

University Of Mumbai

Faculty of Commerce

T.Y.B.Com Business Management Paper-I Management and Organization Development

Objectives:

- a) To make the students aware of the universality of management and need for formal management education.
- b) To enable them to appreciate the evolutionary process of management thought
- c) To introduce them to the various managerial functions and the principles behind practicing them.
- d) To acquaint the students with the recent changes in the field of management.

Learning outcome:

After completion of the course the students are expected to

- 1) Acknowledge the need for formal management education.
- 2) Acquire skills for becoming effective managers.
- 3) Practice management principles wherever possible and utilize the available resources more productively.

Books recommended:

- 1) *Essentials of Management* by Koontz and Wehrich/McGraw Hill.
- 2) *Principles of Management* by Koontz and O.Donnel/Tata McGraw Hill, New Delhi.
- 3) *Principles of Management: Theory and practices* by Sarangi S.K.VMP Publishers and Distributors.
- 4) *Guide to Management Ideas* by Tom Hindle, The Economist.
- 5) *Principles of Management* by Terry G.R. AITBS.
- 6) *Business Organization and Principles of Management* by Dutta Choudhury, Central Education.
- 7) *Principles of Management*, Daver Rustoms, Crown.
- 8) *Principles of Management*, Tripathi P.C. Tata McGraw Hill, New York.
- 9) *Management Theory and Practice* by Dale, Ernest/McGraw Hill, New York.
- 10) *Practice of Management* by Peter Drucker/Allied Publisher, New Delhi.

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- 11) *Management* by Ricky W Griffin/Houghton Mifflin Company.
- 12) *Management* by Gary Dessler/ Prentice Hall.
- 13) *Management* by Stephen Robbins, Mary Coulter/ Prentice Hall.
Management by James Stoner, Edward Freeman/ Prentice Hall.
- 15) *Time Management* by Roberta Roesch, Tata McGraw Hill.
- 16) *Time Management* by Marc Mancini, Tata McGraw Hill.



INTRODUCTION TO MANAGEMENT

Module – 1

MEANING AND DEFINITION OF MANAGEMENT

INTRODUCTION

The term management is widely used in everyday life. Management is required wherever two or more people work together to achieve common objective. It is required not only in business organizations but also in other organizations like government, hospitals, educational institutions, charitable trust etc. Management is the specific organ of the modern institution.

Definition:

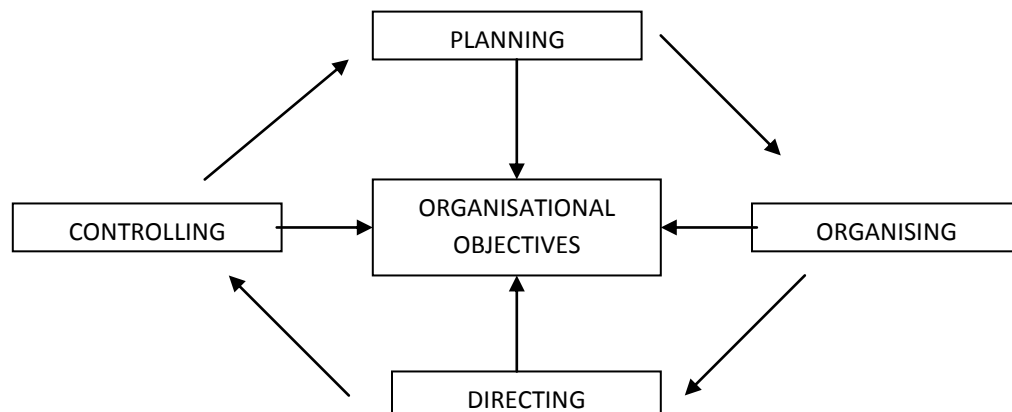
1. According to Mary Parker Follet, “ management is the art of getting things done through people.”
2. According to Henri Fayol, “ To manage is to forecast and to plan, to organize, to command, to co-ordinate and to control.”

CHARACTERISTICS OF MANAGEMENT

The important characteristics of management can be explained as follows:

1. Management is a process:

Managers have to perform certain functions in their day today activities. It is a process of planning, organizing, directing and controlling. To achieve objectives managers have to plan the activities, and then organize the necessary resources required for activities, direct the subordinates and finally control the activities of subordinates.



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2. Management is a continues activity:

Management process starts with business establishment and continues up to end of the business. Management is required for day today functioning of the organization. It is a continuous process, as it continues till business survive.

3. Management requires group efforts:

Management requires group efforts from all the people working in the organization. It is a team work to achieve common organizational objectives. So it involves studding of group behavior so that human efforts can be directed towards achievement of common objectives.

4. Management is goal oriented:

Targets and results are important in management. The managerial activities are carried on to achieve objectives. It requires actions for better results. The results can be in terms of higher productivity, optimum use of resources, motivated staff etc.

5. Management is all pervasive:

Concept of management is pervasive in nature i.e. applicable to everywhere. It is used in business as well as non-business organizations like educational institutions, charitable trusts etc. The principles of management are applicable at all the levels, departments, employees in the organization.

6. Management is intangible:

Management activity is not visible. One can not see management but the presence of management can be felt and experienced. Effectiveness of management is reflected in form of higher profitability, unity in organization, corporate image of the organization etc.

7. Management is separate from its ownership:

Management and ownership need not be same. In large organizations shareholders are the owners and managers are carrying on management functions.

8. Management is dynamic:

Management requires creativity and innovation. Managers need to introduce new products, new cost effective processes, new ideas etc. Dynamic and creative managers bring success to the organization.

9. Management follows well established principles:

While carrying on management activities, managers need to follow well established principles. These principles are division of work, unity of command, unity of direction, discipline etc.

10. Management is an Art:

Management is an art as it involves getting things done through people. Art is inborn talent and requires skills. Managers as an artists need to be creative and should have skill to get the work done through people to achieve organizational objectives.

11. Management is a Science:

Management is a science as it follows well established principles which are universally applicable. Management is a social science as it deals with people.

12. Management follows professional approach:

Modern managers need to follow professional approach. Professional managers delegate authority, involves subordinates in decision making, invites suggestions from subordinates etc.

13. Management is aided but can not be replaced by computers:

Computers can not replace managers. The talent, skill, creativity and experience of managers is not available in computers. But computerized data will definitely help the managers to take quick decisions.

14. Management is an integrated process:

Management is an integrated process of 6 Ms. 6 Ms include men, material, machine, money, method and market. Managers need to combine all these resources effectively to achieve objectives.

15. Management is situational:

Management decisions vary from situation to situation. Business is subject to environmental changes. Managers need to respond these changes by making necessary changes in their decisions. Managers can not follow same decision in all the situations.

NEED AND IMPORTANCE OF MANAGEMENT

Modern business is becoming highly competitive in nature and it needs efficient management to face this increasing competition. Managers organize the activities and achieve the objectives. The following points explain the importance of management:

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1. Innovation:

Modern management facilitates innovation in the organization. New ideas, new methods, new techniques are used by managers to achieve the objectives. This helps to face tough competition in the market.

2. Optimum use of resources:

Management facilitates optimum utilization of all resources in the organization. All 6 Ms ie men, material, machine. Money, method and market are used at the best level by minimizing wastages. Thus it leads to better results.

3. Reduce wastages:

Management facilitates optimum utilization of all human and physical resources in the organization. Thus it minimizes wastages.

4. Higher efficiency:

Management focus on optimum use of resources and minimizing wastages. Management encourages cost consciousness among all the people in the organization. Thus effective management leads to higher productivity and higher profitability.

5. Encourages initiative:

Professional managers delegate authority, invite suggestions from subordinates and involve subordinates in decision making. Thus it encourage initiative of subordinates to contribute their ideas. This brings positive attitude of subordinates towards management.

6. Team work:

Management gives importance to 'human element' in business. It ensures better relations among all the people in the organization. This leads to team work, which brings success to the organization.

7. Corporate image:

Effective management brings improvement in product quality and services offered by organization. It improves labor management relations. Thus it helps to enhance corporate image of the organization.

8. Growth and expansion:

Professional managers are dedicated and committed towards the organization. This commitment, dedication and active involvement of managers facilitate growth and expansion of the organization.

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9. Reduction in labor absenteeism:

Absenteeism refers to, employees remaining absent from job without prior permission. Proper management facilitates reduction in labor absenteeism.

10. Reduction in labor turnover:

Labor turnover refers to, employees leaving the organization and joining the other organization. Effective management helps to reduce labor turnover and thereby cost is controlled.

MANAGEMENT AS A SCIENCE

Science is a systematic body of knowledge which is universally accepted and applied. Management is considered as a science which deals with cause and effect relationship, F.W.Taylor is considered as father of scientific management.

There are two types of sciences i.e. physical sciences and social sciences. Physical sciences like physics, chemistry, mathematics etc are exact in nature whereas social sciences are not exact sciences.

Management is a social science as it deals with people. As people's behavior can not be predicted accurately, results of management are variable in nature.

Due to following reasons management is a social science:

1. Principles of management are universally applicable.
2. Management is systematic and organized body of knowledge.
3. Management results are not identical but variable in nature.
4. Management uses scientific methods for decision making.
5. Management process is universally followed.

MANAGEMENT AS AN ART

Mary Parker Follet defines management as, "management is an art of getting things done through people."

Art is an inborn talent and creative skills which are required by managers to conduct managerial activities.

Due to following reasons management is an art:

1. Innovative: Managers need to be innovative in nature. They have to always introduce new ideas, new techniques. New methods etc for better results.
2. Initiative: Managers have to take initiative to do the right things at right time. They should also encourage initiative on the part of their subordinates.
3. Individual approach: Every manager should follow his own style of managing the activities. The style should also change from situation to situation.

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4. Intelligence: Managers should be intelligent in all the areas of their operations. They should be more intelligent than their subordinates.
5. Creativity: Managers should be creative enough. They should follow new techniques to get the things done through their subordinates.
6. Result oriented: Management is a result oriented activity. Managers should conduct management activities to achieve objectives like higher productivity, higher profitability etc.

MANAGEMENT AS A PROFESSION

Profession is an occupation carried on by professional people like doctors, lawyers, chartered accountants etc. There is a debate whether management is a profession or not.

Following are features of profession:

1. Formal education: There are specialized institutions who provide formal education required for a specific profession.
2. Qualifications: The professionals need to have specific qualifications to enter in to profession.
3. Specialization: Professional need to specialize in a particular field.
4. Code of conduct: Professionals need to follow code of conduct prescribed by their institution.
5. License: Professionals acquire a license to practice their professional activities.
6. Fees: Professionals charge fees to their clients for services rendered by them.
7. Social obligation: Professionals are socially responsible to their clients and to the society.
8. Independent office: Generally professionals practice through their own independent offices.

Management does not have all the above mentioned features but management can be considered as profession due to some common features:

1. Managers need to have expert knowledge.
2. Managers specialize in certain areas.
3. Managers are socially responsible to the workers, shareholders, creditors, banks, society etc.

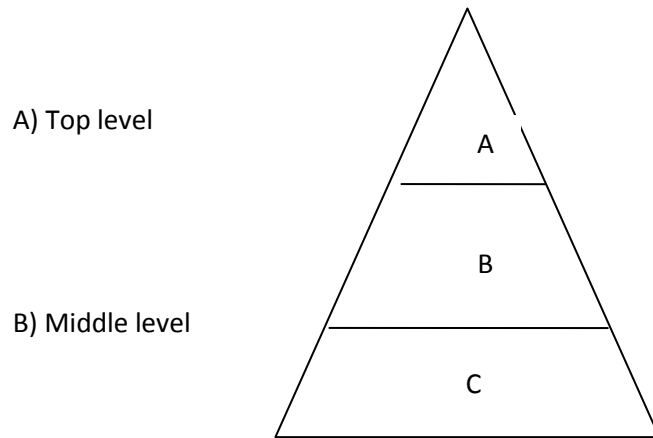
From the above discussion we can conclude that management is not a true profession but it has some features of profession. Modern management follows professional approach in their activities.

LEVELS OF MANAGEMENT

All the people in the organization do not belong to same level of the organization. There are three levels of management in the organization. These levels are i) Top level ii) Middle level iii) Lower level

The following diagram indicates three levels of management

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1. Top level management:

It includes CEO, President, Vice-president etc. They are involved in long term planning. They require more conceptual skills.

Functions:

- i) Determining business objectives
- ii) Formulation of plans and policies
- iii) Arrangement of required resources
- iv) Controlling activities of all the departments
- v) Reporting to the Board of Directors regarding organizational performance.

2. Middle level management:

It includes all departmental managers like production manager, purchase manager, sales manager, marketing manager etc. They are involved in medium term planning.

Functions:

- i) Implementation of policies formed by top level management
- ii) Motivating staff for better performance
- iii) Directing to lower level executives
- iv) Controlling the activities of lower level executives
- v) Reporting to top level management regarding departmental performance

3. Lower level management:

It includes supervisors, foreman etc. They are involved in short term planning. They require more technical skills.

Functions:

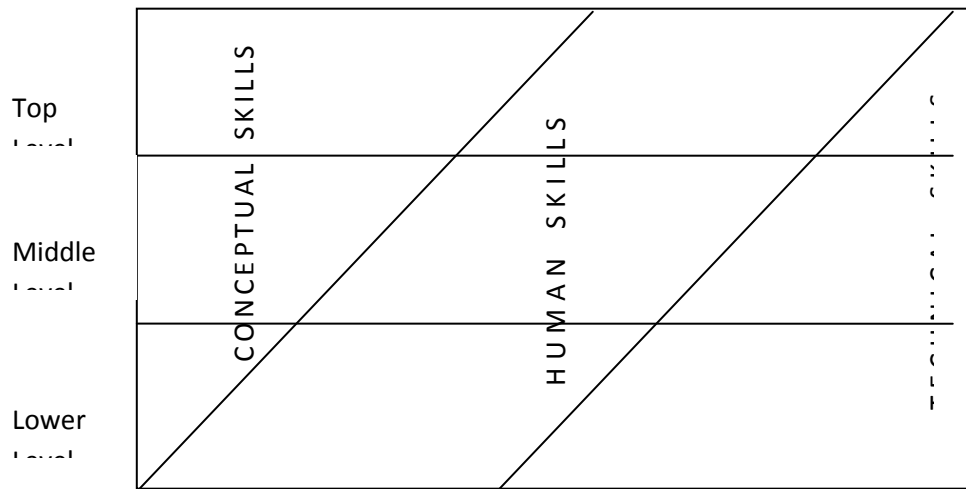
- i) Controlling the performance of workers and employees.
- ii) Motivating personnel for better performance
- iii) Reporting to middle level management for day today performance
- iv) Directing the subordinates
- v) Framing of day today plans

Managerial skills:

The concept of managerial skills was first developed by Henri Fayol. Afterwards this concept was popularized by Prof. Robert L. Katz. Katz has classified managerial skills into three groups:

- i) conceptual skills
- ii) human skills
- iii) technical skills

All the skills are required at all the levels of management. But their degree of requirement differs from one level to another level. This can be explained with the help of following diagram:



1. Conceptual skills:

These skills are required more by top level managers. These skills help the managers to understand the problems and situations. So these skills are more used in planning and policy making.

2. Human skills:

All the managers at all the level require these skills. These are interpersonal skills ie to interact with other persons in the organization. These skills are more used for effective communication, motivation, team work etc.

3. Technical skills:

These skills are mainly required by lower level managers. These skills help the managers to undertake day today operations. These skills are more used for directing and controlling day today activities in the organization.

Other than these important skills, manager should have other skills as follows:

1. Decision making skills:

These skills are required at all the levels to take appropriate decisions. As managers are decision makers, they should have these skills.

2. Communication skills:

Every manager should have these skills to communicate effectively with other managers, subordinates, superiors etc.

3. Leadership skills:

Good managers should be good leaders. They should follow right type of leadership style to lead their subordinates. Leadership skills are required to get the things done through subordinates.

4. Administrative skills:

Good managers need to be good administrators. They should have ability to frame plans and policies. They should be able to facilitate co-ordination among all the activities conducted in the organization.



CHAPTER I

INTRODUCTION TO MANAGEMENT

Module - 2 (G)

Schools of Management :

The classical school includes three theories:

1. The Scientific Management Theory.
2. The Administrative Management Theory.
3. The Theory of Bureaucratic Organization and Management.

SCIENTIFIC APPROACH:

Fredrick Winslow Taylor (1856-1915)

The Scientific Management Theory owes its origin to F.W. Taylor, who is regarded as the father of scientific management. Taylor's primary concern was to increase productivity through greater efficiency in production and increased pay for workers, through the application of the scientific method. Taylor's followers include Henry Gantt, Frank and Lillian Gilbreth and Harrington Emerson.

Principles of Scientific Management

Taylor's Scientific Management was based on the following principles:

1. ***Development of true science of management*** – so that the best way or method of performing each task can be identified.
2. ***Scientific selection of workers*** – so that the right work can be assigned to the right worker depending upon his abilities and skills.
3. ***Scientific training and development of workers*** – so that the knowledge, attitudes and skills of the workers get improved, which in turn would improve their efficiency.
4. ***Close cooperation between management and workers*** – so as to bring harmony and to develop team spirit among the members of the organization. Taylor advocated complete “mental revolution” on the part of management and workers. In other words, both management and workers should develop a positive attitude towards each other.
5. ***Maximum output in place of restricted output*** – so that the workers are benefited by way of profit sharing or increased pay. Taylor believed

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that management and labour has a common interest in increasing production.

6. **Division of work** – so that each worker concentrates on one function and specializes in that function so as to improve the efficiency of the individual worker, and that of the organization as a whole.

Techniques of Scientific Management

In order to put the principles of scientific management into practice, Taylor and his followers developed the following techniques:

1. **Performance Standards:** Taylor felt that the performance standards were fixed not on any scientific basis but on the basis of rule of thumb or the amount of work done by an average worker. Taylor introduced “**time studies**” to fix performance standards. Predetermined standards were laid down in respect of time, cost, and quality of work performance, so as to ensure uniformity of operations and to facilitate comparisons of efficiency.
2. **Differential Piece Rate System:** Taylor advocated the differential piece rate system.

Under differential piece rate system, two piece rates were laid down:

- Low wage for those workers who fail to achieve the standard output.
- Higher wage rate for those workers who achieve or exceed the standard output.

According to Taylor, due to differential piece rate system, the inefficient workers would try their best to improve their efficiency, and the efficient workers would be motivated to maintain or enhance their output above the standard.

3. **Functional Foremanship:** Taylor advocated “functional foremanship” under which as many as 8 foremen were required to supervise the workers job. He was of the opinion that one supervisor cannot be an expert in all aspects of supervision work. Taylor’s functional foremanship consists of two groups of supervisors:

I. At the Planning Level:

Taylor advocated separation of planning from doing. Therefore, at the planning level, he suggested four foremen –

- **Disciplinarian** – to enforce rules and regulations and to maintain discipline.
- **Instruction Card Clerk** – to prepare instruction cards relating to work activities
- **Route Clerks** – to lay down sequence of operations.

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- **Time and Cost Clerk** – to decide about the time and cost relating to each.

II. At the Shop Level:

At the work-shop level, Taylor suggested four foremen supervise the workers.

- **Repair Boss** – to ensure proper repairs and maintenance of the tools and machines.
 - **Inspector** – to ensure that the workers perform the work as per the standards.
 - **Gang Boss** – to arrange and assemble the necessary machines and tools.
 - **Speed Boss** – to ensure proper speed of work so that the work is done on time.
4. **Mental Revolution:** Taylor advocated the concept of “Mental Revolution” in the interests of the managers and that of the workers. He advocated that there should be positive attitude on the part of the management towards the workers, and on the part of the workers towards the management. The positive would result in close cooperation between the management and the workers, which in turn would increase productivity and profits.
 5. **Time Study:** Taylor suggested the use of time study to lay down standard for each day’s work. The time study involves analysis of each element of a job, and then recording of the time taken in performing each element of job. Through proper time study, the management can fix proper standard for workers for a certain period of work, say an hour or a day.
 6. **Fatigue and Motion Study:** *Frank and Lillian Gilbreth (the husband and wife team) made significant contribution to scientific management by way of fatigue and motion studies. Through fatigue and motion studies, they were in a position to locate and eliminate unnecessary and wasteful movements on the job.*

According to the Gilbreths, fatigue and motion were interlinked. Every motion that was eliminated reduced fatigue. Using motion picture cameras, they tried to identify the most economical motions for each job in order to improve performance and reduce fatigue. The Gilbreths first studied the motions of bricklaying workers, and after identifying wasted motions, reduced the bricklaying motions from 18 to 5, thus improving the bricklayers’ productivity. The Gilbreths advocated that motion study would raise workers’ morale because of physical benefits and because it showed management’s concern for the workers.

The Gilbreths also concluded that it is not the monotony of work that causes so much of worker dissatisfaction, but rather, management’s lack of interest in workers.

7. **Gantt Charts:** Henry Gantt developed a charting system for production scheduling. The Gantt chart showed time relationships between “events” or “supporting plans” of a production program. Gantt recognized the fact that the total production program should be regarded as a series of interrelated supporting plans or events that people can understand and follow.

The Gantt chart formed the basis of two charting devices, which were developed to assist in planning, managing, and controlling complex organizations:

- **The Critical Path Method (CPM)**
- **The Program Evaluating Review Technique (PERT).**

Evaluation of Taylor’s Scientific Management

Taylor’s scientific management was responsible for improvement production efficiency and better working conditions and compensations to the employees. However, Taylor’s scientific management has been criticized by the workers, trade unions and even employers. The main criticisms are:

1. **Exploitation of Workers:** Critics point out that the “speed up” conditions placed undue pressures on employees to perform the work at fast levels. The emphasis on productivity and profitability led some employers to exploit workers. As a result, more worker joined unions, which resulted in mistrust between the management and the workers.
2. **Mechanical Approach:** Taylor’s approach has been criticized as mechanical approach. Taylor placed too much emphasis on efficiency without considering the human element. Taylor considered workers as robots who could speed up the work at any cost.
3. **Wrong Assumptions:** Taylor and his followers assumed that workers are motivated merely by monetary gains. In fact, it is not just wages that motivates a worker to perform better, but workers have social and ego needs as well that can motivate them to perform better.
4. **Individualistic Approach:** Taylor’s scientific management places too much emphasis on individual performance rather than group performance. Nowadays, the success of an organization depends not just on individual performance of workers, but on group performance of workers. It is obvious that informal work groups and work teams can be very effective in improving work efficiency as well as job satisfaction.
5. **Narrow Applicability:** Taylor’s scientific management can at best be applied only for factory management, where the performance can be measured quantitatively. There are number of cases, such as in services, where the performance of a person cannot be measured in quantitative terms. For instance, the performance of a teacher cannot be measured in terms of number of hours engaged and the completion of subject matter, but by the quality of teaching, and benefit to the students.

6. **Problem of Separation of Planning from Doing:** Taylor advocated separation of planning from doing. In real practice, one cannot separate planning from doing. The planners should also be engaged in doing, then only they will be able to frame realistic plans and policies for the organization.
7. **Problem of Unity of Command:** Taylor advocated functional foremanship, where the workers have to report to eight functional heads. This violates the principle of unity of command, where the workers are supposed to report to only one supervisor and not to several bosses. Lack of unity of command can create confusion and chaos in the organization.

ADMINISTRATIVE SCHOOL

The Administrative Management School also called as the Management Process School, regards management as the process of getting things done through people as members of work-groups rather than as individuals.

The first advocate of administrative management theory was Henry-Fayol (1841-1925), regarded as the “Father of Modern Management”. Apart from Fayol, there were other management thinkers who contributed to the Administrative Management Theory, such as Mary Parker Foller, Luther Gulick, Lyndall Urwick, Earnest Dale, James Mooney, Oliver Sheldon, etc.

Principles of Management: Henry Fayol in his book titled “Industrial and General Administration” published in 1916 advocated 14 principles of management, which include:

- Division of work.
- Authority and Responsibility Parity.
- Discipline, etc.

