichment usually includes increased responsibility, recognition, and opportunities for growth, learning, and achievement. Large companies that have used job-enrichment programmes to increase employee's motivation and job satisfaction include AT&T, IBM, and General Motors (Daft, 1997).

Workers' role in job satisfaction

A worker should also take some responsibility for his or her job satisfaction. Everett (1995) proposed the following questions which employees ask themselves in regard to job satisfaction at the workplace.

1. When have I come closest to expressing my full potential in a work situation?

2. What did it look like?

3. What aspects of the workplace were most supportive?

4. What aspects of the work itself were most satisfying?

5. What did I learn from that experience that could be applied to the present situation?

The further suggestions can help a worker find personal job satisfaction:

1. Geek opportunities to demonstrate skills and talents.

2. Develop communication skills.

3. Acquire job related skills and try to implement them.

4. Demonstrate creativity and initiative.

5. Improve team building and leadership skill.

6. Learn to de-stress.

The ways of expressing job dissatisfaction

Job dissatisfaction is a negative feeling about one's job resulting from an evaluation of its characteristics. Job dissatisfaction is a reality in the workplace. The responses to job dissatisfaction according to Farrell (1983) are exit, voice, loyalty and neglect.

In 2005, Robbins and Judge stated that job dissatisfaction is concerned with factors such as company policy, administration, supervision and salary. Since there are no perfect organizations, it is reasonable to state that high levels of dissatisfaction exist for some firms.

There are a number of ways in which employees can express dissatisfaction (Robbins, 2003). They are:

1. Exit   2. Voice

3. Loyalty   4. Neglect

1. **Exit:** Behaviour directed toward leaving the organization, actions like looking for a new position as well as resigning.

2. **Voice:** Actively and constructively attempting to improve conditions, including suggesting improvements, discussing problems with superiors, and some forms of union activity.

3. **Loyalty:** Passively, but optimistically waiting for conditions to improve, including standing up for the organization in the face of external criticism/ crisis, and reposing trust in the organization and its management to take the right decisions and set things in order.

4. **Neglect:** Passively allowing conditions to worsen, including chronic absenteeism or lateness, reduced effort, and increased error rate

CASE STUDY

Motivation is a complex subject, although it seems very interesting to all of us, but it has many facets for different people.

I have come across many such incidents during my tenure as HR professional at various companies. Some of them are very complicated and some are just the result of some or the other conflicts. If all the reader here have some knowledge on the topic of motivation, this case study would surely be of some value as well as interesting to read.

Motivation has many theories written by various authors, one such theory is Reward and Punishment theory also known as Theory X, another name of which is Carrot and stick. Here in this case our main focus will be on this THEORY X.

As a part of the company's Management Development Program, a group of managers from various functional areas have devoted several class sessions to a study of motivation theory and the relevence of such knowledge to the manager's responsbility for directing and controling the operations of his organizational unit.

One of the participant is Rohit sharma, who has been the supevisor of production department from last one year. During his past in the industrial unit he had no chance to attend any supevisory or development program and his duties have been concentrated on routine technical jobs.

The present plant mangager has seen Rohit grow from an apprentice to a supervisor and is yet to reconcile with the change of responsbilities and designation of Rohit Sharma.

Rohit prepared the schedule on a particular day for all machines and on a specific machine, which was on a top priority from another established company. When Rohit came for his round he was surprised to find that the opretor had loaded some other job rather than the job of the company which is on priority.

Looking at this Rohit got annoyed and following conversation took place:

Rohit to operator – please do the job for the company that is on priority.

Operator – Plant manager has given me another job after that i will take up your work.

Rohit – I dont want to hear anything, plant manager has told me to stop everything else and take up the job of that company on priorty.

Operator – I have been taking up all the job immediately whenever you have asked. But what has been done regarding my increment which has been pending for over six months now.

Rohit - I'm not responsible for these problems related to increments, the Top Managment manages the decision on increment. I am helpless in this regard and suggest you to go and sort this problem with Plant Manager.

Operator - As a supervisor it is your duty to solve my problem as i report to you for all my work.

Rohit – Please do not tell me my duties and if you will not do this work on priority now, I would report this incidence as misbehaviour to the plant manager.

Operator replied in a threat to go on strike and complained about the less salary and increment he gets.

Now during a session of Motivation at Management Development Program, Rohit made the following comments:

"Motivation theory makes sense in general, but there is no opportunity for us to apply these concepts in job situation. After all our shop level employees are unionised and have job security. Motivation theories helps me get the work done from my kids, but in a working enviorment we are working with adults and it seems to me this reward and punishment thing smacks of manipulation that just would not go over with people".

So, now it has become a complicated situation as Rohit does not seems to be interested in the Motivational theories at all.

Does the incident that happened between Operator and Rohit Sharma left such a mark in his mind that he started feeling threatened with Unions and shop floor people??

2.15 SUMMARY:

- Behaviour is defined as the observable and measurable activity of human beings.

- The term personality is the role which the person (actor) displays in the public domain at large.

- Personality is a dynamic concept describing the growth and development of a person's whole psychological system. It looks at some aggregate whole that is greater than the sum of the parts.

- Ability refers to an individual's capacity to perform the various tasks in a job.

- Learning is a continuous process. It occurs all the time. Learning is a relatively change in behaviour that occurs as a result of experience.

- Perception can be defined as a process by which individuals select, organize and interpret their sensory impressions, so as to give meaning to their environment.

- Attitude is a relatively permanent organizing or cognitive, perceptual, emotional, and motivational process with respect to some aspect of our environment.

- Perception is the process which involves seeing, receiving, selecting, organizing, interpreting and giving meaning to the environment. This meaning is built on past experiences and accumulated values.

- Motivation is defined as an internal drive that activates behaviour and gives it direction. The term 'motivation theory' is concerned with the processes that describe why and how human behaviour is activated and directed.

- Job satisfaction is the sense of fulfillment and pride felt by people who enjoy their work and do it well. For an organization, satisfied work force ensures commitment to high quality performance and increased productivity.

- Job enrichment usually includes increased responsibility, recognition, and opportunities for growth, learning, and achievement.

ANSWERS TO 'CHECK YOUR PROGRESS'

1. Personality can be defined as a dynamic and organized set of characteristics possessed by a person that uniquely influences his or her cognitions, motivations, arid behaviors in various situations.

2. Learning can be defined as a relatively permanent change in behavior as a result of prior experiences.

3. Perception is the process of receiving information, and making sense of world around us.

4. Value is an enduring belief that a specific mode of conduct or end state of existence is personally and socially preferable to the alternative modes of conduct or end states of existence. An attitude is the way we think, feel, and act towards some aspects of our environment.

5. Motivation is an art of stimulating people to get the desired things done.

6. Job satisfaction is the sense of fulfillment and pride felt by people who enjoy their work and do it well.

16.16 TEST YOURSELF :

1) What Physiological factors affect an individual's behaviour?

2) Define Personality. Explain Freudian Theory of Personality.

3) What do you mean by Learning? Explain the chief Characteristics of learning.

4) What are principal elements of leaning?

5) Explain classical conditioning approach of learning.

6) What do you mean by operant conditioning approach of learning?

7) Explain Perception. What are general factors that influence individual's perception?

8) What do you understand by Attitude? What are the sources of person's attitude?

9) Define Motivation. What are the essential elements of motivation?

10) Explain Abraham Maslow's "Need Hierarchy Theory" of Motivation.

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