Business Activities: Fayol also gave a classification of business activities, which include:

- Technical (manufacturing of goods)
- Commercial (buying and selling of goods and services)
- Financial (obtaining and application of funds)
- Accounting (recording of business transactions and statistics)
- Security (protection of persons and property), and
- Managerial Activitis.

Management Functions: According to Fayol, the managerial activities were most neglected in business organizations in those days, and therefore, he focused on administrative management. Fayol identified five functions of management, which include:

- Planning
- Organization
- Commanding (Directing)
- Coordinating, and Controlling.

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Managerial Qualities and Skills: Fayol also identified certain “Qualities and Skills” required by the managers to perform their managerial tasks. The managerial qualities and skills include:

- Physical qualities (good health and vigour)
- Mental qualities (good judgment and analyzing)
- Moral qualities (such as loyalty, integrity and dignity)
- General education
- Special knowledge (relating to a particular function / field)
- Experience (knowledge and skills acquired from acquaintance with the job)

Critical Evaluation:

Fayol’s administrative management theory – principles and functions are universally used even today in managing organizations. However, this theory has been criticized on the following grounds:

1. **Management Oriented Theory:** The administrative management theory is management oriented. It does not give much attention to the problems of the workers.
2. **Lack of Emphasis on Informal Organization:** The administrative management theory does not place any emphasis on informal organization or groups. It places emphasis only on the formal organization structure.
3. **Concepts Borrowed from Military Science:** Some of the concepts of administrative management theory were borrowed from military science, and then an attempt has been made to apply such concepts to social and business organizations. For instance, Fayol placed emphasis on the function of “commanding” rather than “directing” the subordinates.
4. **Mechanical Approach:** The administrative management theory is more of a mechanical approach, and it does not deal with some of the important dimensions of management such as motivation, communication and leading.

Human relations movement and

HAWTHORNE STUDIES / EXPERIMENTS

The human relations movement began with the Hawthorne experiments which were conducted at Western Electrical Works in USA between 1924 and 1932. The Hawthorne experiments were conducted in four parts as follows:

Part I – Illumination Experiments (1924-1927): From 1924-27, the National Research Council made a study in collaboration with Western Electric to determine the effect of different levels of illumination on productivity of labour. The lighting conditions for the test group of workers were varied, while it was kept constant for the control group of workers.

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The researchers found that the productivity of the test group improved with an improvement in lighting conditions, and surprisingly it also improved, when the lighting conditions were worsened. To complicate further, the productivity of the control group also rose, even when there were no changes in the lighting conditions. The researchers concluded that something besides lighting was influencing the workers performance.

Part II – Relay Assembly Test (Room Experiment) (1927-29): In this experiment, Elton Mayo and his associates were involved. In this experiment, two groups of six female telephone relay assemblers each were placed in separate rooms and a number of variables were altered – wages were increased; rest periods of varying length were introduced; the workday and work week were shortened. The researchers, who now acted as supervisors, also allowed the groups to choose their own rest periods and to have a say in other suggested changes.

Productivity and morale of the group increased consistently during the period of the experiment. The researchers also observed that even when the improvements in physical working conditions were withdrawn, productivity and morale of the group were maintained. The researchers concluded that the socio-psychological factors such as small informal groups, non-directive supervision, participation in work matters, etc., were responsible for improvement in productivity.

Part III – Mass Interviewing Program (1928-31): A large number of workers were interviewed to find out the reasons for increased productivity. This program indicated that productivity could be increased, if people are allowed to talk freely about matters that are of importance to them.

Part IV – Bank Wiring Observation (Room Experiment) (1932): In this experiment, a group of 14 male employees in the bank wiring room was placed under observation for 6 months. A worker's pay was made dependent on the performance of the group as a whole.

The researchers expected that the more efficient workers would put pressure on less efficient workers to complete the work. However, it was found that the group established its own standard output and social pressure was used to achieve the standards if outputs.

Conclusion of the Hawthorne Experiments:

1. The ***social and psychological factors*** are not just monetary incentives and physical working conditions are responsible for workers productivity and job satisfaction.
2. The ***informal and interpersonal relations*** among workers influence the workers behaviour and performance more than the formal relations in the organization.
3. Employees would perform better when they are given ***freedom to participate in decision-making*** affecting their interests.

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4. Employees would also work more efficiently, when they believe that the management is concerned to **employees – welfare**.
5. When employees are treated with **respect and dignity**, their performance tends to improve significantly.
6. **Effective communication** between the superiors and subordinates can improve the relations and overall productivity of the subordinates.

Criticisms of Hawthorne Experiment:

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

1. **Lacks Validity:** The Hawthorne experiments were conducted under controlled situations, and as such the findings cannot be justified in real setting. The workers under observation were conscious of the experiments, and therefore, they may have improved upon their performance, which may not be so in real situation.
2. **Too much Emphasis on Human Aspects:** The Hawthorne experiments placed too much emphasis on human aspects. In real situation, it is not just human aspects that can improve the productivity, but also the technical and technology aspects that can have an impact on the workers performance.
3. **Too much Emphasis on Group Decision Making:** The Hawthorne experiments placed too much emphasis on group decision – making. In real situation, individual decision making cannot be totally neglected, especially when quick decision need to be made.
4. **Over Emphasis on Freedom to Workers:** The Hawthorne experiments placed over emphasis on freedom to the workers. It does away with the constructive role of the supervisors. However, too much of freedom to the workers may lower down the performance or productivity of the workers.

BEHAVIOURAL SCHOOL:

Behavioural science approach is an extension of the human relations approach. Elton Mayo and his associates developed the use of the scientific method in their studies of human resources in the work environment. Later researchers, like Abraham Maslow, Douglas McGregor and others, used more sophisticated research methods and became known as “behavioural scientists” rather than “human relations theorists.”

The behavioural science approach also known as “human resource approach” placed emphasis on the behaviour and performance of individuals and groups in organizations. The behavioural scientists brought two new dimensions to the study of management and organizations:

- They advanced more sophisticated view of human beings and their needs and motives, as compared to Elton Mayo. For instance, Abraham Maslow in his “theory of Hierarchy of Human Needs” advocated ‘self-actualization needs’, apart from other needs.

- They also applied the methods of scientific investigation to determine the group behaviour of people in organizations.

Basic Assumptions and Propositions of Behavioural School of Thought:

- Organizations are social as well as technical systems, and it is the responsibility of the management to integrate the two.
- There are a number of factors that influence interpersonal behaviour of people and work in an organization.
- Employees are motivated not only by physiological needs but also by social and psychological needs.
- Individuals differ in perceptions, attitudes, needs and values. These differences must be identified and recognized by management.
- Conflict in an organization to a certain extent is inevitable and even desirable in certain cases. Conflict and cooperation can co-exist in an organization.
- There should be a fusion of personal goals and organizational goals in an organization.

Contributions of Behavioural Scientists:

Abraham Maslow, Douglas McGregor, Chester Barnard, Fredrick Herzberg, Victor Vroom and others made significant contributions to the behavioural science approach. The main contributions are as follows:

- Human beings have several needs. Some are lower-level needs like physiological needs, safety and security needs, and social needs, which are to be satisfied first; others are of the higher-level like ego needs, and self-actualization needs, which can be satisfied after satisfying lower-level needs. (Abraham Maslow's Hierarchy of Needs Theory)
- There are various patterns of communication in an organization, which are vital for the performance of the organization. (James March and Herbert Simon)
- Managers can have different assumptions of people depending on situation. Managers may have traditional assumptions about the nature of people – such as human beings hate to work and therefore, they must be coerced, controlled, directed, and threatened with punishment to make them work.(Theory X). Managers may have positive assumptions of people such as people love to work as play or rest, and that they can exercise self control and self direction. (Theory Y) Douglas McGregor.

- People will be motivated to do things to reach a goal, if they believe in the worth of that goal, and if they can see that what they do will help them in achieving it. (Victor Vroom's – The Expectancy Theory of Motivation)
- There are several factors that influence behaviour and work of people in an organization.(Herzberg's Two Factor Theory)

Hygiene factors, such as salary, working conditions, supervision etc. If these factors exist in a work environment then they would result in no dissatisfaction, but not motivation.

Motivators such as recognition, achievement, challenging work, etc. If these factors exist in a work environment, then they would result in satisfaction and motivation.

- The tasks of executives or managers are to maintain a system of cooperative effort in a formal organization. (Chester Bernard)

SYSTEMS APPROACH

The systems approach views the organizations as a unified, purposeful system composed of interrelated parts. In this approach, the managers look at their organization as a whole and as a part of the larger external environment. The focus of the systems approach is that the managers in an organization cannot function only within their department but they also have to communicate and interact with other departments and also within representatives of other organizations.

The systems approach to organization and management appeared around 1960. Some of the important contributors to the systems approach include Robert Katz, Daniel Katz, Robert Kohn, W.G. Scott and Ludwig von Bertalanffy.

Some Key Concepts:

Sub-systems: The part that make up the whole of a system are called subsystems. Also, each system can be a subsystem of a still larger whole. For instance, a department is a subsystem of a division, and a division is a subsystem of a company, and a company is a subsystem of an industry, and an industry can be a subsystem of an economy.

Synergy: It means that the whole is greater than the sum of its parts. In an organization, synergy can exist among departments and employees in an organization. When individuals and departments cooperate and interact, they become more productive than if each of them were to act in isolation.

Open and Closed Systems:

A system is considered as an open system if it interacts with its environment. And a system is considered as a closed system if it does not interact with its environment.

Organization as an Open System:

All organizations interact with their environment, but the extent to which they do so differs. A business organization is a part of a larger system, i.e., society. A business organization gets its inputs from society such as manpower, materials, money, etc. and supplies its output (in the form of goods and services) to the society.

A business organization cannot operate in isolation. It needs active support from members of the society to conduct its business activities. For instance, it needs resources such as finance from investors and financial institutions; it needs traders to distribute its goods and services to final consumers; and it also needs the support of consumers to consume its goods and services.

CONTINGENCY APPROACH

Contingency approach is also referred as “situational approach”. According to the contingency approach, certain techniques may also work well in a certain situation and not in all situations. The management’s task is to identify that technique, which will work well in a particular situation. Decisions must be situation-adaptive and situation specific. The nature of the situation or problems determine the method or technique that can be used to deal with it. A technique or method that is good for a particular situation may not be good in different situation. In other words, there is no one best way of doing things, which is universally applicable to all situations.

Contingency Approach and Commonsense:

According to contingency approach, there is no one best way of doing things. The same situation may be effectively handled differently by two different persons or even by the same person at different times. Management needs to adopt a particular technique to handle a particular situation. The contingency approach may appear to be a matter of commonsense, but in reality it is ***much more than commonsense.***

The contingency approach is much more than commonsense due to:

- The management must have a thorough analysis and understanding of each situation.
- The management must then find out the various techniques or methods that can be used to deal with the situation or problem.
- Each technique may then be examined to find out whether or not it will be able to deal with the problem.
- After proper examination of each technique, the management must select the best possible technique that can deal with the situation.
- The management must then implement the technique or method to deal with the situation or to solve the problem.
- The management may also review the performance of the technique or methods to find out whether or not the problem is getting solved or not,

and if not, the management may modify the technique or adopt another technique to deal with the situation.

Evaluation of Contingency Approach:

Contingency Approach is useful to managers in a number of ways. It cautions managers that there is no one best way of doing things. Managers have to find out the best possible methods or technique to solve a particular problem or to deal with a particular situation. The utility of contingency approach to management can be cited in a number of cases. Some of them are as follows:

- It guides managers to select a particular leadership style depending upon a particular situation. In other words, it makes managers to adopt situational leadership style rather than following a particular leadership style in all situations.
- It helps management to adopt appropriate motivational packages for the employees in the organization. Proper weightage is to be given either to monetary incentives or to non-monetary incentives depending upon the nature of the employees and their needs and expectations.
- It helps to resolve the conflict between the manager and the employee in the organization. Depending upon the nature of conflict, the management may adopt a particular technique to solve the conflict.
- Managers can also delegate authority to their subordinates depending upon the nature of work and the situation. Before delegating authority, the managers should analyse the nature of the subordinate and also the situation or the activity that needs to be delegated.
- The contingency approach can be useful to management in dealing with the managerial process. i.e. planning, organizing, directing and controlling of activities. The management should first analyse the situation, and then only undertake the managerial process.
- The management can select the most appropriate form of organizational structure depending upon the situation. For instance, in the case of a number of project to be undertaken at a time, the organization may adopt the matrix structure.



Chapter I

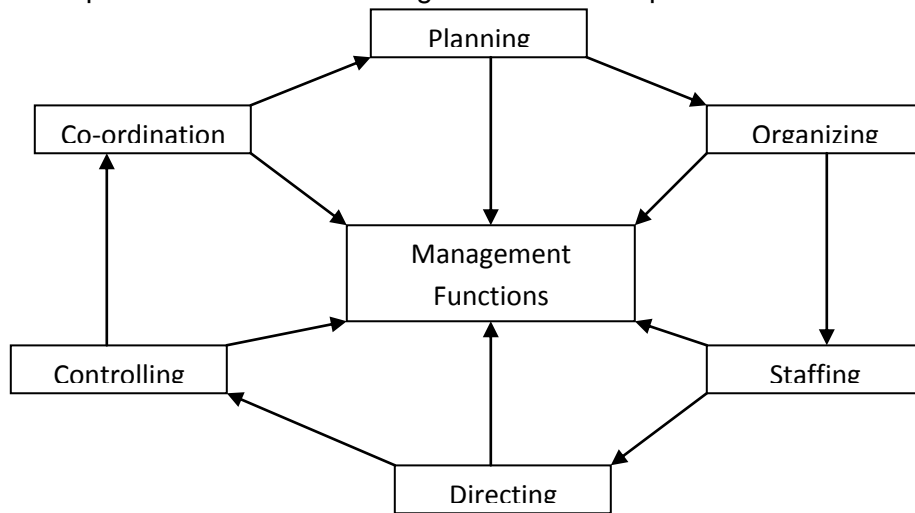
INTRODUCTION TO MANAGEMENT

Module – 3(G)

Functions of management in business organization

“Management is what management does.” This points out the functional approach to management. Henri Fayol provided a functional approach to management in his book “Industrial and General Management”

The important functions of management can be explained as follows:

**1. Planning:**

Koontz and O'Donnell defines planning as, “Planning is deciding in advance what to do, how to do it, when to do it and who is to do it.” Planning is the primary function of management. It is the function of deciding future course of action to achieve desired results. It is the process of deciding what is to be done, who has to do that, when is to do that and how to do that. Planning provides guidelines for actual work. Planning sets the standards against which actual activities are measured.

2. Organizing:

Louis Allen defines organizing as, “ Organizing is a process of identifying and grouping of work to be performed, defining and delegating authority and responsibility and establishing relationships to accomplish objectives.” Organizing is concerned with the arrangement of resources in the organization. It involves the decisions about division of work, delegation of authority etc. It establishes proper superior subordinate relationships and facilitates co-ordination of activities in the organization.

3. Staffing:

H. Weirich and H. Knootz define staffing as, “filling and keeping filled, positions in the organization structure.” Staffing function helps to

find out right person for the right job. It includes recruitment, promotion, transfer, retirement, job rotation etc. of employees.

4. Directing:

Directing involves giving instructions to people and ensuring that they know what is expected of them. It includes three sub-functions:

- i) **Communicating:** It refers to transfer of message from one person to another. Effective communication requires proper feedback so that it is ensured that message is clearly understood.
- ii) **Leading:** Leading is an act of influencing subordinates to work willingly towards the attainment of objectives. A manager has to get work done through people. The success of an organization depends upon quality of leadership of managers.
- iii) **Motivation:** It refers to encouraging and inspiring the people for better performance. It is a process of stimulating people for desired course of action. Managers should provide monetary and non-monetary incentives to motivate the subordinates.

5. Controlling:

James Stoner defines controlling as, "Controlling is the process of ensuring that actual activities conform to the planned activities." Controlling involves monitoring of actual performance, finding out deviation. If any and taking corrective measures for improvement.

6. Co-ordination:

Co-ordination refers to interlinking of activities of all the subordinates and departments. There is a need for co-ordination at all the levels. Co-ordination gives direction to all the departments and develops team spirit. Co-ordination is an essence of management.



PLANNING

Module – 1

INTRODUCTION

Planning is a primary function of management. Management process starts with planning of activities. Planning provides directions for activities.

DEFINITIONS

1. Koontz and O'Donnell defines planning as, "Planning is deciding in advance what to do, how to do it, when to do it and who is to do it."
2. In the words of George R. Terry, "Planning is a method or a technique of looking ahead a constructive reviewing of future needs so that present actions can be adjusted in view of the established goals."

NATURE AND CHARACTERISTICS OF PLANNING

Following are the important characteristics of planning:

1. Planning is primary function:

Management process starts with planning. So planning is a primary function of management. Other functions of management i.e. organizing, directing, and controlling are dependent on planning.

2. Planning is result oriented:

Every plan is framed to achieve certain well defined objectives. Planning is done to achieve goals. First targets are set and then planning is done.

3. Planning is future oriented:

Planning is always done for the future. The future can be short term, medium term or long term. It is a programme for future by which management tries to look ahead.

4. Planning is a continuous activity:

Planning is a continuous function of management. Managers are required to formulate, modify and withdraw the plans according to business environmental changes. Planning is necessary as long as the business remains in existence.

5. Planning is pervasive:

Planning is pervasive in nature. It is required for all the business activities and by all the managers at all the levels. Planning is required not only in business organizations but also in non-business organizations.

6. Inter-dependent activity:

Planning is inter-dependent activity. One departmental plans are dependent on other departmental plans. Every plan is linked with other plans.

7. Intellectual process:

Planning requires imagination, intelligence, talent, vision etc. on part of managers. Planning is based on practical considerations. Proper thinking is required before finalizing a plan. The quality of plan depends upon mental qualities of managers.

8. Planning requires past, present and future analysis:

Planning requires proper analysis of past, present and future. Managers need to check past performance, present targets and future possibilities while planning.

9. Basis of control:

Planning provides base for control. The actual performance is compared against planned targets. Plans provide basis for comparison of actual and standard performance.

10. Flexible in nature:

Planning is always flexible. It keeps on changing as per situation changes. As business environment is dynamic in nature, planning needs to be flexible in nature. Plans should match with environmental changes.

MERITS/ADVANTAGES OF PLANNING

The need and importance of planning can be explained as follows:

1. Minimizes risks and uncertainties:

Planning studies future situations. Therefore future risks and uncertainties are studied well in advance. Solutions for these risks and uncertainties are kept ready. Thus planning helps to minimize risks and uncertainties.

2. Facilitates innovation:

While planning managers come out with new ideas and concepts. Planning encourages innovative and creative ideas on the part of the managers.

3. Facilitates efficiency:

Planning facilitates optimum utilization of all physical and human resources in the organization. As the right course of actions is decided in planning, resources are utilized at optimum level and wastages are reduced. So planning facilitates efficiency.

4. Facilitates organizing:

Proper plans facilitates systematic organizing in the organization. Required resources are arranged in the right manner and are put to the best use. Proper arrangement of resources will be done to achieve targets.

5. Facilitates directing:

As per the plan manager can issue directions to his subordinates. Good plan provides guideline to the people for achieving desired objectives.

6. Facilitates controlling:

Plan provides basis for comparison in controlling function. Under controlling actual performance is compared against standard performance laid down in the plan.

7. Facilitates co-ordination:

Planning co-ordinates all the activities in the organization. Due to planning one departmental activities are linked with other departmental activities. It facilitates co-ordination at all the levels in the organization.

8. Facilitates decision making:

While finalizing one plans, several alternative plans are drawn and evaluated. Out of all these available alternatives, the best plan is selected and implemented. Thus planning facilitates selecting the best plan i.e. decision making.

9. Facilitates motivation:

Planning develops team spirit among all the people in the organization. On the basis of planned performance, rewards can be given for better performance.

10. Growth and expansion:

Planning provides a benchmark for development. It improves performance of the organization which leads to growth and development.

LIMITATIONS OF PLANNING

The limitations of planning can be explained as follows:

1. Time consuming:

Planning needs collection of data of past, present and future of the organization. it requires consultation and discussion with other people in the organization. it requires approval from higher authority. Therefore planning is a time consuming process.

2. Paper work:

Lot of paper work is involved in planning function. Paper work is more due to reports making, taking approvals, alternative plans etc.

3. Costly affair:

A good amount of money is required to be spent for collecting and analyzing the data. So the companies who can not offered such expenses avoid planning.

4. Possibility of under-targeting:

Sometimes managers may under-target while planning. This is because, they may think that they can achieve targets easily can get appreciation. This happens mostly in public sector organizations.

5. Possibility of over-targeting:

Sometimes managers may target at higher level. This may be due to wrong collection and interpretation of data.

6. Generates frustration:

If the managers are not able to achieve the planned targets in spite of best efforts, it may lead to frustration.

7. Possibility of human error:

Plans require judgment and intelligence on the part of the managers. But if managers have done wrong judgment about future, then it may lead to wrong targeting.

8. Problem of changing situations:

Business environment is not constant. Changes are always taking place and plans need to adjust with these changes. But every time it may not be possible to adjust with every change.

9. Inter-departmental conflicts:

Planning requires co-ordination between all the departmental managers. But it is possible that, these managers may have conflicts due to which plan may not give expected results.

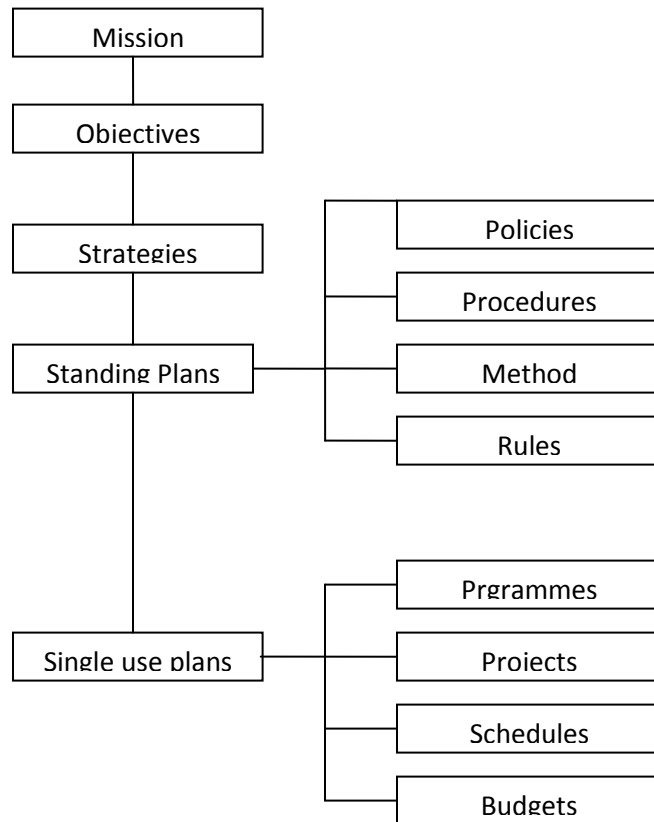
10. Generates rigidity:

While carrying on actual performance, managers always focus only on planned targets. It may be possible that, sometimes higher performance may be possible. But managers tend to achieve only what has been planned.

CLASSIFICATION AND COMPONENTS OF PLANNING

Several plans are prepared while making a plan. These all plans are classified as follows:

- I) Standing plans: These plans are prepared for repeat use. They are used again and again. Therefore they are referred as repeat use plans.
- II) Single use plans: These plans are prepared to achieve specific objectives. These are used only once. Once the purpose is served, plan becomes obsolete.
- III) Various components of plans can be explained with the help of following chart.



1. **Mission:**

Every organization should have mission. Mission is the statement which reflects purpose, philosophy and vision of the organization. Mission guides the overall working of the enterprise.

2. **Objectives:**

Objectives are the goals or targets what management wants to achieve. Objectives are drawn from mission. These are ends towards which all the actions are directed.

3. **Strategies:**

Strategy is a broad long term plan. It provides guideline for achieving the objectives of the organization.

4. **Policies:**

Policy is considered as guideline for action. Policies provide a framework within which the organization has to operate. It defines boundaries for decision making.

5. **Procedures:**

Procedure is a series of activities required to be performed for attaining objectives. It is the sequence of works to be done.

6. **Methods:**

Method describe the way of performing particular work. By following a proper method, procedure is completed.

7. Rules:

Rules lay down specific actions to be done. It describes what is to be done and what should not be done.

8. Programme:

Programme is a plan which is designed to implement the policies and accomplish objectives. It is a combination of goals, policies, procedures, rules to carry out activities.

9. Projects:

Projects are the plans which are required to complete complex and special work. It requires expert knowledge from various departments.

10. Schedules:

A schedule is a time table for activities. It defines start time and completion time of each and every activity. It ensures completion of work on time.

11. Budgets:

Budgets express the anticipated results in numerical terms. It is mainly used for controlling the actual performance of activities.



MEANING AND DEFINITION OF DECISION MAKING

Decision making is a process of identifying a set of feasible alternatives and from these selecting the best course of action. It is a technique used to find a solution to solve problem.

Definition:

1. James stoner defines decision making as, "The process of identifying and selecting a course of action to solve a specific problem."
2. According to Haynes and Massie, "A decision is a course of action which is consciously chosen for achieving a desired result."

Importance/Advantages of decision making:

Decision making is an essential element of management process. Manager needs to take sound decisions for conducting correct actions so that objectives can be achieved. The importance of decision making can be explained as follows:

1. Achievement of objectives:

Good decisions always facilitate attainment of all objectives in time. Decisions direct the exact flow of activities and resources which results into achievement of objectives.

2. Optimum use of resources:

Due to sound decisions available resources are allocated properly for productive activities. This facilitates optimum use of resources and minimizes wastages.

3. Higher efficiency:

Decision making enables to attain higher results at same cost or at a lower cost. This leads to higher efficiency in the organization.

Facilitates innovation:

Decision making process generates new ideas, new products, new methods etc. This results in innovation.

4. Motivation:

Sound decisions motivate employees to perform better. Sound decisions require best efforts from employees which improves results.

5. Growth and expansion:

Sound decisions lead to better performance in the organization. Objectives are achieved in time. This leads to growth and expansion of the organization.

6. Helps to face new challenges:

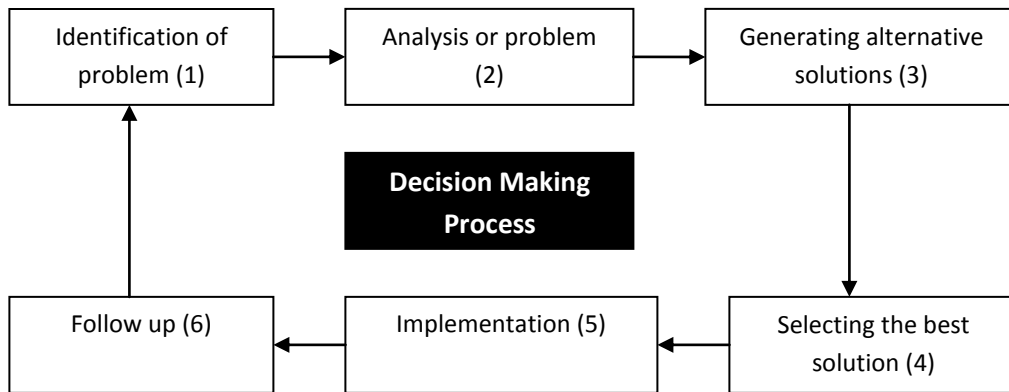
Decision making facilitates decisions which are required to solve problems created by constant environmental changes. Thus organization can face the new challenges created by environment.

7. Encourages initiative:

Modern managers involve all the people from the organization in decision making process. All employees involved in decision making contribute new ideas and suggestions. This leads to encouragement of initiative.

Process of decision making:

Following are the steps in process of decision making:



1. Identification of problem:

Decision making process starts with identification of problem. The problem has to be identified properly so that correct solution can be found out. Company may be facing the problem of fall in sales.

2. Analysis of problem:

Once the problem is identified, the next step is to collect relevant facts about it. Manager should know possible causes and effects of that problem. For eg.: Fall in sales may be due to poor advertising strategy, poor quality of product, increase in prices, poor distribution strategy etc.

3. Generating alternative solutions:

Once the possible causes for problem are listed out, manager has to generate various alternative solutions to solve that problem. For eg.: Various alternative solutions can be revision of prices, effective distribution strategy, improving product quality etc.

4. Selecting the best solution:

After all the alternatives are evaluated properly, manager should select the best alternative out of it. The best alternative is always that solution which will generate maximum returns at minimum cost. For eg. In our example the best alternative can be improvement of product quality.

5. Implementation:

The selected best alternative will be practically implemented by managers to solve the problem. Implementation should be done by

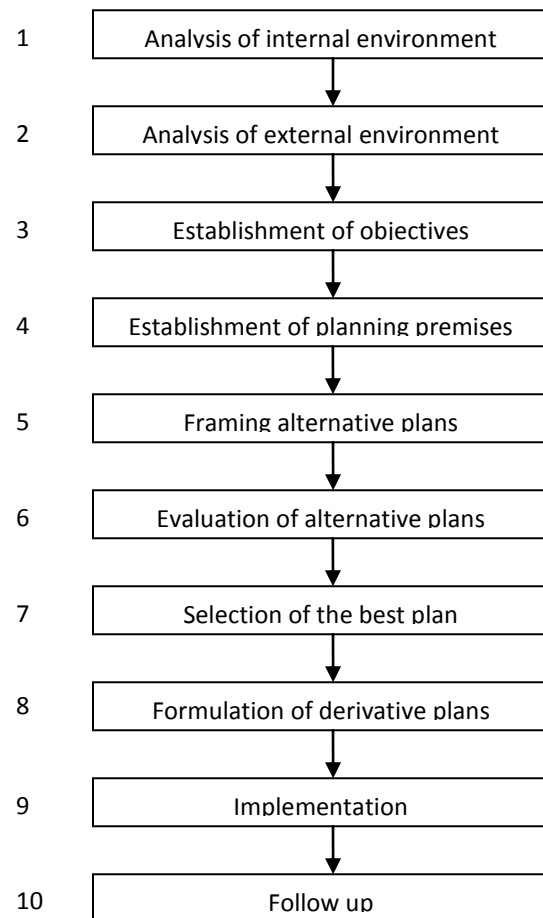
having proper allocation of resources. For eg.: for actual improvement in product quality, raw material can be changed, advanced technology can be installed, labour can be trained more etc.

6. Follow up:

Once the solution is implemented practically, managers should take a follow up of actual performance of that solution. Managers should see that implemented solution should solve the problem. If not, then again the managers should find out possible alternatives to solve that problem.

Planning process

Following steps are involved in the planning process:



The stages of planning process are explained as follows:

1. Analysis of internal environment:

Planning process starts with analysis of internal environment. Internal environment includes all the variables from the organization like manpower, plans and policies of top management, machines, materials etc. Planner needs to study these variables properly to find out strengths and weaknesses of the organization.

2. Analysis of external environment:

After the analysis of internal environment, planner needs to study factors from external environment. External environment includes all those factors which are outside the organization like government policies, competition, international factors, technological changes, consumer behavior etc. This analysis is required to find out possible threats and opportunities for the organization.

3. Establishment of objectives:

After the analysis of environment is over, planner should establish the objectives to be achieved. Objectives should be well defined to provide guidelines for planning. Objectives should be SMART ie specific, measurable, achievable, realistic and time bound.

4. Establishment of planning premises:

Planning premises are the assumptions which provide a framework within which plans operate. Appropriate assumptions have to be made regarding internal and external environment.

5. Framing alternative plans:

Planner should always frame alternative plans instead of only one final plan. For eg.: To improve product quality, planner can make alternative plans such as, Purchase of better quality raw material

- i) Installation of advanced technology
- ii) Training to workers etc.

6. Evaluation of alternative plans:

All the alternative plans should be evaluated by the planner. Evaluation should be in terms of cost and returns possible from that particular plan.

7. Selection of the best plan:

Once the plans are evaluated, planner should select the best plan out of all the alternatives. The plan which gives maximum returns at minimum cost should be selected as the best plan.

8. Formulation of derivative plans:

Derivative plans are sub-plans which are required for operational purpose. For implementation of the final plan derivative plans are required. Programmes, policies, schedules, budgets etc. are examples of derivative plans.

9. Implementation:

With the help of derivative plans prepared, final plan should be implemented. Plan should be communicated to all those people in the organization who are required to implement them.

10. Follow up:

Periodic follow up is required to find out whether the actual performance is matching with planned targets. If necessary certain changes can be done in that plan.

Essentials of a good plan:

Good plans are always the bases for other managerial functions like organizing, directing and controlling. The success of management functions depends upon quality of the plan formulated.

Following are the certain essentials of a good plan:

1. Simplicity:

A plan must be simple to understand and easy to execute. It should be well understood by those, who are involved in its implementation.

2. Flexibility:

Plan should always allow changes required to be done according to changing situations. plans should not be rigid. Flexible plans are always adjustable, as it facilitates modifications to be done.

3. Suitability:

A plan should be suitable to the needs of the organization. It should consider resources and capabilities.

4. Clear objectives:

Plan always indicates the objectives what need to attain by the organization. These objectives should be clear and well defined.

5. Continuity:

Good plans should be continuous in nature. Plans should be adjusted periodically to ensure continuity in the planning process.

6. Acceptance:

The plans must be acceptable by the others. It should be accepted by top management for approval as well as by subordinates for implementation.

7. Comprehensive:

A good plan should be comprehensive in nature ie it should cover all the details necessary for its execution. There should not be any ambiguity in the plan. Plan needs a practical approach.

8. Realistic:

A good plan should be realistic. It should based on facts and not on guesswork. It should be workable.

9. Facilitates organizing:

A good plan should facilitate proper arrangement of all resources ie physical and human resources.

10. Provides direction:

Plan should provide guidelines for actual working. Based on plans, directions can be given to complete the work on time.

11. Facilitates control:

A good plan should facilitate controlling of actual performance. Actual

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performance can be compared against targets mentioned in the plans.

12. Generates efficiency:

A good plan should generate maximum efficiency in the organization. it should minimize wastage by doing optimum use of resources.



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Chapter II

PLANNING

Module - 3

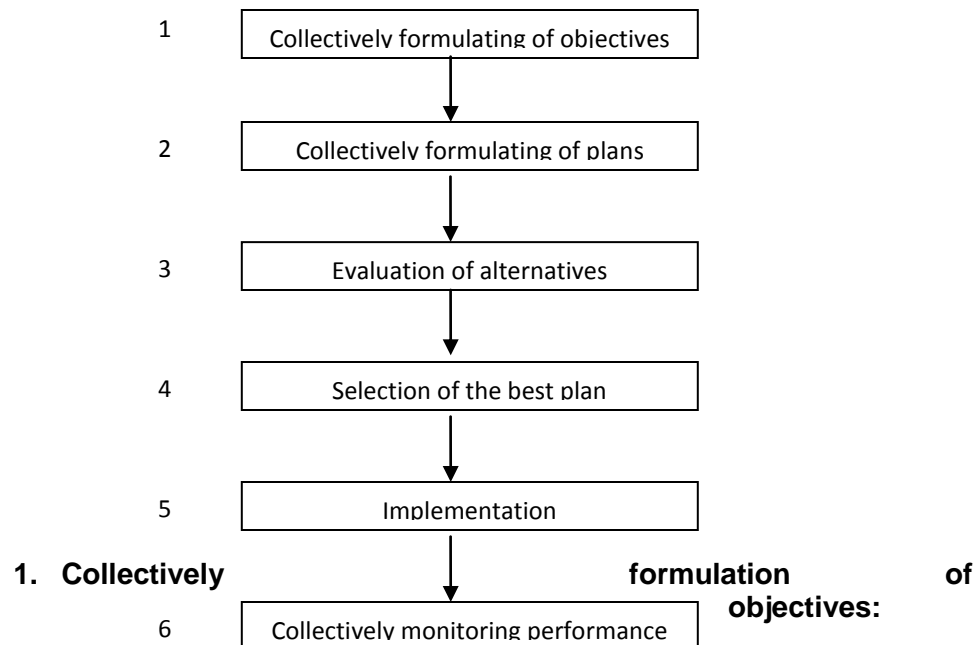
MBO (Management By Objectives)

The concept of MBO was popularized by Peter Drucker in 1950s. MBO is based on assumption that people perform better when they know what is expected of them. It also assumes that people are interested in decision making process and controlling their actual performance.

Meaning:

MBO involves subordinate manager's participation in planning and controlling activities. In MBO supervisors and subordinates decide the goals jointly and control the activities.

Process of MBO:



The superior and subordinate collectively formulate the goals. The goals can be in the areas of production, marketing, finance etc.

2. Collectively formulating action plans:

After setting of goals, superior and subordinate collectively formulate action plans. These action plans are required to achieve the goals.

3. Evaluating alternatives:

Superior and subordinate managers have to collectively evaluate the action plans. In evaluation cost-benefit analysis of each action plan is required to be done.

4. Selection of the best plan:

After evaluation, the superior and subordinate manager should select the best plan. The best plan is that plan which gives maximum returns at minimum cost.

5. Implementation:

The subordinate implement the selected plan. If required, superior can give guidance to the subordinates for implementation.

6. collectively monitoring performance:

At the end, subordinate compare actual performance against planned targets. At this stage, superior acts as a guide. If any deviations are there, superior and subordinate once again frame objectives.

Advantages of MBO:

1. Optimum utilization of resources:

MBO facilitates optimum utilization of physical and human resources in the organization.

2. Team work:

In MBO superior and subordinate collectively formulate plan and control the performance. This leads to continues interaction between superiors and subordinates. This develops team work in the organization.

3. Motivation:

Subordinates are motivated in MBO. They are given chance to participate in decision making process along with superiors. Organizational goals are converted into personal goals at all the levels.

4. Result oriented:

MBO is result oriented. It links evaluation directly to performance.

5. Improved planning:

MBO involves participative decision making on the part of the subordinate managers. This makes plans more realistic. Thus planning improves by quality.



ORGANIZATION

Module – 1

INTRODUCTION

Organizing is an element of management process. Organizing is basically concerned with allocation of duties and responsibilities among the people so that work will be carried on systematically. Organizing simply means arrangement of required resources and ways for conducting business activities. It is a creation of administrative set up.

DEFINITION

1. Louis Allen defines Organization as “The process of identifying and grouping of the work to be performed, defining and delegating responsibility and authority, and establishing a pattern of relationships for the purpose of enabling people to work most effectively together in accomplishing objectives.”
2. According to Henri Fayol “To organize a business is to provide it with everything useful to its functioning – raw materials, tools, capital and personnel.”

PRINCIPLES OF ORGANIZING

The most commonly mentioned and well accepted principles of organizing are as follows:

1. Objectives :

Every organization should have well defined objectives. Every department in the organization should have their objectives. Every individual in the organization should know what to achieve. Finally there should be unity among all the objectives.

2. Specialization :

Every department should be given a specific work to be performed. Division of work leads to specialization. Every individual in the organization should be given the work as per his skills.

3. Co-ordination :

All the activities of all the individuals and departments should be interlinked with each other. Co-ordination will lead to proper direction for work which will result into better results.

4. Delegation of authority :

The superior should pass on the authority to their subordinates. There should be fixation of responsibility after the authority is delegated.

5. Short chain of command :

As far as possible there should be short chain of command in the organization. This will lead to speedy work as well as chances of distortion will be avoided.

6. Balance :

There should be proper balance in different aspects of the organization. There should be balance between authority and responsibility, centralization and decentralization, human and material resources etc.

7. Continuity :

Organizing is a continuous process. It will be over only after closure of the organization. Therefore organizing should provide a framework which is long lasting in nature.

8. Simplicity :

The structure of the organization should be as simple as possible. All the people in the organization should be able to understand the structure.

9. Span of control :

Span of control is number of subordinates who can be effectively managed and supervised by manager. There should be limit of span of control.

10. Flexibility :

The organization structure should not be rigid in nature. It should adjust with the changing situations.

11. Authority and responsibility :

Authority is a power to take decision. Responsibility is an obligation to perform work. There should be a proper balance between authority and responsibility.

12. Unity of command :

This principle suggest that subordinate should get orders only from one boss at a time. There should not be duplication of orders which leads to confusion.

FORMAL AND INFORMAL ORGANIZATION

In an organization there exist two types of internal structures or relationships i.e.

- i. Formal organization
- ii. Informal organization

FORMAL ORGANIZATION

Formal organization refers to structure of well defined jobs, having definite authority and responsibility. This structure is specifically designed to achieve common organizational goals. This is the structure to which everyone in the organization has to adjust. According to Chester Barnard, “an organization is ‘formal’ when two or more persons are consciously coordinated toward a common objective.”

Features of Formal organization:

- i. It is a structure of well defined authority and responsibility.
- ii. It is established to achieve well defined objectives.
- iii. There is a balance between authority and responsibility.
- iv. There is superior-subordinate relationship among all the people.
- v. Rules and regulations are followed by all the people.
- vi. It is stable in nature. It comes to an end only after closure of the organization.
- vii. Communication between people is a formal communication.
- viii. There is system of co-ordination.

INFORMAL ORGANIZATION

Informal organization refers to the relationships between the people in the organization based on personal attitudes, emotions, likes, dislikes etc. This structure comes into existence as per desire of the people.

According to Keith Davis, “informal organization is a network of personal and social relations not established or required by the formal organization but arising spontaneously as people associate with another.”

Features of Formal organization:

- i. It is a network of personal and social relations existing in a formal organization.
- ii. It is established to develop personal and social relations.
- iii. There is no question of granting authority and deciding responsibility as relations are social in nature.
- iv. There are no well defined objectives to be achieved.
- v. The relations are informal. Therefore there are no superior-subordinate relationships.
- vi. There is no need for co-ordination.
- vii. There are no rules and regulations to be followed.
- viii. It is not stable in nature. Relationship can come to an end at any time.
- ix. Communication among the people is informal communication known as Grapevine Communication.

Departmentation:

Departmentation is a process of grouping all the organizational activities into logical units. These logical units are known as departments. It is grouping of activities and employees into departments for effective management.

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Definitions:

1. According to Pearce and Robinson, “ Departmentation is the grouping of jobs, processes and resources into logical units to perform some organizational task.”
2. According to James and Stoner, “ Departmentation is the grouping of work functions so that similar and logically related activities occur together.”

Bases of departmentation:

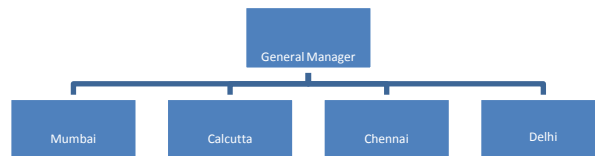
Organization can follow various basis for departmentation from the following:

1. Departmentation by functions :

In this type similar activities are grouped under specific department. This departmentation facilitates specialization and effective control.

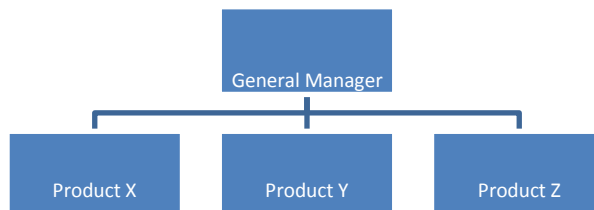
2. Departmentation by area :

In this type departmentation is done according to market areas where product is sold. This departmentation facilitates low cost of operations, better services to customers etc.



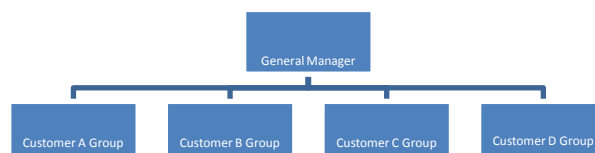
3. Departmentation by Product :

This method is followed by those companies dealing in multi products. Separate manager is in charge of separate brand. This facilitates better marketing strategies of each product.



4. Departmentation by Customer :

This technique is followed when organization wants to offer maximum customer satisfaction. Income, purchasing power, habits etc. are the main factors considered in this departmentation.



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5. Departmentation by Time :

In this method activities are divided on the basis of time. For example there are morning shifts, night shifts etc.

6. Departmentation by numbers :

In this method each unit consists a particular number of persons. For example in school or college students are divided in all the classes by fixing the strength.

Advantages / Importance of Departmentation:

1. Departmentation facilitates specialization as all the activities are allocated as per the skills of the people.
2. Departmentation helps to fix authority and responsibility of each department and thereby of each employee.
3. Departmentation facilitates better services to customers. This is possible especially in departmentation by customers.
4. Proper departmentation results into optimum utilization of resources as resources are allocated for right things.
5. Departmentation facilitates controlling and supervision in the organization.
6. It facilitates management development of the departmental managers as they take all the departmental decisions.
7. It facilitates growth and expansion of the organization.



INTRODUCTION SPAN OF CONTROR

Span of control is also called as span of management or span of supervision. This concept was introduced by Sir Ian Hamitton. It was supported by V.A.Graicunas and Urwick. There is a limit on the number of persons that can be managed by manager at a time. Span of control deals with this concept.

MEANING

Span of control refers to number of subordinates that can be effectively managed and supervised by a manager at a time.

IMPORTANCE / ADVANTAGES OF SPAN OF CONTROL

Span of control is very important principle of organizing. The importance of span of control can be explained as follows:

1. Superior can concentrate on important work:

Due to proper span of control supervisor gets enough time to concentrate on important activities. If span of control is unreasonably large then superior may not be able to concentrate on important areas as his time will be spent more for supervision.

2. Good relations :

Proper size of span of control facilitates to maintain good relations between manager and subordinates.

3. Team work :

Proper span of control facilitates team work in the organization. As relations are healthy, it develops good team spirit among all.

4. Quick actions :

Because of good co-ordination, relations and team spirit quick actions are possible.

5. Increased efficiency :

Due to proper supervision efficiency of the organization increases.

6. Corporate image :

Due to higher efficiency and good relations, corporate image of the organization develops.

7. Motivates personnel :

Proper size of span of control motivates subordinates. As subordinates are close to their superiors, they get proper guidance from time to time.

8. Reduces labor absenteeism and turnover :

As all the employees are part of co-coordinated team, it develops morale of the employees. It results into less labor absenteeism and turnover.

Factors affection span of control:

Various factors that affect size of span of control are explained as follows:

1. Nature of work:

If the work to be performed is of routine nature, then span of control can be large. But if work is complex and complicated then there should be few subordinates in span of control as manager will have spend more time on discussion rather on supervision.

2. Experience of subordinates:

If subordinates are enough capable and experienced then span can be large whereas if there are less experienced subordinates then span should be less. This is because less experienced people require more supervision.

3. Capacity and experience of superior:

If manager is experienced and capable enough, span can be large. Whereas new managers with less experience should be given few number of subordinates for supervision.

4. Extent of delegation of authority:

If manager delegates more and clear authority then much of his time will be saved which can be used for supervision. In this case span of control may be large.

5. Personal assistance:

If manager is able to use assistance from personal staff like personal assistant then he can handle more number of subordinates. As personal assistant is available manager can spend more time on supervision.

6. Superior subordinate relations:

If the relations between superior and subordinates are sound, then size of span of control can be large. Good relations always develops good communication and team work.

7. Use of standing plans:

Standing plans are those plans which are used frequently. If the organization has developed proper standing plans then subordinates can follow the same. Then superior will not have to give more instructions and size of span of control can be kept large.

8. Control system employed:

Size of span of control also depends upon control system employed in the organization. Good control system facilitates proper controlling of subordinates performance. This reduces supervision work of manager.

The concepts of Authority, responsibility and accountability

Authority:

Authority is the right of a manager to command subordinates, issue them orders and instructions. It is a right to take decisions. Authority is the key to managerial functions. A manager is in a position to influence his subordinates only by use of authority. An individual without authority can not occupy the position of a manager. Without authority there would be no superior subordinate relations. Authority always flows downward. Authority in ordinary sense is a legal right to command and to exercise control. It gives the person power to take decisions. For the decisions taken, authorized person is held responsible.

Authority can be used successfully depending upon following factors:

1. Atmosphere:

Favorable atmosphere is a basic requirement for successful implementation of authority. In favorable atmosphere relations can be maintained properly which helps to use authority successfully.

2. Faith and confidence:

For successful implementation of authority superior and subordinates should have faith and confidence in each other.

3. Interest in work:

The employees should have interest in the work given to them. If they are not interested in work then it is very difficult for the superiors to use authority.

4. Mutual respect:

Superiors and subordinates should have respect for each other. Then only both of them can co-operate for other's decisions.

Responsibility:

According to Keith Davis, "responsibility is an obligation of the individual to perform the assigned duties to the best of his ability under the direction of his executive leader."

According to Theo, "responsibility is the obligation of a subordinate to perform his duty as required by his superior."

A basic essence of responsibility is obligation. As authority flows downward responsibility flows exactly upward. The basis of responsibility is superior subordinate relationships existing in the organization. It may continue with the accomplishment of the desired objectives.

Accountability:

Accountability refers to answerability for the accomplishment of the task assigned by the superior to his subordinates. When the subordinate accepts authority and responsibility at the same time he accepts accountability for the same work. It becomes his obligation to account for and report for the

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discharge of responsibility. Accountability is a liability of a subordinate for proper discharge of his functions. Accountability can not be delegated.

Difference between authority, responsibility and accountability:

Though authority, responsibility and accountability are interrelated terms, there is difference between all three. Authority can be delegated whereas responsibility can not be delegated. After delegation of authority, responsibility for the same remains with the superiors only. For this subordinates can not be held responsible. Once authority is accepted, responsibility automatically comes and person becomes accountable for the same. Thus accountability need not be delegated. Person is responsible and answerable for the authority accepted.

Finally to conclude we can say that, authority, responsibility and accountability should be equal to each other in any position. There should be a proper balance between all three.

Delegation of Authority:

Meaning:

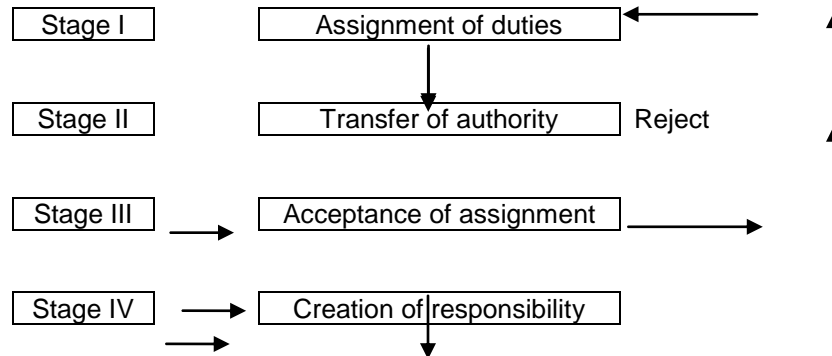
Delegation is a process by which a superior transfers formal authority to his subordinates. It is a transfer of authority from higher authority to the lower authority.

Definition:

1. John Pearce and Richard Robinson define delegation of authority as "a process by which a manager assigns tasks and authority to subordinates who accept responsibility for those jobs."
2. George Terry define delegation of authority as "Delegation means conferring of authority from one executive or organization unit to another."

Process of delegation of authority:

The process of delegation of authority is explained as follows:



Stage I:

Here the delegator finds out the work to be assigned to delegate.

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Stage II:

Here the delegator actually transfers the work to the delegate.

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Stage III:

At this stage delegated work can be either accepted or rejected by the delegate. If it is accepted then process continues. But if it is rejected then delegator will have to again start with the process by delegating to someone else.

Stage IV:

If the work is accepted by delegate then responsibility will be created for the delegated work. It is the responsibility of both delegator and delegate to complete the work properly in time.

Significance of delegation of authority:

The process of delegation of authority is important for both i.e. superior and subordinates.

The significance of delegation of authority can be explained as follows:

1. Reduction in burden on superiors:

By delegation of authority the work of superior gets reduced. Superior can use this saved time for concentrating on important areas.

2. Quick action:

As authority is distributed among superior and subordinate, fast decisions are taken. This leads to higher efficiency and better results.

3. Motivation:

Delegation of authority acts as motivation for the subordinates. Subordinates get opportunity to handle the authority of superiors.

4. Better relations:

Delegation of authority leads to better relations between superior and subordinates. As authority is transferred to subordinates, team spirit increases. This results into higher productivity.

5. Facilitates training and development:

As subordinates get opportunity to take decisions, it increases their skills. As subordinates perform superior's authority, they get a chance to learn managerial functions.

6. Reduction in wastages:

Due to delegation of authority subordinates work with more care, responsibility and concentration. This leads to better efficiency and wastages are reduced.

7. Basis of performance appraisal:

Delegation of authority facilitates proper performance appraisal of the subordinates. After delegation superior can judge the ability of subordinates.

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8. Expansion and diversification:

Delegation of authority is required for expansion and diversification of the organization. For expanded activities authority need to be distributed among superior and subordinates.

Barriers to effective delegation of authority:

Delegation of authority is very important process for all the types of organizations as it offers many advantages. But practically there are many barriers to delegation of authority. These barriers are on the part of superior as well as subordinates. Some of the barriers are explained as follows:

A) Barriers on the part of superiors:

1. Unwillingness to delegate:

Some managers are not willing to delegate the authority. They want to do the things on their own.

2. Desire to dominate:

Some managers want to dominate among subordinates by exercising complete authority. So they are not ready to delegate.

3. Lack of confidence:

Sometimes managers may not have faith and confidence in subordinates. They feel that if delegated, the subordinates may not perform well.

4. Fear of competition:

Sometimes managers are not ready to delegate to competent subordinates. Managers may have fear about subordinates excellence.

5. Inability to direct:

Proper direction is required to be given by the superior to subordinates after delegation. But if managers do not have ability to direct subordinates, then they may not delegate.

6. Fear of losing control:

Some managers feel that, they will loose control if the authority is delegated. They want to have complete control over subordinates so they do not delegate.

B) Barriers on the part of subordinates:

1. Lack of self-confidence:

Many a times subordinates do not have self confidence. Due to this they are not ready to accept the authority.

2. Fear of criticism:

Sometimes subordinates have fear of criticism by others. They feel that if authority is accepted, others will criticize them.

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3. Fear of getting exposed:

Subordinates who are involved in malpractices, do not accept authority. This is because they have fear of getting exposed.

4. Lack of information:

In some cases subordinates are not ready for delegation because they may have an idea that they may not get enough information required to complete delegated work.

5. Lack of incentives:

If managers do not provide proper incentives for delegation then subordinates may not be ready to accept delegation.

6. Undue interference by superiors:

If the superiors have a tendency to do undue interference in subordinates work, then subordinates may not like that. This will lead to rejection of delegated authority.



MEANING DECENTRALISATION

Decentralization is the tendency to disperse decision making authority in an organization structure. In decentralization only broad powers are reserved at top level and routine authority will be delegated at the lower level. In every organization there is need to have a proper balance between centralization and decentralization. No organization can be completely centralized or decentralized.

DEFINITION

1. According to Henry Fayol, “ Everything that goes to increase the importance of the subordinate’s role is decentralization, everything that goes to reduce it is centralization.”
2. According to Louis Allen, “decentralization refers to the systematic effort to delegate to the lowest levels all authority except that which can only be exercised at central points.”

Factors affecting decentralization:

1. Cost and importance of decision:

If the decisions to be taken are of costly and important nature then there will be less decentralization and more centralization.

2. Availability of managers:

If the number of competent managers are enough available in the organization then decentralization will be more.

3. Desire of uniformity:

If the management wants to have uniformity in all the decisions taken throughout all the levels then degree of decentralization will be less.

4. Management philosophy:

If management is following professional approach then they will decentralize more. Management with broad mind, provide opportunity to subordinates to participate in decision making.

5. Control techniques:

If there are proper control systems implemented in the organization, the degree of decentralization will be more. Managers will not be able to delegate if there are no good control techniques available.

6. Size of the organization:

Generally large organization has more degree of decentralization compared to small organization.

7. Decentralized performance:

Decentralized performance means operations of the company is carried on by various branches. In this case there will be more decentralization.

8. External factors:

External environmental factors such as government policies, licensing etc affect degree of decentralization.

Importance of decentralization:

1. Less burden on top management

By decentralization the work of top management gets reduced. Top level managers can use this saved time for concentrating on important areas.

2. Quick action:

As authority is distributed among all the levels, fast decisions are taken. This leads to higher efficiency and better results.

3. Motivation:

Decentralization acts as motivation for the lower level and middle level managers. Lower level managers get opportunity to handle the authority and to take decision.

4. Facilitates training and development:

As lower and middle level executives get opportunity to take decisions, it increases their skills. They get a chance to learn managerial functions. Thus decentralization facilitates training and development of the lower and middle level executives.

5. Reduction in wastages:

Due to decentralization lower level managers work with more care, responsibility and concentration. This leads to higher efficiency and wastages are reduced.

6. Expansion and diversification:

Decentralization is required for expansion and diversification of the organization. For expanded activities authority need to be distributed among all the levels of management.

7. Specialization:

Decentralization follows the principle of division of work. Work is distributed among all the levels. Top management concentrates only on important areas whereas others decide about routine work.

8. Better control:

The span of control becomes effective due to greater degree of decentralization. This leads to better supervision and controlling of performance at all the levels.

Formal Organizations:

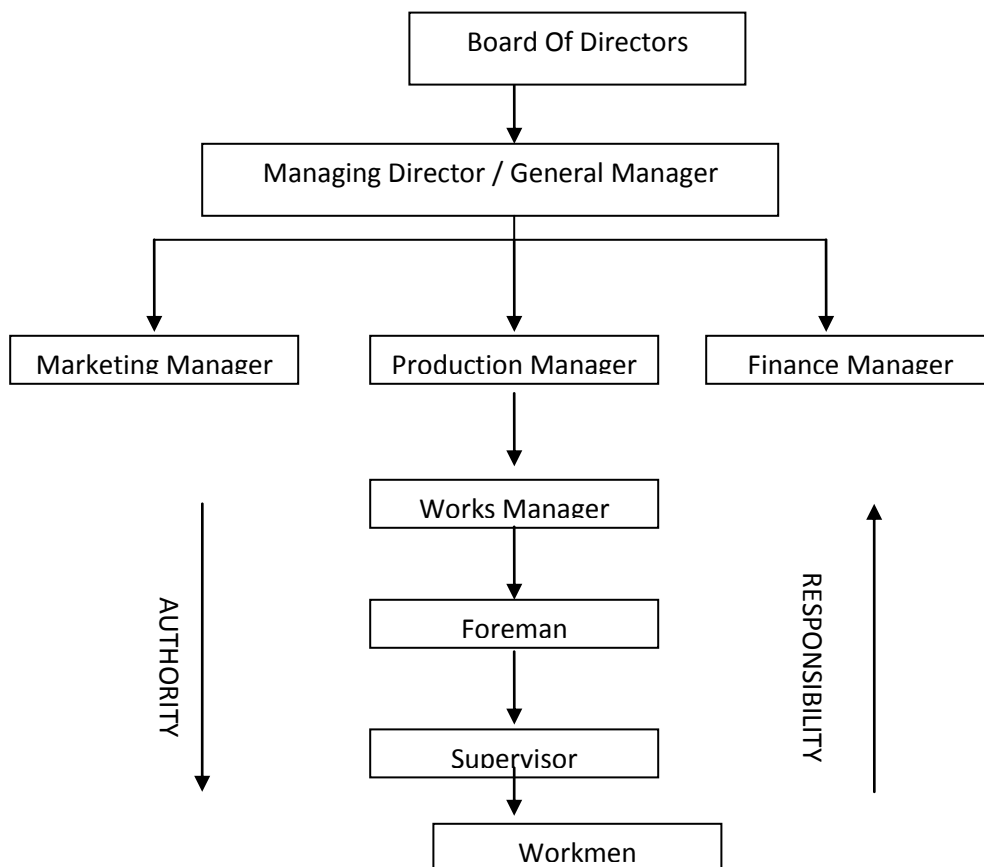
Structures of formal Organizations – line organization, line and staff organization, functional organization, matrix organization, committee organization

An organization structure is a framework through which management works to accomplish its objectives. It is primarily concerned with the allocation of duties and responsibilities, and delegation of authority. It is a tool of management to achieve organizational goals. The following are the various forms of formal organizations found in many enterprises.

1. Line organization:

Line organization is the oldest and simplest form of formal organization. In this organization the line of authority flows downward from top to bottom level. The line of authority is straight and vertical. On the other hand responsibility moves upward from bottom to top level.

According to James Stoner, “Line authority is represented by the standard chain of command, starting with the Board of Directors and extending down through the various levels in the hierarchy to the point where the basic activities of the organization are carried out.”



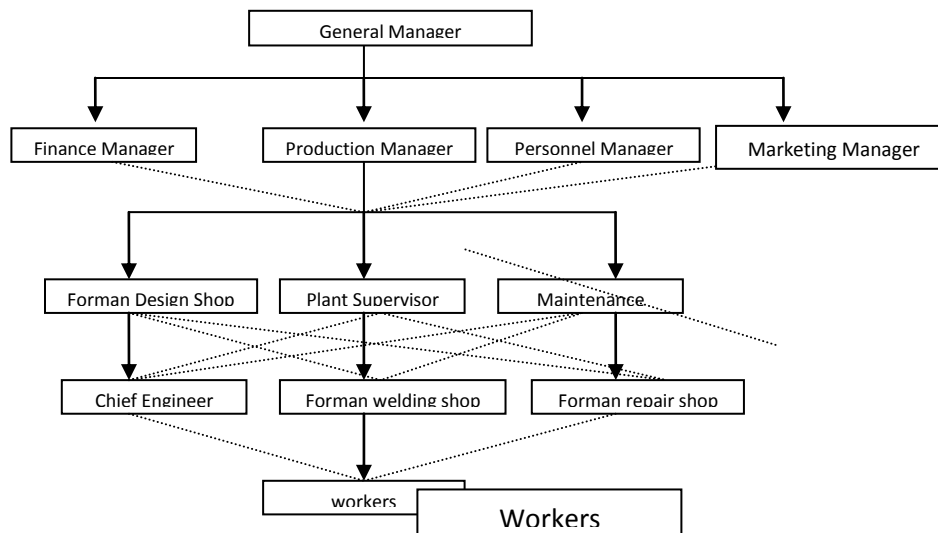
Characteristics:

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1. It is the oldest and simplest formal organization structure.
2. The flow of authority is downward i.e. from top to bottom level.
3. The flow of responsibility is upward from bottom to top level.
4. There is no presence of staff organization.
5. There are direct vertical relationships among superior and subordinates.
6. Principle of scalar chain and unity of command is strictly followed.
7. All departmental managers have equal status.
8. It is mainly suitable to small organizations.

2. Functional organization:

This form was introduced by F.W. Taylor to bring about specialization of management. It is not an independent form of organization. It is a mid-way position between line and staff authority. Functional organization is a way of putting specialists to work.



Characteristics :

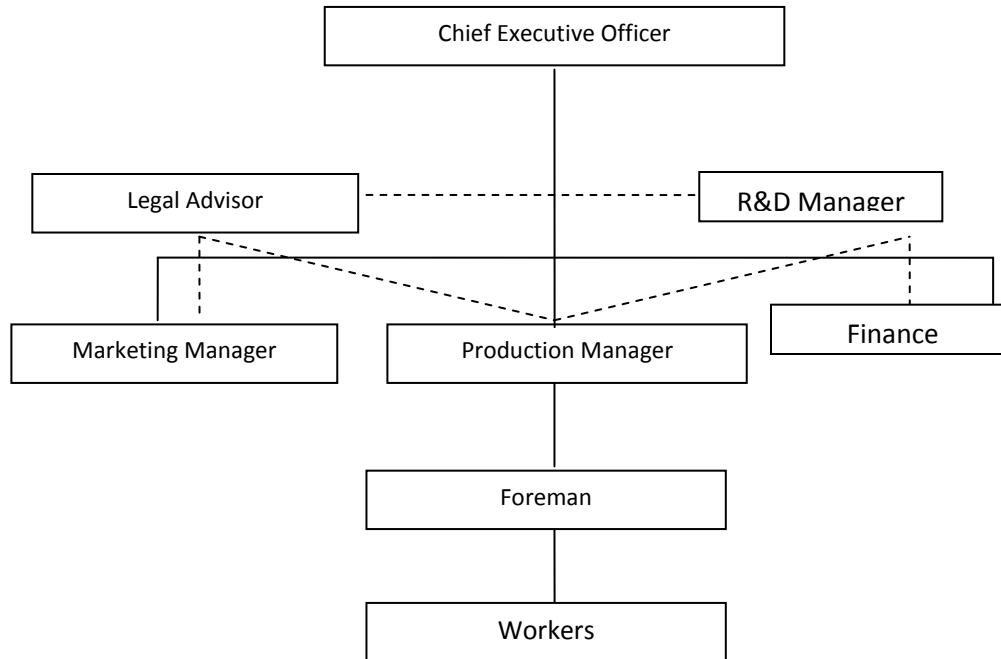
1. All the organizational activities are divided according to specified functions.
2. Each function is performed by specialist.
3. A superior specialist has a right to give orders relating to these specific functions.
4. Functional authority is a limited form of authority as it covers only specific task areas.
5. Unity of command principle is not followed.
6. It is mainly suitable for large organizations.
7. Functional authority should be established by prior agreement among the line departments affected, preferably in written procedures that are approved by middle management and finally by top management.

3. Line and staff:

This type of organization tries to combine the activities of line and staff executives. Line executives are “**Doers**” whereas the specialists are “**Thinkers**”. Staff concentrates on planning of activities whereas line is involved in implementation of plans.

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According to Louis Allen, “Line refers to those positions and elements of the organization, which have the responsibility and authority and are accountable for accomplishment of primary objectives. Staff elements are those which have responsibility and authority of providing advice and service to the line in attainment of objectives.”



Characteristics :

1. There are two aspects of administration in this organization i.e. planning and execution.
2. The staff concentrates their attention upon the research and planning aspects of business activities while the line executives concentrate their attention upon implementation of policy matters.
3. The staff provides guidance and advice to line executives. Such guidance is offered whenever it is demanded by line.
4. This form of organization tries to retain the merits and to do away with demerits of both the line and functional organization.
5. It is mainly suitable for large organizations.

4. Matrix organization:

This type of organization was first developed in the United States in the early 1960's. It was developed to solve management problems in Aerospace industry.

Matrix organization is a combination of two or more structures. It can be combination of project organization and functional organization. Both the organizational managers work in close co-operation with each other. The authority of departmental managers flows downwards whereas authority of project managers flows across.

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Departments Projects	Dept. A Manager	Dept. B Manager	Dept. C Manager	Dept. D Manager	Dept. E Manager
Project A Manager					
Project B Manager					
Project C Manager					
Project D Manager					
Project E Manager					

Characteristics:

1. It is a hybrid structure. It is a combination of project organization and functional organization.
2. This type of structure is mostly suitable for multi projects organization.
3. It is highly complex and most difficult form of organization to implement.
4. This type of organization offers more specialization as project managers and functional managers specialize in their areas.
5. The responsibility of project managers is of administrative type. They decide activities of project.
6. The responsibility of functional managers is of functional type. They decide how the work is to be done.
7. Subordinates receive orders from two bosses so unity of command principle is not followed.

5. Committee organization:

Committee does not represent a separate type of organization like line, line and staff or functional. It is a device which is used as supplementary to existing organization structure. A committee may be defined as a group of people performing some aspect of managerial function. A committee is a body of persons appointed to meet on an organized basis for the consideration of matters brought before it. Find to arrive at a decision.

Characteristics:

1. A committee is a formally organized group of individuals who meet repeatedly to consider some problems. (issues referred to it)
2. Some committees perform managerial functions and make decisions. Some committees are constituted to make recommendations to the managers. Some committees are constituted just to receive information and pass it on to the management.
3. Committees have defined structure. They have their own organization with defined authority and responsibility delegated to them.
4. Committees are generally required to follow definite rules and procedures, which are often written.
5. Committee organization is not only used in business organizations but also in social, religious, political and other organizations. For e.g. Educational institutions mostly run their operations through committees.

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There are three elements to ensure effective committee operations:

1. A written statement describing purpose for which the committee is established is essential.
2. The authority of committee must be clearly specified.
3. The chairman of the committee must have ability to conduct efficiently meetings of the committee.

Informal organization:

Meaning:

The informal organization exists within the formal organization. It is a network of personal and social relations existing in a formal organization. People in the organization do not always follow formal lines. Employees in one department know those in other departments. They may like to know what is happening in each others department. In such cases informal organizations get developed. It does not have any definite structure. So it can not be shown by any chart.

According to Keith Davis, "Informal organization is a network of personal and social relations not established or required by the formal organizations but arising spontaneously as people associate with one another."

Characteristics of informal organization:

1. It is a network of personal and social relations existing in a formal organization.
2. It develops spontaneously and is not established by formal managers.
3. The main purpose is to develop personal and social relations.
4. Informal organization represents human tendency to cut across formal channels and communication informally with other parts of enterprise.
5. There are no specific and well defined goals.
6. There is no authority specified. So question of responsibility does not come.
7. Co-ordination is not required in informal organization.
8. There are no superior subordinate relationships. The relations are informal.
9. There are no rules and regulations need to be followed in informal organization.
10. It is not stable in nature. It can come to an end at any time.
11. Communication in informal organization is informal which is known as Grapevine communication.
12. It is all pervasive. It exists in every enterprise.
13. It is useful to serve personal and social relations. It provides social satisfaction.

Importance of informal organization:

1. It assists a formal organization to become humanistic and prevents its dehumanization.
2. It provides social satisfaction to group members. These are created to satisfy the needs of friendship, companionship, sense of belonging, security etc.
3. It provides the best means of human communication.
4. It acts as an effective agency for social control of human behavior.

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5. It helps the formal organization to get the work done.
6. It increases co-operation among all the people in the organization.
7. It fills gaps in managerial abilities.
8. it provides a safety value for employee emotions.



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CHAPTER III

ORGANIZATION

Module – IV (G)

Organization Charts

“An organization chart is simply a diagram of formal authority relations.”
Wrote Earnest Dale.

George Terry defines an organization chart as “a diagrammatical for which shows important aspects of an organization, 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.”

Advantages / Uses of a Chart

The organization chart offers the following advantages:

1. It shows job titles of each employee.
2. It indicates the number and type of departments.
3. It shows superior-subordinate relationship.
4. It indicates the chain of command and communication.
5. It helps in familiarizing and in training the new employees.
6. It provides an easy reference in case of organizational conflict.
7. It provides a basis for planning organizational changes, after having discovered the weaknesses of the existing organizational structure.
8. It enables to visualize the organization at a glance, rather than going through a lengthy description about it.
9. It shows if there is any overlapping or duplication in functions and as such corrective action can be taken to do away with duplication of activities.
10. It provides a lot of information at a glance to the outsiders.

Limitations of a Chart

1. A chart shows who has authority over whom, but it does not show the extent of that authority.
2. It shows job titles but it does not give details of duties which each person is expected to perform.
3. It does not show the relationship with other groups and individuals who do not report directly to a particular manager.
4. The chart does not reveal the full picture of the organization, especially that of a large concern.
5. It cannot show informal relationship existing in the firm.
6. A chart may develop feelings of superiority and inferiority which may pose a problem for team work.
7. It shows organization structure at the time when it was drawn up. It becomes out of date as changes occur in an organization, unless efforts are made to keep the chart up-to-date.

8. In the absence of dynamic management, a chart gives rigidity to the organization because each individual prefers to remain within his charted areas.

Essentials / Principles of a Good Chart

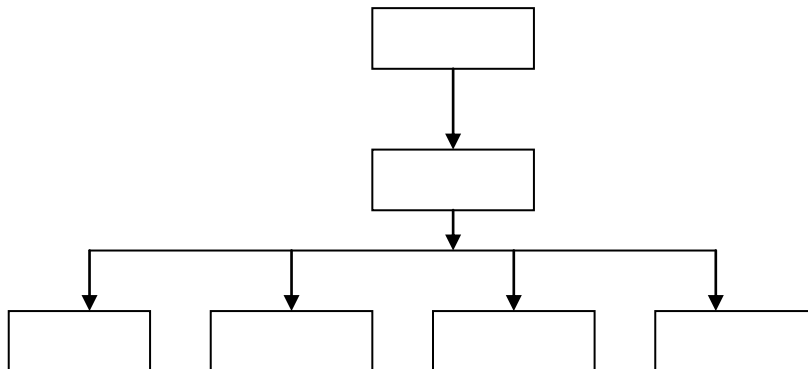
1. The chart should permit flexibility. Whenever, there are changes in the organization, it should permit such changes.
2. There should be a clear flow of authority from the top management to subsequent levels. Each level and the chain of command should be clearly depicted in the chart.
3. The chart should depict clearly the position and responsibility of each and every member so as to avoid conflicts.
4. Every position in the organization should be assigned to a responsible person.
5. It should provide easy reference at a glance to the members of the organization as well as to outsiders.
6. It should clearly show the lines of co-ordination between various individuals and groups or sections.
7. There should not be any duplication in the position.
8. It should clearly show the promotional avenues for members of the organization.

Types of Charts

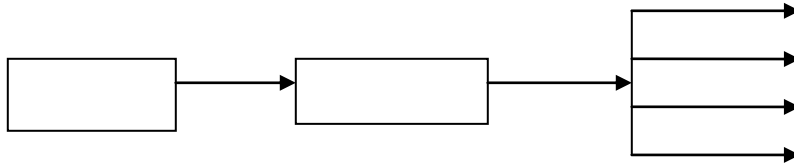
There are several kinds of charts. The various types of charts are as follows:

1. **Vertical Chart** : (Top to Bottom)

This is the most common and popular type of charts. Almost all companies prefer to use vertical charts. In this chart, major functions are shown at the top and the subordinate functions are shown in successive lower positions. In other words, the supreme authority is at the top, while the lower authority is shown at the bottom.

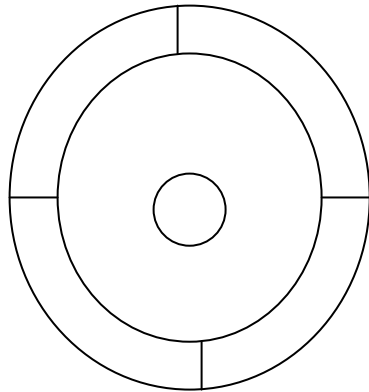


2. **Horizontal Chart** : (from left to right)



In this type, the top positions are shown at the left and those with lower authority are shown towards the right. This type of chart is rarely used.

3. **Circular charts:**



In this type of chart, the position and authority are shown in the circles. The centre circle represents the supreme authority, and the outer circles represent the lower authority. The higher the position of authority, the nearer they are to the centre, and the lesser the positions of authority, the more distant they are from the centre.

4. **Departmental charts:**

These are also known as supplementary charts. They show the structure of a particular department, giving details of positions, authority, and responsibility within the department. For instance, the marketing department may have a separate chart of its own.

5. **Master chart:**

This is the overall chart of the organization. It shows the entire structure of the organization- the divisions, the departments, the sections, etc., and indicates the overall relations of its major components.

6. **Personnel chart:**

It shows the job titles with the names of the position holders



STAFFING

Module – 1 (G)

Estimation of human resource requirement

There are no two opinion that people alone will determine the fate and future of the organization. Therefore, management should place proper focus on the function of staffing. The staffing function includes the following components:

- Recruitment and selection of employees.
- Placing the right person at the right job.
- Performance appraisal of the employees.
- Promotion and transfer of employees.
- Training and development.
- Motivation and rewarding the employees.

H. Wehrich and H. Koontz define staffing as ***“filling and keeping filled, positions in the organization structure.”***

Staffing is important due to the following reasons:

1. Proper staffing helps the organization to achieve its objectives.
2. Proper staffing activities like placement enable job satisfaction.
3. It helps to develop good labour relations.
4. Proper staffing activities like training helps to improve efficiency.
5. Staffing functions help to reduce absenteeism and employee turnover.
6. Proper staffing facilitates teamwork in the organization.
7. Staffing enhances corporate image.
8. It helps the organization to face the competition effectively.

FACTORS AFFECTING STAFFING:

There are several factors affecting the staffing pattern in an organization. The factors can be broadly classified into two groups:

- Internal Factors.
- External Factors.

- **Internal Factors:**

1. Promotion from within: Some organizations adopt the policy of promoting from within. Promotion from within the organization has many advantages in terms of employees' morale, employees' long-run commitment to the company, etc. However, organizations should not follow this policy, especially for top managerial positions, and therefore, they should consider competent and capable persons' from outside as well for filling up managerial positions.
2. Policy of Open Competition: Management may adopt the open competition policy, especially for top managerial positions. The open

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competition policy helps to fill vacant positions by considering the competence and capabilities of both insiders as well as outsiders, and the most suitable person is selected for the position.]

3. **Involvement of Top Management:** The top management should actively involve and support the staffing decisions. There are cases, where certain managers resent the transfer of their competent subordinates. Some superiors may not like their subordinates being promoted. Still others may not give much importance to staffing functions, and may neglect it altogether. If there is a positive involvement of top management in staffing function, then the organization would have the right personnel at all levels.
 4. **Technology Used:** The staffing policies are affected by the technology used by organization. For instance, if the organization is using sophisticated technology, which is subject to changes, then there is a need to adopt regular training programs to update the staff about the requirements of new technology.
 5. **Future Growth Plans:** The growth plans of the organization affects staffing. Those organizations that have designed growth and expansion plans would like to have competent employees to handle challenging activities. Therefore, such organizations would focus on training and development and career development of their employees.
 6. **Image of the Organization:** The image of the firm also affects staffing position and pattern. The firms that enjoy a good name in the market would make every possible effort to retain competent and dedicated employees through training and designing proper compensation packages.
- **External Factors:**
 7. **Competition:** The competition in the market may affect the staffing pattern. If there is high competition, then there may be a good demand for competent and capable persons, and therefore, a firm should adopt appropriate staffing policies in respect of training and development, promotion, compensation, etc.
 8. **Labour Policies:** The government policies relating to labour must be considered by the organization. For instance, the public sector organizations must follow the government policies, such as reservation of jobs for backward sections of the society, such as SC's, ST's etc.
 9. **Pressure from Socio-political Groups:** Nowadays, there is a good deal of pressure from socio-political groups, that may affect the staffing pattern and position in the organization. For instance, there is a growing tendency to demand jobs for the local people – **“sons of the spoil”**. Therefore, the organization may have to consider such demands in the interests of the local people.

10. Educational Standards: The educational standards in the society affect staffing pattern. If educational standards are very high, then organizations may prefer skilled personnel at all levels. For example, some service organizations in India consider only management graduates for supervisory and managerial jobs, even at junior level.
11. Supply and Demand for Labour: The staffing function is influenced by the supply and demand for labour. If the supply is restricted, especially in the case of skilled jobs, then the organization must focus on training and development.
12. Other External Factors: The organization's staffing function may be affected by several other factors such as:
 - The influence of trade unionism.
 - Social attitude towards work, etc.

POSTION REQUIREMENTS AND JOB DESIGN

Selecting an employee, especially at managerial level, requires a clear idea of the nature and purpose of the position, which is to be filled. A proper analysis of the position requirements must be undertaken, and the job must be suitable designed to meet individual and organizational needs.

Position Requirements:

In identifying the position requirements, management must analyse the jobs. Job analysis consists of two broad areas:

- a) Job description gives details of the job in respect of duties, responsibilities and other aspects.
- b) Job specification gives details relating to the candidate who is supposed to do the job, such as qualifications, experience, etc.

Role Analysis and Job analysis

Role analysis is a process of analyzing the role of a manager in relation to the roles of other managers or members of the organization who are affected by his performance.

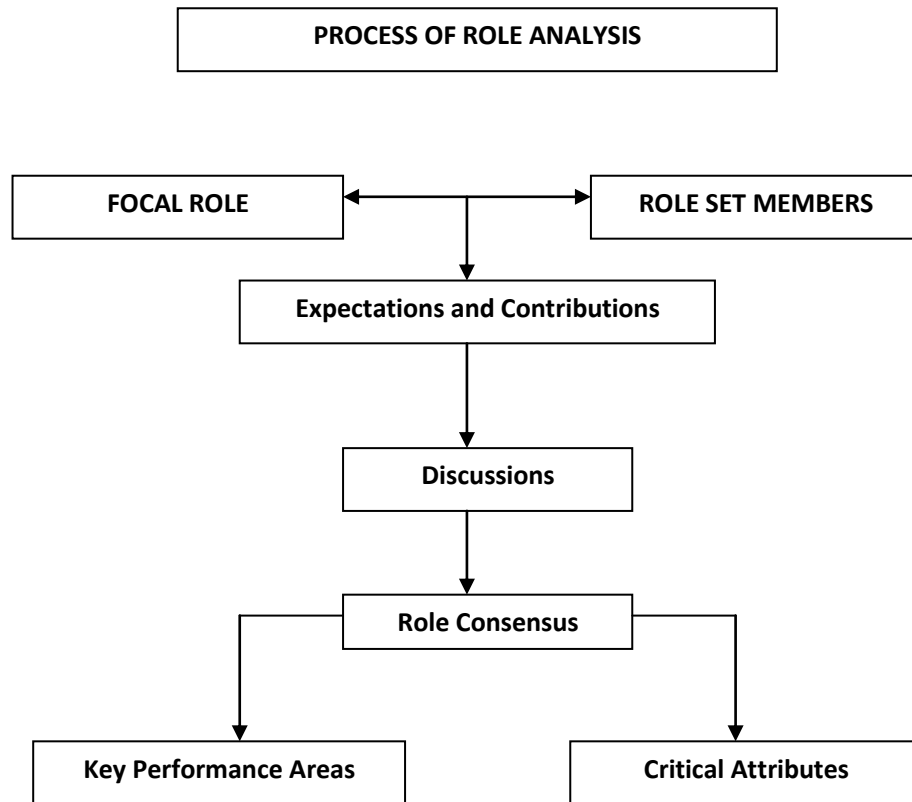
“Role analysis is a participatory process which aims at defining the work content of a role in relation to all those with whom the role occupants has significant interaction in the performance of his jobs.”

Prof. P.N. Singh.

The following is the process involved in role analysis:

1. Identification of Key Positions (Focal Role):

The first step is to identify focal role. The focal role is the manager whose role is to be analysed.



2. Identification of Role Set Members:

The next step is to identify the role set members. The role set members are the various members in the department or organization with whom the focal role has to interact to accomplish goals.

For instance, the production manager has to interact with the purchase manager, R & D manager, marketing manager and so on. The numbers so identified are called Role Set Members.

3. Listing out Expectations and Contribution:

The Focal Role (Role Holder) has to write down his expectations from and his contribution to the Role Set Members.

The Role Set Members also have to write down their expectations from, and contributions to the Focal Role.

4. Discussion:

The focal role and the role set members hold discussion. In this discussion, they compare the two lists of expectations and contributions.

5. Role Consensus:

This discussion leads to role consensus which the focal role needs to undertake. The role consensus is arrived only after a good discussion on the expectations and contributions as stated in the two lists.

6. **Identification of Key Performance Areas:**

The group i.e., focal role and the role set members identify “**key performance areas**” in which the focal role needs to concentrate.

Proper performance in key areas would enable the focal role to achieve individual as well as group objectives. The following are some of the examples of key performance areas:

- For R & D Manager – Design and development of a product.
- For Marketing Manager – Increase in market share of a product.
- Finance Manager – Reduction in bad debts.
- Production Manager – Reduction in wastages of raw material.

7. **Identification of Critical Attributes:**

The role set members may be asked to indicate the critical attributes in the areas of knowledge, attitude, skills, and behaviour required for the focal role. Such critical attributes enable the focal role to perform his role effectively.

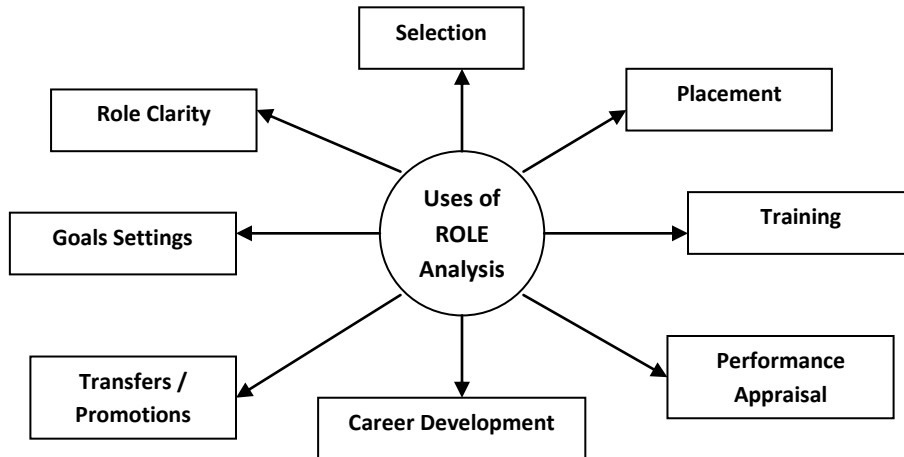
8. **Review of Performance:**

The performance of the focal role is reviewed either by the superior of the focal role or by the role set members or any other appraising authority. Necessary feedback is provided to the focal role so that he can correct his weakness and consolidate his strengths.

Uses and Application of Role Analysis

- a. **Role Clarity:** It provides better role clarity to the role holder as well as to the entire role set members.
- b. **Identification of main functions:** It helps to determine the main function which the role holder has to perform.
- c. **Critical Attributes:** It identifies critical attributes in terms of knowledge, attitude, skills and behaviour required by the role holder for the effective performance of his role.
- d. **Setting goals:** It helps in work planning – setting individual goals and deciding on work priorities depending on the situation.

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- e. **Placement:** It helps in assigning right job to the right person taking into consideration the requirements of each job.
- f. **Performance Appraisal:** It facilitates performance appraisal and counseling of personnel depending upon the role or duties performed by the role holder.
- g. **Training needs:** It helps in identifying training needs, immediate and long term.
- h. **Team Work:** It helps to develop team spirit among the role set members of the organization.
- i. **Second Line Executives:** It facilitates developing of second line competent executives to meet demands of absenteeism, retirement, resignation etc.
- j. **Motivation:** It motivates role holder to perform to his best in the accomplishment of goals.
- k. **Career Planning:** Individual career planning and development can take placing into account individual's aptitude and critical attributes.
- l. **Selection:** Role analysis also helps to select the right type of candidates to perform a particular role in the organization.



Chapter IV

Staffing

Module – 2 (G)

Job Analysis

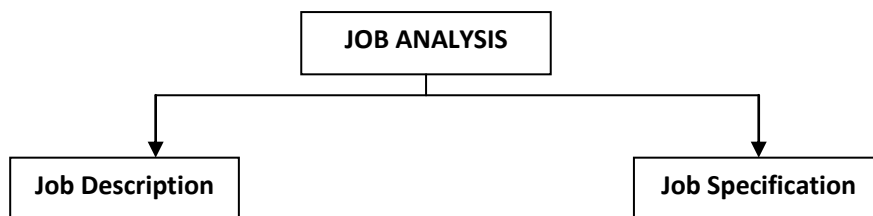
Job analysis is the starting point of recruitment and selection. It is a systematic process of collecting and studying information about the various jobs in the organizations. In the words of Edwin Flippo, ***Job analysis is the process of studying and collecting information relating to the operations and responsibility of a specific job.***

Job analysis consists of two broad areas:

- a. Job Description, and
- b. Job Specification.

Job description gives details of the job in respect of duties, responsibilities and other aspects.

Job specification given details relating to the candidate who is supposed to do the job, such as qualifications, experience, etc.



• Job title	• Qualification
• Duties and responsibilities	• Qualities
• Working Conditions	• Experience
• Working hours	• Family background
• Salary and incentives	• Training
• Machines to be used, etc.	• Inter-personal Skills, etc.

Purpose / Importance of Job Analysis

1. It is the starting point of ***recruitment and selection***. Properly analysed jobs can be advertised effectively. Only the suitable candidates apply for the job. This facilitates proper selection.
2. Job analysis facilitates ***proper placement***. The selected candidates can be placed at the right job depending upon their qualities, qualification and experience.

3. The company can undertake **performance appraisal**. The performance appraisal of the employees can be compared to the duties and responsibilities as stated in the job description. Accordingly, the company can find out the strengths and weaknesses of its employees.
4. Job analysis acts as a base for **effective training**. Those employees whose performance is weak can be identified and accordingly training can be provided to correct their weaknesses.
5. Job analysis acts as a base **job evaluation**. The relative worth of each job can be found out by comparing the details provided by job description can job specification. Thus employees may be transferred from one department to another depending upon their performance.
6. Job analysis is useful to the candidate regarding **acceptance of the job offer**. The candidate can get clear and correct information about the duties, salary, working conditions, promotion opportunities, location of the job, etc. This facilitates the candidate's decision to accept or reject the job offer.
7. Job analysis facilitates **promotion and transfers** of employees. The performance of employees is compared against the job duties and responsibilities. Those employees may be transferred from one department to another depending upon their performance.

JOB ANALYSIS V/s. ROLE ANALYSIS

JOB ANALYSIS	ROLE ANALYSIS
<p>1) Meaning: It is a systematic collection and studying information relating to operations and responsibilities of a specific job.</p>	It is a participatory process which aims at defining the role content in relation to all those roles of Role Set Members.
<p>2) Suitability: Job analysis is suitable for operative jobs where the duties and responsibilities are more or less static.</p>	Role Analysis is more suitable for managerial jobs because managerial jobs are complex and interdependent on the performance and expectations of all those who contribute to organizational goals.
<p>3) Who Conducts? Job analysis is conducted by a job analyst who occupies advisory position in the company, or by personnel department.</p>	Role analysis is conducted by interaction between the Focal Role and the Role Set Members.
<p>4) Frequency: Job analysis is not conducted frequently.</p>	Role analysis is conducted more frequently than job analysis.
<p>5) Information: It provides information on: a) Job Description – job related information. b) Job Specification – Candidate / job holder related information.</p>	It provides information on: a) Key performance Areas of the Focal Role. b) Critical Attributes of the Focal Role.
<p>6) Old / New Concept: It is an old concept.</p>	It is a new concept.

JOB DESCRIPTION V/s. JOB SPECIFICATION

JOB DESCRIPTION	JOB SPECIFICATION
1) Meaning: Job description gives details of the job in respect of duties, responsibilities, salary and incentives, etc.	Job specification gives details relating to the candidate who is expected to do the job such as qualities and qualifications.
2) Order: Job description proceeds job specification.	Job specification follows job description.
3) Job / Candidate Focus: Job description focuses on job / work related information	Job specification focuses on candidate related information.
4) Nature: Job description is more complex in nature as compared to job specification as lot of work related data need to be generated.	Job specification is more simple in nature. If job description is done properly, then it is easier to generate details of job specification.
5) Contents: It contains the following: <ul style="list-style-type: none"> • Job title. • Duties and responsibilities. • Authority. • Salary and Incentives. • Working conditions. • Working hours. • Location of Job, etc. 	It contains the following: <ul style="list-style-type: none"> • Physical traits. • Mental Qualities. • Qualifications. • Family Background. • Inter-personal skills. • Training. • Experience, etc.
6) Use to Candidate: It gives a clear information about the job done. A newly selected candidate may accept or reject the job depending upon the job description.	It gives a clear idea about the requirements of the candidate. It helps the candidate to apply for the advertised job.



Chapter IV

Staffing
Module – 3 (G)

Recruitment and selection

Recruitment and Selection are two of the major functions of personnel management. Recruitment precedes selection and helps in selecting a right candidate.

Recruitment is a process to discover the sources of man-power to meet the requirements of the staffing schedule and to employ effective measures for attracting manpower in adequate numbers to facilitate effective selection of efficient personnel.

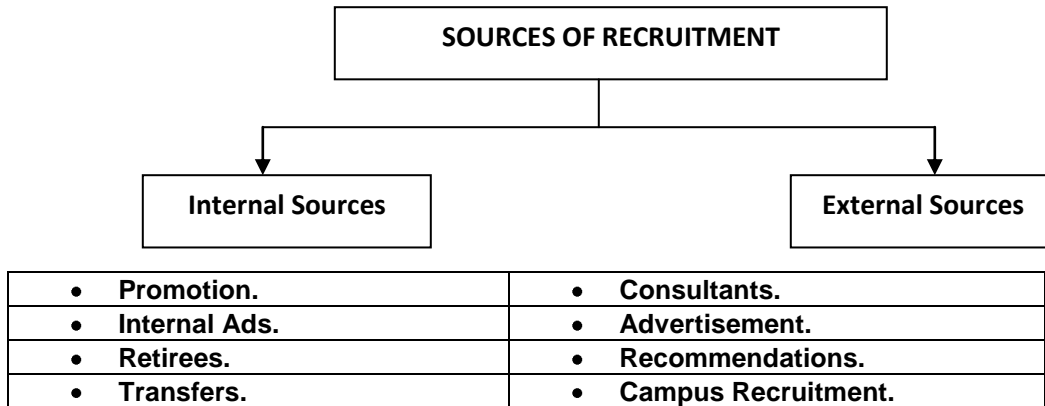
In other words of Edwin Flippo, *“Recruitment is a process of searching for prospective employees and stimulating them to apply for jobs.”*

In simple words, it is a process of attracting people to apply for jobs available in the company.

Selection is a process of selecting the right person for the right job. Today, professionally managed companies seek to find the right job for the right person.

Sources of Recruitment of Managerial Personnel

The sources of recruitment refers to the areas of recruitment from which the potential employees can be attracted to apply for the job and accordingly selected. The sources of recruitment can be broadly divided into two groups:



I. INTERNAL SOURCES

The internal sources refers to sources from within the company. The various internal sources are as follows:

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1. **Promotions:**

When a vacancy arises at a higher level, qualified and experienced employee from within the company can be promoted at the higher level. For instance, an understudy candidate may be promoted to the post of his superior who has retired or promoted or transferred.

2. **Transfers:**

The vacancy can also be filled through internal transfers. An existing executive who is experienced and capable of handling duties in the new department can be transferred.

3. **Retired Managers:**

At times, retired managers may be recalled, especially for a short duration, when it is difficult to find a suitable candidate for the post from which the manager has retired. Again, young mothers may retire early to take care of their kids. Once the kids grow up, the company may recall back such employees.

Advantages of Internal Sources:

- It is time saving and economical as there is no need to advertise the “jobs” in external media and also no need to conduct interviews of several candidates.
- There is no need for induction training, especially in respect of company-related information.
- It reduces executive turnover.
- It develops loyalty and a sense of responsibility.
- The internal candidate is well versed with company’s policies, rules and regulations.
- It improves morale of the company personnel.

Demerits of Internal Sources:

- It prevents candidates from outside with innovative ideas, fresh thinking and dynamism from entering the company.
- It offers limited scope for selection and there is a possibility of not finding the required executive within the company.
- The position of the person promoted or transferred falls vacant.
- There may be bias or partiality in promoting or transferring personnel from within the company.
- It may generate a feeling of discontent among those who are not promoted.
- It requires well maintained confidential reports of employees so that the right executives is promoted or transferred.

II. **EXTERNAL SOURCES**

It refers to sources from outside the company. It includes:

1) **Management Consultants:**

Some companies take the help of management consultants to select executive personnel for their organization.

2) **Advertisements:**

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This is one of the most popular source of recruitment. Advertisement of the vacancy can be inserted in newspapers, or business magazines. The ads can also be placed on the job related web-sites on the internet.

3) **Campus Recruitments:**

The company may also inform management institutes to send candidates studying courses in such institutes. At times the company recruitment committee may personally visit the institute campus and recruit the candidates. There can be recruitment of summer trainees who are presently studying in various institutes.

4) **Recommendations:**

The company may also recruit executives on the basis of recommendations received from existing managers or from sister concerns.

5) **Other External Sources:**

There can be various other external sources, such as head hunting, deputation of personnel by parent company, etc.

Advantages of External Sources:

- It encourages new talent with innovative ideas, fresh thinking, drive and dynamism to enter the company.
- It offers wider scope in selection as there is a possibility of a large number of candidates with the requisite qualifications and experience appearing for the selection process.
- There are less chances of partiality, as outsiders have less chance in influencing selection decisions.
- It does not require well maintained confidential records.

Demerits of External Sources:

- There are chances of existing executive turnover, as outsiders are given a chance.
- It may not develop loyalty among the existing executives.
- It is time consuming as lengthy selection process is required.
- It is also expensive as advertisements, and various tests need to be conducted.

Thus, it is clear that every concern has a number of alternative sources for recruitment purpose. However, the best source is to tap the internal one first and then external one. But in reality, the choice of internal or external source depends upon a number of factors, such as the nature of the job, time

available for selection, skills required, costs involved, policy of the company, position of labour markets, and so on.

Selection Process

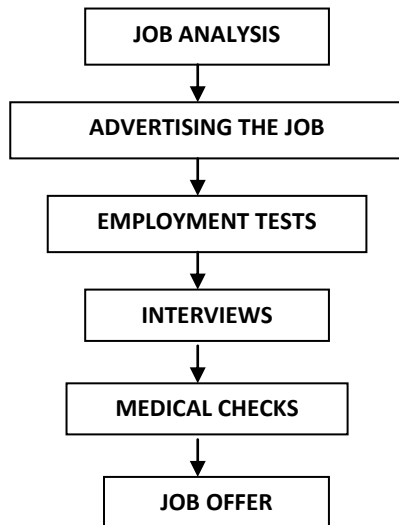
Selection is a process of choosing the right person for the right job. The selection process consists of a series of steps or techniques as follows:

1) **Job Analysis:**

The first step in selection process is analyzing the job. Job analysis consists of two parts:

- a) Job Description, and
- b) Job Specification.

Job description provides information relating to the job. Job specification provides candidate related information. Proper job analysis helps to advertise the job properly. Accordingly, the right candidates may apply for the job, thus saving a lot of time and effort of the selectors.



2) **Advertising the Job**

The next step is to advertise the job. The job can be advertised through various media. The right details about the job and the candidate must be given in the advertisement.

3) **Initial Screening:**

The initial screening can be done of the applications and of the applicant. Applications which do not fulfill the basic requirements are kept aside. A preliminary interview is conducted at this stage to screen out the candidates so that only suitable candidates go through the further stages of selection.

Usually, a junior executive does the screening work. At this stage, the executives may check on the general personality, age, qualifications, family background of the candidate. The candidate may also be informed of salary, working conditions, etc.

4) **Application Blank:**

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It is a prescribed form of the company which helps to obtain information about candidate in respect of social, biographic, academic, work experience, references, etc.

The application blank helps to-

- It provides the input to the interview.
- It provides basis to reject candidates if they do not meet eligibility criteria, such as experience, qualifications, etc.

5) Tests:

Various tests are conducted to judge the ability and efficiency of the candidates. The type of tests depends upon the nature of job and the philosophy of the management. An important advantage of testing is that it can be administered to a large group of candidates at a time and saves time and cost.

The various tests are:

Intelligence Tests	- To judge numerical, skills, reasoning, memory and such other abilities.
Aptitude Tests	- To judge specific talent or ability to acquire a particular skill.
Personality Tests	- To judge maturity, social relations etc.
Interest Tests	- To find out likes and dislikes of candidates towards occupations, hobbies etc.
Performance Tests	- To evaluate skills or acquired knowledge and experience.

6) Interview:

It is face to face exchange of views, ideas and opinions between the candidate and interviewer(s). Interview is an oral examination of candidates.

- The interview can be group interview or individual interview.
- There can be a panel interview where several individuals (comprising the panel) interview one candidate at a time.
- There can be a stress interview to understand maturity, composure, patience and other qualities of candidates. In such interviews, candidates are subjected to stress and strain by asking irritating, embarrassing, and mind boggling questions.

7) Reference check:

A candidate may be asked to provide references (other than relations) from those who are willing to supply or confirm about the applicant's past life, character and experience.

- Reference check helps to understand the personal character and family background of the candidate.
- It helps to guard against possible false information supplied by the candidate.
- It also helps to ascertain the reported experience of the candidate by contacting previous employers.

8) Medical Check:

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Medical examination of the candidates is undertaken before they join the firm in order to :

- Find out whether the candidate is physically fit to carry out duties and responsibilities effectively.
- Ensure the health and safety of other employees.
- Fulfill legal requirements.
- Find out whether the candidate is sensitive to certain work place such as in a chemical factory.
- Find out whether the candidate has health problems which may adversely affect his behaviour and performance on the job.

9) **Final Interview:**

Before making a job offer, the candidate may be subjected to one more oral interview to find out their interest in the job and their expectations. At this stage, salary and other work perks may be negotiated.

10) **Job Offer:**

This is the most crucial and final step in selection process. A wrong election of a candidate may make the company to suffer for a good number of years and the loss is incalculable. Company should make a very important decision to offer the ***right job to the right person.***

11) **Follow – up:**

Once the candidate is selected, he is inducted and placed at the right job. The selectors should try to find out whether they have made the right choice in selecting the right candidate for the right job.



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CHAPTER IV

STAFFING

Module – 4 (G)

Training & Development

Training is normally viewed as a short term educational process by which non-managerial personnel acquire the technical knowledge and skills necessary for increased effectiveness in achieving organizational goals.

In other words of Wayne Cascio, ***“Training consists of planned programs undertaken to improve employee knowledge, skills, attitudes, and social behaviour so that the performance of the organization improves considerably.”***

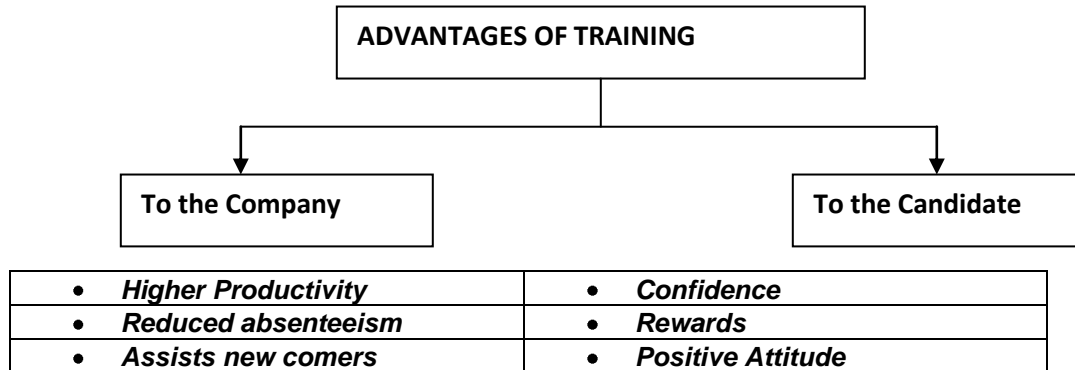
Development is viewed as along term learning process by which managerial personnel acquire conceptual and theoretical knowledge and skills for enhancing general administrative abilities.

TRAINING V/S DEVELOPMENT

TRAINING	DEVELOPMENT
1. Meaning: It refers to learning process of the employees.	It refers to learning process of managers.
2. Managerial/Operative Personnel: Training is normally directed at operative employees and relates to technical aspects.	It is directed at managerial personnel to acquire conceptual and theoretical knowledge.
3. Specific / General: Training is more specific to job related information	It is more general in nature, especially at top management level.
4. Methods: More emphasis on-the-job methods.	More emphasis on the off-the-job methods.
5. Cost Involved: Imparting training is less expensive.	Development is more expensive.
6. Frequency: Less frequent. Mostly at induction and at every change in job.	More frequent and continuous in nature.
7. Who Imparts: Training is imparted mostly by the supervisors.	Development is undertaken by superiors, outside experts.
8. Theoretical / Practical Aspects: Emphasis is placed on practical or technical aspects of work.	Emphasis is placed on conceptual and theoretical aspects.

IMPORTANCE / ADVANTAGES OF TRAINING

Training serves various **purposes**. Training is, therefore, important not only to the employees but also to the company:



I.To the Company:

- **Increased Efficiency and Productivity:** Trained employees perform with greater speed and accuracy. They work with a feeling of commitment and dedication. This is because not only knowledge and skills are developed but also positive attitudes. Training leads to qualitative and quantitative performance on the part of employees.
- **Reduced Supervision:** Trained persons require less supervision because they know their job better and commit fewer mistakes. The supervisor can concentrate on more important activities such as planning and controlling.
- **Reduced Accidents and Wastages:** Trained employees develop positive attitude towards their job and organization. They become more interested in their jobs and as such they handle the machines and materials properly. This helps to reduce accidents and wastages.
- **Reduced Absenteeism and Turnover:** A trained person derives more job satisfaction. Morale of trained staff is high. They do not remain absent without sufficient cause. There are also less chances of labour turnover.
- **Assist New Comers:** Training develops confidence in new employees. Newly appointed candidates feel sense of pride and belonging towards the company. They understand that the company is sincerely interested in them and as such the firm would be in a position to obtain better services from new employees.
- **Information about Firm’s Policies and Programs:** Training can be means to communicate firm’s policies and programs to the employees. Effective communication helps to obtain acceptance from the employees and they co-operate to achieve firm’s goals.
- **Other Benefits:**
 1. It develops better labour relations.
 2. It develops employees loyalty towards the firm.
 3. It facilitates introduction of new techniques.

4. It reduces grievances on the part of the employees, etc.

II. Advantages to the candidates:

- **Knowledge and Skills:** Training helps to improve knowledge and skills of the employees. Such improvement in knowledge and skills helps to improve the overall performance.
- **Confidence in Employees:** Training develops confidence in employees so that they can handle even difficult situations with ease. Training helps the new comers to adjust easily with their new job.
- **Positive Attitude:** Training develops positive attitude in the employees. Employees work with a positive frame of mind. This results in higher efficiency.
- **Chances for Promotion:** Trained personnel stand a fair chance of being promoted. Instead of selecting people from outside sources, a trained person can be promoted to higher levels.
- **Refreshing:** Training refreshes the employee. It not only provides information but also it is a short escape from routine work. Refresher training up-dates knowledge and skills of employees.
- **Higher Rewards:** Trained employees generate higher productivity. The fruits of higher returns are shared between the company and the employees.

TYPES OF TRAINING

1. **Induction Training:** It refers to introduction of a person to the job and to the organization. When a new employee joins the company, he is like a stranger in the company. In the beginning, he may feel insecure, nervous and isolated. The first few days are very vital to develop confidence in the candidate and allow him to get adjusted to the new work environment. Therefore, the supervisor or the departmental heads must introduce him to the other members of the department. This may help him to adjust with his work mates. The supervisor should also give a brief about the company. The main purpose of induction is to make the employee more comfortable so that he can easily adjust to the new environment.

Induction is provided in the following respects:

- Introduction to existing employees.
- A brief can be given about special achievement of the new employee to the other employees and also of the other employees to the new employee.
- Making the new employee aware of company background history, branches, products, market-share, etc.
- Information about the company's policies that is applicable to the new employee.
- Providing on-the-job instruction, and assisting or advising in any work related matter.

- Clarifying any doubts and answering any queries that a person may have about the job and the organization.

Proper induction will enable the employee to start on a sound note and work effectively for the organization.

2. **Job Training:** It relates to a specific job and gives information about the machines used, production process, methods used, instruction to be followed, etc. This type of training helps to understand job and to develop skills.
3. **Training for Promotion:** Promotion involves vertical transfer of an employee, followed by a change in authority, responsibility, status and pay. Therefore, training is required before actually joining the new position so that the employee can effectively and efficiently handle new tasks and challenges.
4. **Refresher Training:** The purpose is to refresh professional skills, knowledge and experience of persons at higher executive positions. Refresher training provides information about new developments, techniques, etc. Such training is necessary practically in all areas but is very useful for up-dating technical and specialized knowledge.
5. **Attitudinal Training:** This type of training is provided to develop positive attitude of the employees towards:
 - a. Organization
 - b. Job
 - c. Colleagues.

Research studies indicate that attitude is the vital factor that can affect motivation to work. It is generally believed that those employees, whose attitude is positive are also highly motivated and therefore, performance improves considerably.

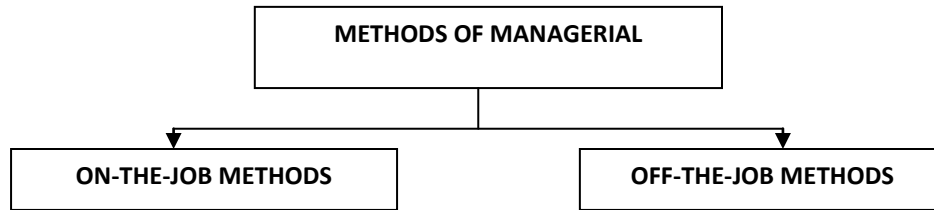
METHODS OF TRAINING FOR MANAGERIAL PERSONNEL

Training and development methods for managerial personnel can be divided into two groups as follows:

I. On the Job Methods

- 1) **Job Rotation:** Job rotation involves the transfer of trainees from one job to another and sometimes from one branch to another. Job assignment under a rotation system may last for a period of 3 months to 2 years. The trainee is given full duties and responsibilities of the rotated position. It is more suitable for lower level executives.

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• <i>Job Rotation</i>	• <i>Classroom Methods</i>
• <i>Planned Progression</i>	• <i>Simulation</i>
• <i>Coaching and Counselling</i>	• <i>Business Games</i>
• <i>Understudies</i>	• <i>Committees</i>
• <i>Junior Boards</i>	• <i>Conferences</i>

Advantages:

- Job rotation promotes creative thinking and enables for executive development.
 - It provides a rich experience to the candidate in a variety of matters.
 - It does away with the monotony of routine thinking.
 - It creates a second line of competent executives to meet the problems of transfers, turnover, etc.
 - It identifies the most suitable position for an executive. The position in which the trainee performs better is generally offered to him.
- 2) **Planned Progression:** It is similar to job rotation, except that every movement from one job to another involves higher pay, position and duties. In job rotation, every movement involves more or less same pay and position. Planned progression is more likely to occur at higher managerial levels, whereas, job rotation occurs mainly at lower level positions.
- 3) **Coaching and Counselling:**
Coaching: *In coaching, the superior play an active role in training the subordinate.* The superior may assign challenging task to the subordinate for the purpose of training. The superior may assist and advice the subordinate to complete the assigned task. In this case, the superior acts as a coach in training the subordinate.
- Counselling:** In this case, *the superior plays a passive role in training the subordinate.* The superior may assign challenging task to the subordinate for the purpose of training. The superior may provide advice to the subordinate in the completion of task, if so required. In this case, the superior acts as a guide rather than a coach in training the subordinate.
- 4) **Understudy Position:** The trainee is given an understudy position. The trainee handles some important aspects of his superior's job. The trainee, at a future date, is likely to assume the duties and responsibilities of the position currently held by his immediate superior.

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The understudy technique ensures a company that a fully qualified person will be available to take over a present manager's position whenever he leaves the position through promotion, transfer, retirement or resignation.

The understudy person is generally asked to do the following:

- He may be asked to investigate and make written recommendations about problems and projects related to a unit or department.
- He may also supervise a small group of employees to experience leadership qualities.
- He may be called to attend executive meetings either with or in place of the superiors.
- He may be called to assume superior's position in his absence.

5) **Junior Boards:** In western countries, junior boards are formed. It permits promising young middle-level managers to experience problems and responsibilities faced by top-level executives in their company. About 10 to 12 executives from diverse functions within the organization serve in the board for a term of say 6 months or more.

The board is allowed to study any problem faced by the organization in respect of personnel policies, organizational design, interdepartmental conflicts, etc., and to make recommendations to the senior board of directors.

II. *Off The Job Methods*

1) **Classroom Methods:** Classroom methods for training managerial personnel include lectures, discussion, role playing and case study.

Advantages:

- Training can be given to a large group of trainees at a time, especially in the case of lecture method.
- Both theoretical and practical aspects are emphasized.
- Training can be done in a short period of time.
- It is economical.
- Senior and qualified experts can train the executives. At times, an outside expert is invited to give a lecture or for debate.
- It generates interaction among different executives belonging to various departments, and ranks.

2) **Simulation:** A simulated learning situation is an imitation of reality. It is a technique wherein the trainee is trained in an environment that closely reflects and represents actual work place. It tries to duplicate actual conditions encountered on a job. Simulation is a very expensive training technique, but it is useful or even necessary, where actual on-the-job practice could result in a serious injury, a costly error, or the destruction of valuable company materials or resources.

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- 3) **Business or Management Games:** Business games are classroom simulations exercises in which teams of individuals compete against each other to achieve given objectives.

For instance, teams may be asked to make decisions concerning pricing, production volumes, research expenditure, advertising and sales promotion plans, channels of distribution etc. Team actions and decisions are fed into a computer that has been programmed according to a particular model of the market. Business game participants learn by analyzing problems and by making trial-and-error decisions.

- 4) **Committees and Conferences:**

Committees: A committee can be a method of training. The junior members of the committee can learn from the discussions and interaction with the senior members of the committee. The senior members also can learn from the opinions and views expressed by the junior members.

Conferences: In the case of conferences, group discussion and meetings are held to discuss various issues and to provide solutions to various problems. The chairperson leads the discussion and then the participants attempt to provide solutions. The conference acts as a group interaction and exchange of views and ideas. It reshapes thinking and attitudes of the participants.

- 5) **Reading, Television, and Video Instructions:** Planned reading of relevant and current management literature is one of the best methods of management development. It is essentially a self-development program. A manager may be aided by training department, which often provides a list of valuable books. The manager can discuss the relevant articles with the senior manager and get necessary clarifications.

PRINCIPLES OF TRAINING

Training causes learning, therefore, to make it more effective, the following **essentials or principles** of a good training program must be noted.

1. **Motivation:** Regardless of the quality of instruction, an indifferent trainee will learn little. Because human behaviour is goal-oriented, a trainee must be motivated in order to learn. Relating learning results to pay, promotion, and position, can motivate the employees to learn.
2. **Active Involvement:** Learning is most efficient when the learner is actively involved in the process rather than just listening to a lecture. The trainee's learning is more complex if he actually performs the task to be learned.
3. **Progress Report:** Research has demonstrated that people learn faster when they are informed of their progress by means of an examination or through the instructor's comments. Providing the trainee with progress reports facilitates the learning process.

4. **Re- enforcement:** On completion of training, employee should either be promoted or there should be increase in pay or status, otherwise, he will lose faith in training programs.
5. **Instructions in Parts:** Rather than presenting the whole training program at one time, most research indicates, it is better to break instructions down into parts, thus creating a series of sub-goals for the learner.
6. **Expert Trainers:** Training must be provided by highly qualified, experienced and matured persons with a balanced personality. Expert trainers command lot of respect and attention from the learners.
7. **Individual Differences:** It should be noted that there are individual differences in terms of experience, knowledge, grasping power, etc. Therefore, groups or batches should be made taking into consideration their individual differences.
8. **System of Training:** Training needs and objectives must be clearly defined.
 - There should be a proper balance between theory and practice.
 - Training material should be simple and meaningful.
 - Use of films, audio-visuals, makes training more interesting.
9. **Ideal Place:** There must be an ideal place for training. However, the place of training depends upon a number of factors. If it is on-the-job training then it has to be within the factory premises. Off-the-job training should preferably be provided outside the company premises.
10. **Training Period:** It should neither be too long or too short. Too long period brings monotony and affects the actual work. Too short period, the trainee does not get a chance to learn much of the knowledge and skills required.

ON-THE-JOB TRAINING V/S OFF-THE-JOB TRAINING

ON-THE-JOB TRAINING	OFF-THE-JOB TRAINING
<p>1. Meaning: It is that type of training which is imparted on the job, within the company.</p>	<p>It is that type of training which is provided off-the-job, normally at training centres.</p>
<p>2. Methods: -Understudies -Coaching -Job Rotation, etc.</p>	<p>-Classroom Training -Business Games -Simulation, etc.</p>
<p>3. Who Imparts Training: On-the-job training is normally provided by the immediate superior.</p>	<p>Off-the-job training is normally provided by expert trainer.</p>
<p>4. Individual / Group: It is generally provided on individual basis.</p>	<p>It is generally provided to a group.</p>
<p>5. Effect on Regular Production: Regular work is not affected as the training is provided on the job.</p>	<p>Regular work is normally affected as the employees are off-the-job, during training period.</p>
<p>6. Practical / Theory: Normally practical training is provided.</p>	<p>Normally theoretical concepts are made clear.</p>
<p>7. Cost Factor: Overall cost of training is less, because the training is of a short period and in the company premises.</p>	<p>Overall cost is more as it involves payment to experts, booking halls, etc.</p>
<p>8. Suitability: It is more suitable to train lower level managerial personnel.</p>	<p>It is more suitable to train higher level managerial personnel.</p>



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CHAPTER IV

STAFFING

Module – 5 (G)

Performance Appraisal

Definition:

Performance appraisal can be defined as the process of evaluating the performance of employees, sharing the information concerning performance evaluation with employees and searching for ways to improve an employee's performance.

Performance Appraisal is the process of measuring and evaluating the actual behaviour of groups and individuals in the organization with the already established expectations.

Performance appraisal is a technique, which assesses impartially and objectively the strength and weaknesses of the individual employee in relation to his job, so as to take certain relevant decisions about the employee, about the job and providing him or her relevant feedback.

Need for Performance Appraisal:

Performance appraisal is necessary for proper management and employee development due to following reasons:

- It helps to allocate organizational resources in a dynamic manner.
- It helps to motivate and reward employees.
- It is used to provide genuine feedback to employees concerning their work.
- It helps to build trust and maintain fair relationships within groups.
- It is a technique through which employees can be coached and trained.
- It helps to see that employees comply with regulations.
- It provides an opportunity for the employers to express appreciation for employee contribution.

Methods of Performance Appraisal:

The two broad methods of performance appraisal are as follows:

- 1) Judgmental Appraisal.
- 2) Objective measures of Performance Appraisal.

We would discuss each of these briefly.

I. Judgmental Appraisal.

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It is generally obtained either from an employee's immediate supervisors or his peers. Very often judgment about a employee is collected from a wide variety of sources and combined together. The three different types of judgmental appraisal are as follows:

1) **Appraisal by Superiors:** Such type of appraisal is very common, especially in our country. In such a method one's superior makes a rating about his/her employee on a given set of criteria.

Appraisal by superior can be done on a specially chosen occasion with the aim of either providing feedback to an employee or for taking some important decision or it can be a part of a routine ongoing appraisal system.

Many firms maintain an ongoing appraisal system where periodic evaluation of an employee is noted by a member of a Human Resource Department or personnel officer on a chart in a form of a summary which constitutes what is commonly known as confidential report.

In another method of appraisal by superiors, a meeting of evaluators is called. The evaluators can be many like immediate boss, superiors from other departments, boss of the boss, etc.

These people are asked to give their judgments independently and then discuss it with others in the meeting. Taking everybody's judgment into consideration a final appraisal report for a particular employee is prepared.

Following are the important advantages of this method:

- (i) Influence of personal biases is removed as report is prepared on the basis of discussion.
- (ii) Group effect also does not take place as all members first give judgment independently and then the discussion takes place.
- (iii) No aspect of performance is overlooked.

2) **Appraisal by peers or subordinates:** very often, and in many cases one's peers and one's subordinates are a better source of evaluating a given employee. Appraisal by peers or subordinates can take many forms.

(i) **Buddy rating:** One common type of such a rating is called as "buddy rating". In such an appraisal rating, each member of a group rates other members either in general or on some specific aspects of their work performance. The ratings of all the individuals are then averaged to provide an index of an individual's standing on a given trait. This method is of much use in the evaluation of managers.

(ii) **Subordinates rating:** In many cases subordinates are told to rate their superiors to get an indication of the leadership or supervisory style and to determine how popular an individual is among his subordinates. Peer rating is generally found to be more useful and less resentful as compared to appraisal by the subordinates.

The method of appraisal by the peers or subordinates has the following advantages:

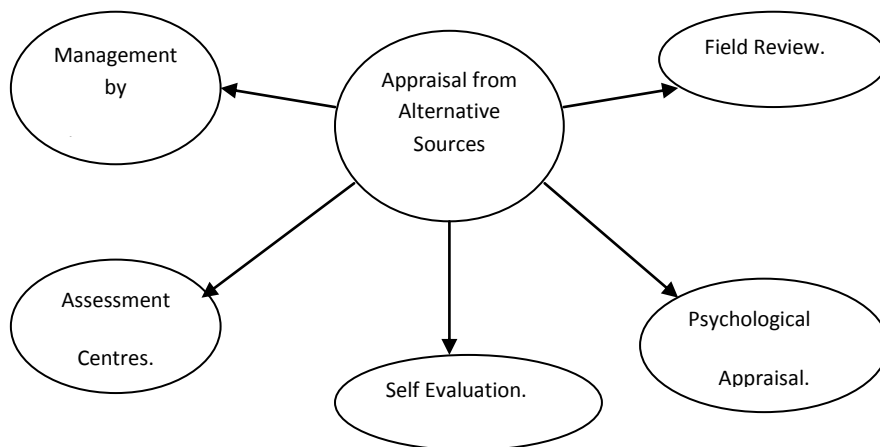
- (i) The evaluators are familiar with the ratee's job.
- (ii) They have better opportunity to observe the ratee for longer periods.
- (iii) They observe the workers from close quarters and watch over when he/she is off his/her guard.

Some important disadvantages of peer rating are as follows:

- (i) Employees object to peer rating.
- (ii) There is generally a positive bias, which can mislead management.
- (iii) Peer rating has also been found to result in conflict and development of negative feelings among peers.

4) **Appraisal from various alternative sources:** Some alternative sources of employee appraisal are shown in the following diagram:

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a) **Field Review:** In this method an industrial psychologist collects the relevant data orally from the employees by interviewing their superiors by asking a set of questions. The obtained answers to these questions are then converted to written descriptions and presented to the superiors of the employee being appraised. The superior then adds or modifies the report.

This technique has certain advantages:

- (i) Since the interview is conducted orally the supervisor feels free to express frank opinion about the subordinate's performance.
- (ii) Since an industrial psychologist spends a lot of time in conducting field review, the supervisor answers the questions after considerable thought.
- (iii) All supervisors are asked the same questions about their subordinates so it becomes easy to compare one individual with another.

b) **Psychological Appraisal:** In many companies Psychological Appraisal is a regular feature of periodic appraisal programme. This method makes use of

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interviews and psychological tests. It also makes use of data from personal files of employees. On the basis of these an extensive report is prepared by the psychologist which will help us to obtain a clear understanding of an individual's behaviour, intelligence and other motivational factors influencing his performance.

Psychological Appraisal helps us to predict the behaviour of employees. Such appraisals are made while taking decisions regarding promotion or transfer.

A large number of research studies have shown that psychological descriptions are highly accurate and can be used to predict success or failure on a job or a task among employees.

c) Self Evaluation: Self evaluation is a process whereby individual employees rate performance on a given set of criteria. It is a part of an appraisal system followed in companies.

Self evaluation is subjected to various limitations and biases.

- ❖ Employees do not rate themselves on negative points. They often exaggerate their performance.
- ❖ An Individual and management may not agree on the areas of importance in his job. So an individual may emphasize certain area and management may consider those areas as less important.
- ❖ Self rating can be useful if its findings are not related to administrative uses, like pay increase, promotion, transfer, confirmation, etc. But its is useful if related to need for a personal development.

d) Management by Objective(MBO): It is a motivational technique which helps to motivate employees to work because through this process/technique employees set their objectives and are aware about their goals.

MBO is a method of appraisal because the employee, through this method, gets to assess the efforts put by his on his/her own performance. MBO makes the employee goal orientated and sets clear objectives in front of him. Hence, he/she is in a better position to evaluate not only his performance but also group performance.

The ratings of superiors are generally not agreed by employees, especially when they are of a critical nature. Employees in many cases may resent other evaluating them for the simple reason that the criteria used by superiors may either be not know to them or may not be agreeable to them.

MBO basically is an appraisal procedure which attempts to evaluate employee's performance by systematically and periodically guiding him in a time bound programme.

This method basically emphasizes the value instead of past and emphasizes on results than on method of achieving the goals. MBO has many advantages:

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- (i) It helps in increasing the motivation of the workers.
- (ii) It can make sure that each and every person's efforts contribute to organizational goals.
- (iii) It helps in reducing role ambiguity.
- (iv) It helps in planning also.

However, there are certain disadvantages of MBO.

- (i) It demands considerable time and energy on the part of the managers.
- (ii) Very often managers emphasize on goals that can be easily measured though they may not be important.
- (iii) Many times there is a tussle between the supervisor and an employee because the supervisor tries to set higher goals, whereas an employee tends to set lower goals for himself.

e) Assessment Centres: Assessment centres make use of situational exercises such as special questionnaire, management games, in-basket performance, leaderless group discussion, case analysis, decision making exercises, etc. These exercises are generally tailor made for a particular company or industry.

Assessment centres involve elements of peer rating, superior appraisal and psychological evaluation because even peers and superiors are rated in these assessment centres and their views about an employee are also taken into account.

Assessment centre as a judgmental appraisal technique was developed during World War II. It was developed by the Office of Strategic Services.

Assessment centres are useful only for management level employees. In the case of workers it has limitations. This method of performance appraisal has been criticized for being extremely costly in terms of time and money.

II. Objective Measures of Performance Appraisal:

Objective measures are those measures that can be measured directly from the actions or activities of the employees about job behaviour. Many activities can be studied by such objective measures which are easily quantifiable. Industrial engineers have played an important role in developing such objective measures. Some of the objective measures of performance appraisal are as follows.

- a) Quality and quantity of work as performance standards.
- b) Cost and profit.
- c) Productivity measurement.
- d) Measure of withdrawal.
- e) Measures of resistance.

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a) Quality and quantity of work as performance standards:

Qualitative as well as quantitative measures of performance standards have been developed to evaluate employees, performance.

A production unit may use measure of the following:

- Number of units produced
- The time taken to produce it
- Number of rejections.

Some other criteria could be scrappage , faults in machines, etc.

A sales manager may use the performance criteria like:

- Number of clients satisfied
- Amounts and volume of sales achieved
- Ration of clients served and
- Compliant received, etc.

Administrative manager can evaluate the clerk's performance on the basis of criteria like:

- Numbers of errors in filing
- Amounts of letters typed
- Volume of data fed in computer and
- Time taken for the same.

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Industrial engineers, especially in the area of productivity, have set certain, such standards. The aim of a manager or supervisor is to achieve a given level of minimum standard, and then set various levels of standards for superior, good and excellent performance.

b) Cost and Profit:

Cost and profit accounts have also helped psychologists to develop certain cost ad profit measure which are generally used in the process of performance appraisal.

Among the cost measures would be cost incurred in wastage, maintenance, labour, overheads, etc. Profit measures include savings in time, income, etc.

Cost can be standardized on the basis of judgment. The superiors are evaluated on the difference between standard costs decided upon and the direction of these costs.

Another way of using cost and profit approach is using human resource accounting method. This method evaluates the managers. If a manager appoints and develops people with outstanding performance and good potential for the future he is given positive evaluation. On the other hand if the turnover of talented people is high the manager of such a department is given a negative evaluation ad penalized. Similarly, if these is

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distrust, conflicts, morale is low in a particular department, the manager of such a department is given low ratings.

c) Productivity Measurement:

Productivity measurement is another important criteria for measuring performance appraisal. These measurements first originated in USA and were then adopted by Japan and European countries. Productivity is measured in terms of broad measures such as sales per employee or sales relative to cost.

Productivity measurement provides feedback to management and employees. However, such feedback does not tell us why productivity is high or low.

d) Measures of Withdrawal:

These measures are used to evaluate the performance of managers. Two important measures of withdrawal are as follows:

- (i) absenteeism.
- (ii) separation and turnover.

(i) Absenteeism: High absenteeism is detrimental for the efficient working of an organization. Company's resources cannot be fully utilized if more people remain absent. Increase in absenteeism is a sign of dissatisfaction. Absenteeism can also drain an organization's resources because replaced employees will have to be paid overtime or double salary. Replaced employees, in place of those who are absent, may also not be as efficient as the regular employees.

(ii) Separation and turnover: are another criteria used to measure withdrawal. People may leave a company or a particular department because the immediate superior in particular or company policy in general is not appropriate.

High turnover can affect business, customer relations and stability in functioning. High turnover in a particular department of an organization reflects poorly on the manager. It would indicate that the concerned manager either lacks the necessary human relations skill or something is wrong with his strategy that is the cause of his high turnover in his/her department.

e) Measure of Resistance:

Another commonly used criteria of performance appraisal is the measure of resistance. Conflict and grievance are a common phenomenon in Indian industries. Number of complaints of dissatisfaction with one's immediate supervisor or boss would clearly indicate about the style of his functioning.

Grievances can be concerning an approach to be followed at work or it can be concerning certain personal matters unrelated to job. Two important types of resistance are as follows:

- (i) Opposition behaviour: Doing something undesirable or unconventional to deliberately annoy the superior or management.

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(j) Grievance: Grievance means complaints. Lodging complaints against the manager will help us to know his efficiency and the amount of dissatisfaction among his employees.

Uses of Performance Appraisal :

Performance appraisal is used for wide variety of purposes in an industrial setup. Some of the most important uses of performance appraisal are as follows:

- Performance appraisal is used to evaluate the performance of an employee so as to provide him/her with the genuine feedback and job counseling.
- Performance appraisal also helps us to take certain management decisions regarding promotion, transfer, demotions, etc.
- Performance appraisal makes the supervisors more alert and observant about their employees because they know that they will be expected to fill out rating forms as well as justify their appraisal reports.
- Performance appraisal helps us to classify workers on the basis of their performance into different categories such as “poor” “average”, “good” and “excellent” so that later on these workers can be motivated or punished accordingly.
- Performance appraisal has also been used in many industries to fix salary, rewards and incentives in proportion to performance.
- Performance appraisal is also used to provide feedback to the employee so as to tell them as to where they stand, what is expected of them and what are their potentials, etc.
- Performance appraisal is also used to determine what are the training requirements, who are likely to benefit from training. Performance appraisal can also be used to measure the worth of a training programme by determining how much the job performance may have improved after the training has been completed.



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CHAPTER IV

STAFFING

Module – 6 (G)

Motivating

Motivation is an important concept in the study of human behaviour. It is closely related to wide variety of topics such as job satisfaction, management practices, human needs as well as human actions.

“Motivation is a set of energetic forces that originate both, within as well as beyond an individual’s being to initiate work – related behaviour and to determine its form, direction, intensity and duration.”

Motivation is derived from the word motives. The word motive is derived from Latin word “Emovere”, which means to move or to energise or to activate. Motivation directs our behaviour to a particular goal by making us active.

According to Melton “a motive is an energizing state or condition of an organism which directs the organism towards a certain specified goal.”

The above definitions of motivation brings out the following characteristics of motivation:

- a. Motive is an “aroused” or “stirred up” state of an organism.
- b. Motivated behaviour takes the person towards or away from something.
- c. Motivation directs our behaviour towards a specific goal.

Motivation can be defined as the process that gives behaviour its energy and its goals. We experience motives as feelings or wanting, needing and desiring. In order to explain the nature of motives more exactly, we must understand that motives are concepts, not things. We cannot see motives directly but must infer them from behaviour of animals and people.

Motivation can be conceptualized along three dimensions as follows:

- a. Direction
- b. Intensity
- c. Persistence

a) Direction: Refers to those activities in life to which you direct your energy. Organizations are interested in those employees who will direct themselves to their work responsibilities.

b) Intensity: It refers to the amount of energy that an individual puts in a given activity.

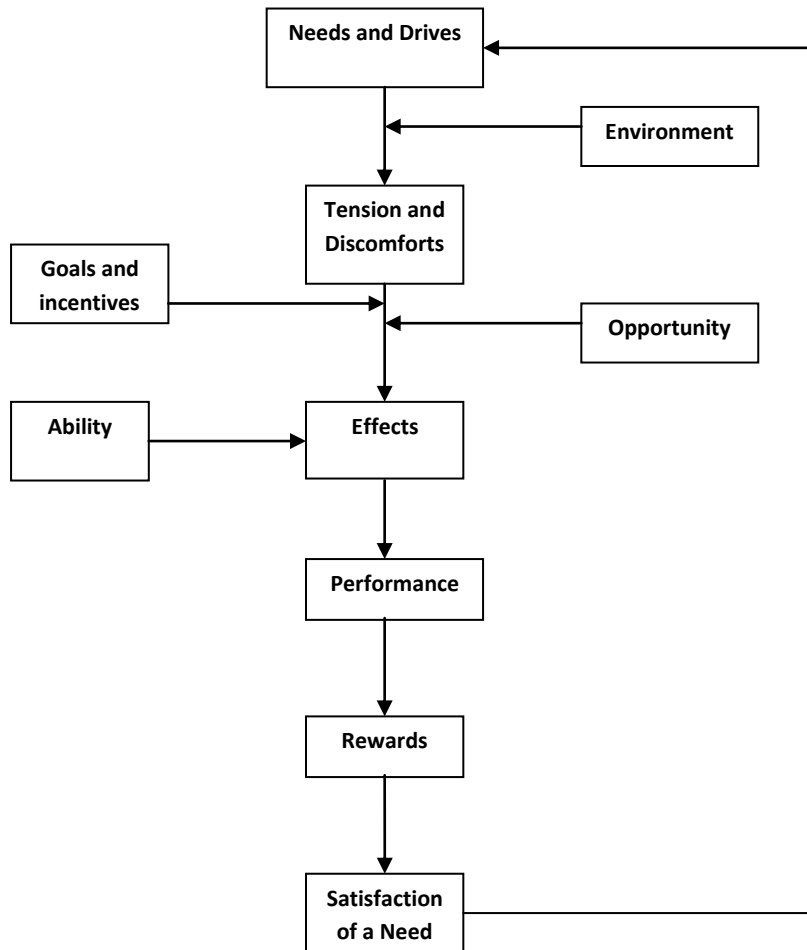
c) Persistence: It refers to sustained energy over time. It is concerned with how long the energy will be expended (utilized). Researchers have very little knowledge about this dimension of motivation.

Each of these dimensions has implications for both organizations as well as individuals.

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Wide variety of models of motivation has been proposed by different experts to develop and increase our understanding about how human behaviour is caused, sustained, modified and changed. All conscious human behaviour is motivated or caused. Motivation is closely associated with performance. The following model explains the role of motivation in performance.

Some important points of this model of motivation are as follows:



- 1) Internal needs and drives create tension and discomforts. Needs are social wants whereas drives are biological based needs which have to be satisfied.
- 2) Our environment includes the socio-cultural milieu considerably influence our internal needs and drives as well as the level of created tension. For example need for food produces hunger drive in us. The hungry person searches for food. What food he will eat greatly depends upon the environment? Ones religious and cultural surrounding considerably influence what one will eat. Similarly, availability of certain foods in the environment also determines as to what one will have to eat. Environment also influences one's appetite for particular foods. In hot season we avoid certain foodstuff. In short,

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individuals and cultural differences considerably determine as to what we will eat, when we will eat and how we will eat.

- 3) Once the tension builds up, two factors jointly interact to determine how much effort we would apply. These two factors are:

- (I) Opportunity
- (II) Goals and incentives.

Both these factors influence the amount of effort we will apply to realize the opportunity or to reach our goals.

- 4) It should be remembered that our efforts are not directly proportional to performance because performance is also considerably influenced by our ability.
- 5) An individual's performance can be rewarded. Most organizations have different reward systems. The nature of the reward, the manner in which the reward is offered as well as the timing of the reward all collectively determine and influence the satisfaction of a need. If rewards are not properly distributed, an individual will develop dissatisfaction and his subsequent behaviour will be considerably influenced.

Theories of motivation

1) Need Hierarchy Theory of Maslow:

The concept of his hierarchy of needs was given by Abraham Maslow (1970). According to him human needs are organized in a hierarchical order with the basic psychological needs at its base and others at higher levels. Maslow believed that it is only when the basic needs are satisfied that needs higher in the hierarchy will emerge to motivate us. According to Maslow human needs are not of equal strength. Human needs occur in a definite sequence and are organized in a hierarchy. There are five levels of needs divided into two broad groups as follows:

Lower order needs(Basic Needs)	Higher order needs (Growth Needs)
<p><i>There are two types of lower order needs:</i></p> <ul style="list-style-type: none"> a) <i>Physiological needs such as food, air, water, clothing and shelter, etc</i> b) <i>The second level of lower order needs include the need for safety and security especially freedom from a dangerous work environment and economic security, which includes a guarantee that an employee will not be laid-off and a comfortable retirement plan.</i> 	<p><i>There are three types of higher order needs:</i></p> <ul style="list-style-type: none"> a) <i>Need for love, belongings and social involvement at work e.g. the need for friendship and compatible associates.</i> b) <i>The need for esteem and status including an individual's feeling of self-worth and competence.</i> c) <i>The next level of higher order need is the need for self-actualization, which means becoming all that one is capable of becoming as well</i>

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	<i>as using one's skill to the fullest extent.</i>
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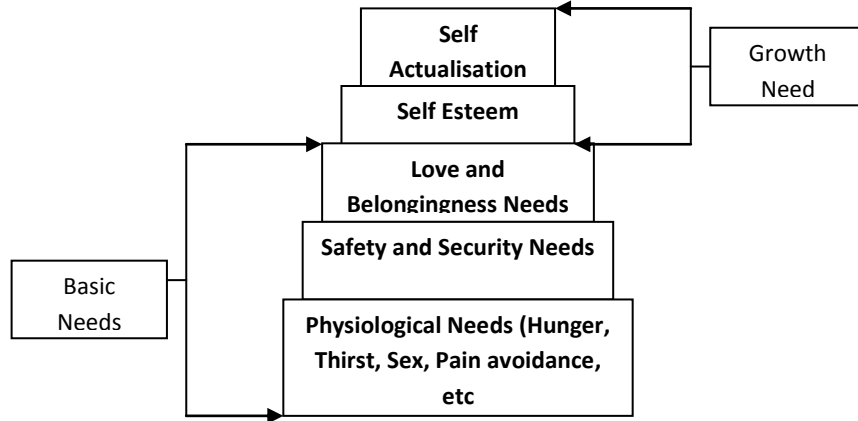
Interpreting the Hierarchy of Needs: Maslow's theory had a powerful impact on the training of managers. According to this theory present-day managers should have a sound knowledge and understanding of the following:

- (a) They must identify and accept the employee's needs.
- (b) They should understand that employees differ with respect to the type and intensity of the needs.
- (c) Managers should attempt to satisfy the currently unmet needs of their employees.
- (d) Managers should understand that the law of diminishing return applies to a given reward i.e. if the same reward is given to the employees frequently its impact on motivation is gradually diminished and may even become negative after some period of time.

Limitations: Maslow's model of human needs have certain limitations, which are as follows:

- The model is highly philosophic and difficult to verify.
- Practically it is not possible to provide opportunities for self-actualization for each and every employee.
- Research has not supported the presence of all five-need levels as unique, nor has the five-step progression from lowest to highest need levels, been established.
- It is not possible for psychologists to decide whether self-actualization is actually a need or simply a social desirability.
- Luthans pointed out that there are many situations where the order of dominance among needs is not in accordance with Maslow's theory.
- There is no evidence that satisfaction of lower needs automatically activates the higher needs.
- This theory is not applicable universally. Cultural, religious and environmental influences have major influence on a person's motivation.

The following figure illustrates the Need Hierarchy Theory of Motivation:



2) Herzberg's Two-Factor Model:

In 1950s Fredrick Herzberg developed his two-factor model of motivation on the basis of his research with accountants and engineers. It was actually a theory of job satisfaction having motivational aspects. Its motivational implications have received the most attention. The theory has had considerable influence on job design.

The original study was an intensive analysis of the experience of two hundred engineers and accountants in nine different companies. During structured interviews, employees were asked to describe a few previous job experiences in which they felt “exceptionally good” or “exceptionally bad” about their jobs. High and low job attitude events are the events, which were described as leading to feeling good or feeling bad about they work, respectively. Herberg found that there were two different sets of factors that led to good (satisfaction) and bad feelings (dissatisfaction) on the job.

Three different concepts associated with Herzberg's model are as follows:

(i) Maintenance and Motivational Factors:

According to Herzberg there are two sets of factors related to motivation and/or job satisfaction. One set of factors is called as motivational factors. They are also called as motivators or satisfiers. An employee is motivated to work when motivational factors are present. Motivational factors relate to one's work related aspects only. The presence of motivational factors on the job alone has the power to motivate an employee. However, their absence will not lead to job-dissatisfaction. Some important motivational factors according to Herzberg are as follows:

- ❖ Promotion.
- ❖ Recognition.
- ❖ Responsibility.
- ❖ Achievement.
- ❖ Opportunities for advancement in job.
- ❖ Opportunities for personal growth.

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According to Herzberg job dissatisfaction results with factors that are called as Hygiene or Maintenance factors. As long as these factors are present on job, dissatisfaction is prevented. Their absence leads to job-dissatisfaction. Maintenance (Hygiene) factors have no power to produce job satisfaction. These factors can only keep job dissatisfaction away. Some important Maintenance or Hygiene factors are as follows:

- ❖ Quality of supervision.
- ❖ Pay.
- ❖ Company working conditions.
- ❖ Relations with others.
- ❖ Job security, etc.

(ii) Job Content and Context:

The two important sets of factors that motivate or de-motivate an employee relate to either job content or the job context. Factors such as achievement, promotion, recognition, responsibility, etc. relate directly to the contents of the job, whereas certain other factors such as physical working conditions, company policies and relations with other relate to the job context. Motivators are mostly job-centered, whereas maintenance factors are related to the job context. The relationship between Job Content and Job Context is important because only the presence of factors related to job content has the power to motivate an employee to do the job.

(iii) Intrinsic and Extrinsic Motivations:

Intrinsic motivation is an internal motivation. When you are motivated on your own out of your interests, desires or likes which originate from within you then the motivation is said to be intrinsic. In intrinsic motivation the inherent nature of the activity, their pleasure of mastering something new or the natural consequences of the activities motivate people. Thus, an intrinsic motivation is defined as “a person’s need for feeling and self determining in dealing with his environment”. The concept is so called because the goals are internal feelings of effectiveness, competence and self-determination. Research studies have also revealed that the best way to increase intrinsic motivation is to give individual choice. When people have options, they will choose activities that they are intrinsically motivated to perform, and performing them will further enhance their intrinsic motivation.

When human motives are stimulated by external rewards we say that the motivation is extrinsic. Extrinsic motivation is directed towards goals, which are external to the person, such as money or promotion. One of the important issues that psychologists have debated is how much an individual should be extrinsically motivated so as to perform better on a given task or activity. Research studies have shown that by using extrinsic motivation managers and trainers can shape the behaviour of individuals.

It has also been found that use extrinsic motivation often leads to decline in intrinsic motivation. It has been found that when a person is already intrinsically motivated to perform an activity, adding extrinsic motivation will often lead to decline in intrinsic motivation. Extrinsic motivation have their use in guiding behaviour in business and at work but reliance on

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them can sometimes lead to decline in intrinsic motivation and impair performance.

Interpreting the Two-factor Model: Herzberg model of motivation is very important and has been highly influential model. This model has broadened the manager's perspective by demonstrating that work itself is very rewarding and in order to motivate an employee changes in the job content is highly desirable. Herzberg's, has a considerable impact on industrial and organizational psychology. It has also been applied as a basis for the design of jobs in order to make the job more interesting and absorbing. This model has provided the basis for the concept of job enrichment. A second contribution of Herzberg's, model was that it created an interest in what has been termed intrinsic motivation. Those concerned with intrinsic motivation recognize that the features of a job itself can provide an environment in which the individual can gain satisfaction form the job without receiving any external reinforcement such as money, praise or recognition. It is said that individuals are motivated to do jobs simply because of the characteristics intrinsic to the job themselves

Herzberg's model is not free from criticism. It has been widely criticized on many grounds but the chief among them are as follows:

- This model is not universally applicable as it was based on and applies best to managerial professional and upper-level white collar employees.
- This model has also been criticized for outlining only general tendencies.
- This model has also been criticized on the grounds that it reduces motivational importance of pay, status and relationship with other since these are maintenance factors.
- The definition of motivators and maintenance factors is not very precise as motivators can be maintenance factors to some and maintenance factors can be motivators for others.
- The theory has been criticized for assuming that the two factors i.e. motivation and hygiene factors are independent. In practical life they have been found to be overlapping in many cases.
- The theory has also been criticized on the grounds that it was originally a theory of job satisfaction and not job motivation.

3) McGregor's Theory X and Theory Y:

In 1960, Douglas McGregor first presented his ideas on "Theory X and Theory Y" in a classic article "The Human Side of Enterprise". McGregor called Theory X as the traditional approach of managing people, and Theory Y as the professional approach of management.

Theory X and Theory Y are based on certain ASSUMPTIONS as follows:

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a) Creativity:

- Theory X assumes that people are not creative. They are dull and lack rational thinking.
- Theory Y assumes that people are creative. They can come up with innovative ideas, if properly motivated.

b) Responsibility:

- Average persons are irresponsible. They try to transfer or buck pass the responsibility into others- Theory X.
- People are responsible. They accept responsibility for their tasks- Theory Y.

c) Activeness:

- People are basically lazy. They love to hate work. They give excuses for not doing work- Theory X.
- People are active and alert. They take work as sports if the conditions are favourable- Theory Y.

d) Challenges:

- People prefer to do routine work. They do not like to have a change in their work- Theory X.
- People prefer challenging tasks. They derive satisfaction by implementing challenging and difficult tasks- Theory Y.

e) Followers/Leaders:

- People prefer to be followers. They seek guidance and directions from their superiors at all times- Theory X.
- People prefer to be independent. They want freedom in their work. They would like to lead and guide others- Theory Y.

f) Orthodox/Flexible:

- People are orthodox in nature. They do not want to accept new ideas- Theory X.
- People are ready to accept new ideas. They prefer to change with the changing situations- Theory Y.

g) Opportunities:

- People do not take advantage of opportunities that come in their way- Theory X.
- People are ambitious and are willing to grab opportunities- Theory Y.

h) Lower/Higher Level Needs:

- Theory X assumes that lower level needs like job security dominate individuals.

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- Theory Y assumes that higher level needs like esteem needs dominate individuals.

i) Self Motivation:

- Theory X assumes that people lack self-motivation and require to be controlled and closely supervised.
- Theory Y assumes that people are self-directed and prefer self-control.

j) Nature of People:

- Theory X assumes that people are selfish and work for their personal interests only.
- Theory Y assumes that people are selfless and work in the interest of their organization.

k) Leadership Style:

- Theory X puts emphasis on autocratic leadership style.
- Theory Y puts emphasis on situation leadership style.

l) Centralization v/s Decentralization:

- Theory X places emphasis on centralization of authority.
- Theory Y places emphasis on decentralization of authority.



DIRECTING

Module – 1(G)

BUSINESS COMMUNICATION

Business Communication is related to the business of living. It takes place everywhere and is the focal point of any transaction or commercial activity. Any business depends on communication.

Successful business management depends on communication of information, orders, instructions, goal orientation, evaluation of performance and assessment of results. Management is communication both inside and outside the organization.

Business communication is the means of contact within an organization as well as with customers, shareholders, government agencies, the general public etc. It is the lifeblood of every organization.

According to Koontz, Business Communication is “the means by which organized activity is unified, behaviour is modified, change is effected, information is made productive and goals are achieved”.

Business Communication, to W.G. Scott, is “a process which involves the transmission and accurate replication of ideas purporting to stimulate action to attain organizational goals.”

Simply put business communication plays a major role in the operation of a firm and links individuals within the business world outside. It is necessary for administration and the smooth functioning of any organization.

SOME CHARACTERISTICS OF BUSINESS COMMUNICATION

- The organizational structure ensures that the flow of communication is vertical or horizontal, formal or informal, direct or indirect. Hierarchy and status influence the type and nature of messages communicated internally as well as externally.
- Since a number of persons are involved, messages get reproduced serially.
- It is perforce democratic because it has to take cognizance of indifferences, reach out to people and encourage interaction between all levels of employees as well as the external public.

NEED AND IMPORTANCE OF BUSINESS COMMUNICATION

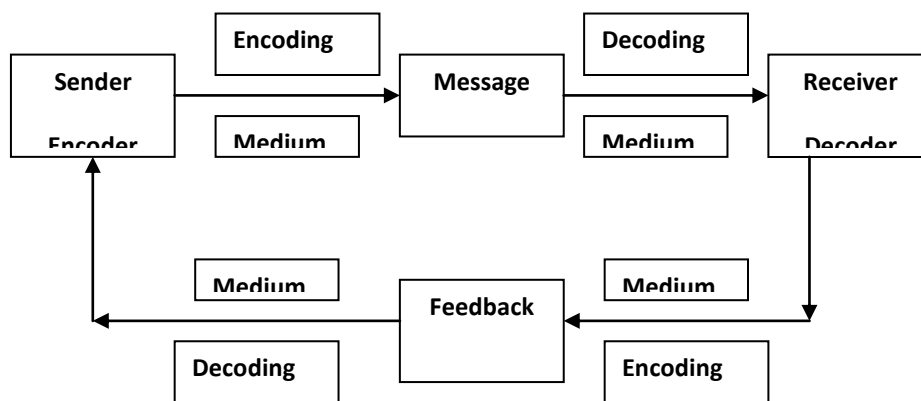
- Rapid globalization has made is more acutely aware of the need and importance of effective communication for business. Business empires now transcend boundaries and need affective business communication for better management.
- Bigger the business, larger is the workforce, necessitating the need for specialists and professionals. Naturally these professionals will have to not only concentrate on solving problems, fixing goals and objectives but in conveying their ideas and expertise to all levels of the organization. The more successful the exchange of communication in an organization, the better managed will that organization be. This, in turn, will help it to emerge as a front runner in an extremely competitive business environment.
- With the growing emphasis on cost effectiveness and time, money and resources being limited only effective business communication can ensure success.

COMMUNICATION PROCESS:

Communication is a two way process which involves sending, and receiving the message through a medium for a response. In communication theory this is termed as encoding, decoding and feedback.

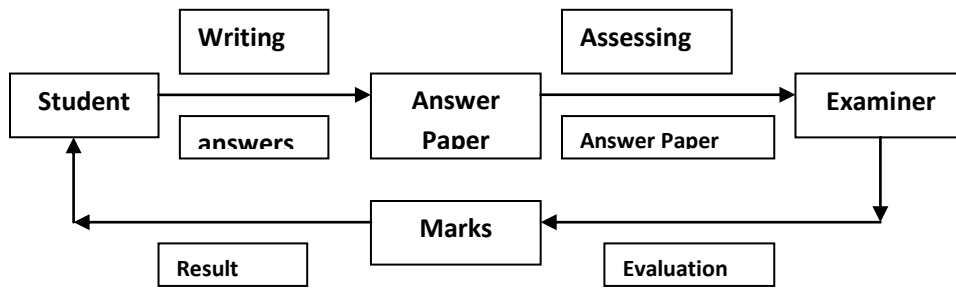
As stated earlier, all communication is done symbolically. When a set of symbols is accepted and agreed upon by people it becomes a code. All languages are codes of one kind or another. When a message is sent out using a specific code it is called encoding. Deciphering and understanding it is called decoding. The subsequent response or reaction is called the feedback. Often there is direct contact between the encoder and decoder and the feedback, may be immediate. Sometimes we may need the intervention of a third party, such as “publics” i.e. newspapers, trade associations, chambers of commerce etc.

The communication process may be represented as:

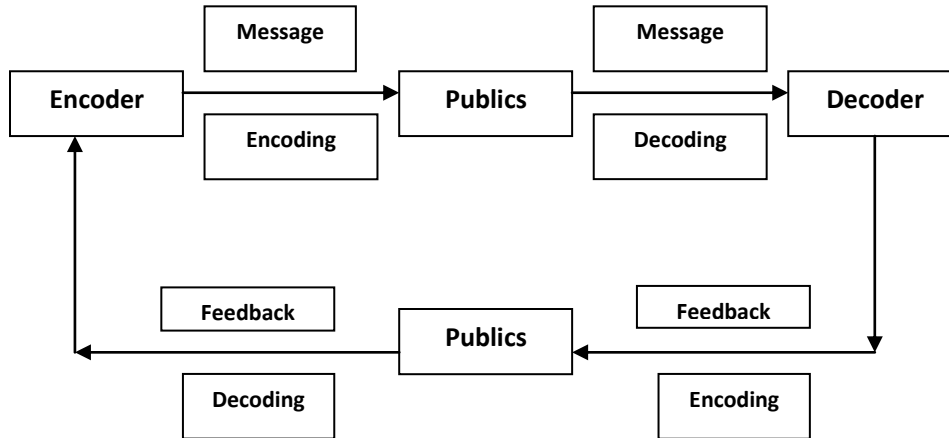


If we take up a familiar situation of a student writing an examination, the communication cycle will be as follows:

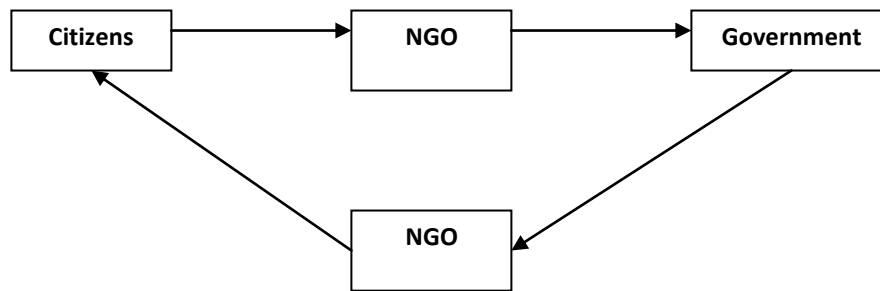
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The 'publics' facilitates communications in the following process:



To better understand the concept of 'publics' another diagram will illustrate the role of the third party in the communication cycle.



Citizens who have been left out of the electoral roles knock on the government's doors, but to no avail. They then approach an NGO called AGNI who takes up their cause. The media also takes up the issue and highlights the significance of incomplete electoral roles. AGNI represents the case to the government, which is now under some pressure and agrees to look into citizens, complaints. It informs AGNI and the media about remedial action and this is conveyed to citizens as feedback.

Characteristics of Feedback:

Feedback is the reaction or response of the receiver, which is communicated to the sender. It completes one cycle of communication thus becoming the final link in the chain.

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Feedback may be verbal or nonverbal, oral, written or through body language. It may be immediate or delayed, face to face, direct or indirect, positive or negative. Like communication feedback is continuous and obtained all the time.

Need for Feedback:

Feedback provides us an opportunity to understand and be understood. It not only increases the accuracy of the communicated message but reduces doubt and hostility as communicators can explain, argue, confirm or defend their points of view. It extends the communication cycle and ensures its continuity.

BARRIERS TO COMMUNICATION :

It is quite apparent that communication has fueled human growth and development and is responsible for the success of any business activity. So anything that comes in the way of, effective communication is damaging and undesirable. These obstacles or barriers must be studied so that we can prevent miscommunication and misunderstanding.

Barriers to communication are of various types. They may be physical, mechanical, organizational, cultural, linguistic and psychological in nature. Whatever the type, all barriers distort communication.

LIMITATIONS OF SENDER AND RECEIVER:

Before proceeding to discuss the different barriers to communication we need to understand that the communication process is often affected by the limitations of both sender and receiver.

During oral communication barriers may arise if the sender is disorganized, uses irrelevant information, chooses words wrongly and has a poor speaking voice and even poorer pronunciation.

While sending written messages poor composition, wrong syntax, incorrect spellings and punctuations can lead to the entire message being misconstrued. The receiver's inattentiveness different levels of intelligence and understanding all contributes to a communication breakdown.

PHYSICAL BARRIERS:

Location, environment, time and distance, our physical condition and the medium we choose to communicate in can all create difficulties for us. The five types of disturbances or distractions which act as physical barriers to communication are:

1. **Competing Stimulus or Noise:** Communication involves creating and responding to stimuli. When we speak our words, voice and tone stimulate the receiver to respond. However our conversations may be interrupted, drowned by loud music, airplanes, trains or traffic noise. These disturbances run parallel to the communication cycle and distort it.

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2. **Environmental Stress:** Human beings do not communicate in a vacuum. Climate, temperature, humidity, heat, dust, rain, snow and thunder adversely affect communicators. Cyclones, tsunamis and floods can play havoc with the communication network making it impossible for people to reach out to each other.
3. **Subjective Stress:** When individuals are subjected to stress or are fearful, unhappy, unwell, anxious or excited they will find it difficult to speak, listen or interpret correctly. Fluctuating emotions or extreme feelings too will hamper effective communication.
4. **Ignorance of the Medium:** Human communication requires a medium or channel for communication. But if individuals are not familiar with the medium or its correct usage then problems are but inevitable. Use of the written medium will pose problems for those who do not know how to read and write. Using a language with those who are unfamiliar with it will create barriers. Those who are not computer literate can neither send nor receive messages on the internet.
5. **Time and Distance:** It is well known that when a message travels over a great distance or takes a long time the chances of its distortion are very many. Distance between the transmitter and receiver causes problems due to lack of eye to eye contact and involvement. Communicating across continents and time zones becomes difficult because sending and receiving message will not be simultaneous. Not being able to stick to a time schedule or being late for interviews and meetings also cause problems and misunderstandings. Increased expenditure may come in the way of communicating over distances.

MECHANICAL BARRIERS:

If the instruments or equipment we use are defective then our communication will not be up to the mark, If our telephones, fax machines and computers do not work properly or are out of order even for a short while our work comes to a standstill. Disturbance in the physical transmission of a message such as static on the radio or snowing on television affect communication. At the same time the absence of telecommunication facilities will also act as a barrier to communication.

ORGANIZATIONAL BARRIERS:

An organization is a complex structure which hums with activity. But it is not always smooth sailing. Miscommunication and misunderstanding is common.

Problems in vertical and horizontal communication arise due to the following reasons:

1. **Size of an Organization:** A large organization will have many employees either in one location or spread over several sites. This will involve long communication line which will have to travel through several layers of supervision. And when communication lines are long and convoluted miscommunication is inevitable. The design and layout of an organization

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can increase not only the physical distance between employees but also create a psychological distance.

2. **Emphasis on Specialization:** Increase in functions, departments and activities has led to the phenomenon of specialization. When more people focus on micromanagement their knowledge base, exposure and experience becomes limited. This also comes in the way of meaningful interaction.
3. **Hierarchy and Status:** Hierarchy exists everywhere – in nature, in a family and of course in a business unit or organization. Individuals occupy positions of authority by virtue of their knowledge, experience and leadership skills. Their status as a leader accords them prestige and power. Companies also acknowledge their superior status by awarding them with separate cabins, personal assistants, cars etc. These status symbols create artificial barriers between seniors and subordinates. It is a status consciousness and status symbols that create hurdles. Status conscious seniors feel it is below their dignity to consult their juniors while subordinates fear, fret and falter during upward communication. Status separates seniors and juniors physically and emotionally. This results in distrust, suspicion and misunderstanding.

Obsession with status and power also leads to vested interests and groupism. Bias and prejudice come in the way of interpersonal relationship with every interaction being seen through the prism of status. A participative and flexible style of management along with democratic design and layout of office space helps to relax status barriers and create an atmosphere of openness and cordiality.

4. **Channels used for Communication:** Internal communication in an organization comprises of both formal and informal channels. Too much emphasis on vertical communication neglecting meetings, conferences and consensus can affect the free flow of communication. On the other hand preference for horizontal communication may dilute authority and adversely affect the day-to-day functioning of an organization.

A judicious mix of channels and media balancing the formal and informal channels will enhance organizational communication.

LANGUAGE BARRIERS:

When we communicate our main concern is to understand and be understood. Language is what helps us convey meaning. But it is ambiguous by nature. Words are mere symbols and usually mean more than one thing. How we use language depends on our background, culture, experience, attitude and location. So words will mean different things to different people and be understood or misunderstood accordingly. Also our usage is often faulty.

Communication breaks down because of the following reasons:

- 1) **Mismatch between Meaning and Expression:** We don't often express what we mean and we sometimes don't mean what we say. We say yes when we want to say no and vice versa. Only an innocent child, when

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offered a chocolate, will declare that though he wants it, his mother has tutored him to politely refuse the offer. We expect that people will understand what we are thinking and fail to express ourselves clearly.

- 2) **Use of Unfamiliar Language and Idiom:** If people speak in different languages, if they do not know each other's language then barriers will arise. At the same time knowledge of a language, its grammar and idiomatic expression differs from person to person and the response to slang, colloquialisms, jargon, foreign words and phrases will not be uniform or as expected. American English differs from British English and use of Americanisms may cause problems to those raised on British pronunciation, spellings and vocabulary.

For example in American English 'Are you through?' means 'Have you finished?' But in British English it means 'Have you been connected?' (on the telephone)

- 3) **Speaking at the wrong moment:** Interruptions and interjections impeded the smooth flow of thought as well as speech. Communication becomes disjointed even fragmented. This provides ample scope for loss of information.

Wrong emphasis on words and phrases and stressing the wrong part of a message will confuse the receiver. Advertisements are often guilty of this. An advertisement for cigarettes will convey the health warning in fine print but will boldly highlight a lifestyle statement.

- 4) **Interpretations and Connotations:** Words possess different associations and meanings for different people. The favourable and unfavourable interpretations of a word depend upon the context in which it is used.

Words like 'capitalist' and 'communist' or 'terrorist' and 'freedom fighter' will have different connotations depending on the politics and ideology of the users.

- 5) **Error in Judgment:** People's reactions are based not on what actually transpires but what they feel has taken place. There is often a significant gap between what has actually been said and what people believe has been said because we often hear only what we wish to hear. Imagination and different perceptions cause many a slip between the cup and the lip! It is important to use simple, direct, jargon-free language and try to be brief and as clear as possible to avoid misinterpretations.

CULTURAL BARRIERS:

Language and culture are closely related. While language is an expression of culture many other variables combine to make up culture. Religion, social, customs and traditions, food, clothes, manners, habits and family ties are some important cultural parameters. In this era of globalization and extensive overseas travel it is absolutely essential to learn and become familiar with the customs and practices of other cultures. This not only endears us to others but facilitates business dealings. Unacceptable social behaviour resulting from ignorance of foreign customs may cost us dearly. In

the Middle East a businesswoman must dress according to the prescribed dress code and in Japan you greet by bowing. Religious beliefs will determine what you or your host will eat at a business lunch and whether lunch will be followed by siesta!

To be an effective business person one has to have an open mind and be willing to learn about and adapt to different cultures.

PSYCHOLOGICAL BARRIERS:

No two individuals are alike. Each of us has a unique personality which is shaped by our backgrounds, upbringing and past experiences. We look at the world, at people events and situations from our own point of view, our frame of reference or value system. This system of values and standards defines our actions, thought processes and interpersonal relationships. It is also responsible for making us perceive reality in different ways. As human beings we are victims of bias and prejudice, suffer from anger, fear, joy and sorrow. Our emotions and attitudes affect the sending and receiving of messages creating psychological barriers in the process.

Some important psychological barriers are:

- 1) **Self Image and Pre-conceived Notions:** Each of us looks at himself or herself in a particular way. However, it is not always a case of self confidence. Instead it is the 'mirror mirror.....' syndrome. Just as Snow White's step mother expected only one answer to her question so too do certain individuals. They interpret messages and see reality according to their preconceived notions accepting only those messages that boost their self image and rejecting others. This results in communication selectivity.
- 2) **Abstracting:** Communication selectivity means that we are selective about sending, receiving and remembering messages. We focus on some details and omit the rest.
- 3) **Slanting:** Bias and prejudice often colour our judgment and influence our perception and subsequent communication. We do not always present all the facts but allow our preferences to pick and choose. Thus our messages are slanted with intentional bias.
- 4) **Filtering:** Another form of slanting is filtering of information. It takes place mostly during upward communication. Juniors wanting to enhance their image and chances of promotion suppress 'bad news' and pass on to the boss only what she/he wants to hear. Filtering also automatically takes place when messages have to travel long distances upwards in the organizational hierarchy. Loss of information and distortion is a natural fall out.
- 5) **Closed Mind:** A close-minded person has a narrow vision. Such a person rejects any other point of view. His mind is always made up and no new facts or alternatives will be entertained. As a result such a person ends up with inadequate, incomplete and usually incorrect information.

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- 6) **Allness:** Allness is the attitude of people with closed minds who believe that they know everything. Such people refuse to believe that they could be mistaken. They are dogmatic and rigid in their opinions and attitudes.

Another problem of allness is the tendency to generalize or stereotype. We make generalizations about foreigners, communities, professions etc., often with negative overtones. For example we dismiss all lawyers as liars and all women as weak. By concentrating on some details and leaving out the rest we club whole groups together and brand them unfairly. These generalizations arise out of our prejudices. We must not forget that 'all that glitters is not gold'.

- 7) **Unjust Assumptions:** Assumptions are personal inferences made by the speaker and not factual statements. Our bias, prejudice and opinions prompt us to make unjust or unfair assumptions about others. Our superiority complex ensures that all others are assumed to be inferior in every possible way. Such a feeling will give rise to opposition and raise barriers to communication.

In business situations assuming that we have understood everything or been understood by others can cause major problems.

- 8) **Either / or Orientation, Polarisation:** We evaluate people and interpret their messages in black and white terms. People and events are viewed in absolute terms. The context or situation is not considered important. People are seen in extremely negative or positive terms. Swinging between extremes we miss out on the real individual.
- 9) **Halo Effect:** It is another manifestation of the either/or orientation. When we like or admire some people we believe that they can do wrong and accept whatever they have to say as correct and valid. Conversely we condemn those we dislike and do not pay any attention to their views or opinions.

In both cases we mistakenly focus on the messenger rather than the message.

- 10) **Snap Reactions / Premature Evaluation:** Poor listeners jump to conclusions and respond prematurely to the message being conveyed. In their haste they tend to miss out on important details. Their evaluation will then be based on incomplete and insufficient data leading to incorrect interpretations.

We must always look before we leap.

- 11) **Tendency to Evaluate:** Another consequence of self image is the tendency to evaluate others. Since we are both judge and jury the evaluation is invariably from our own point of view and is terribly one sided. To compound matters, our insecurities compel us to be very harsh on others. We seem to forget that those who live in glass houses shouldn't throw stones.

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- 12) **Resistance to Change:** Though present day homo-sapiens are a product of evolution we resist in any form except where we are convinced it is to our benefit. So construction of dams are strongly resisted or enthusiastically supported depending on whether we are tribals or farmers.

Since change is inevitable we must anticipate it and prepare ourselves and others for it. Changes must be introduced gradually to be acceptable.

- 13) **Defensiveness:** Since we like to believe that we are always right we constantly justify ourselves and go to great lengths to appear to be correct. Making excuses and rationalizing our mistakes is a common form of defending our ego.

Psychological barriers are inter-related because they arise in our mind. As long as we allow our perceptions, emotions and prejudice to colour our thinking process and attitudes these hurdles will be difficult to overcome.

MEASURES TO OVERCOME BARRIERS TO COMMUNICATION:

Any type of barrier can be dealt with and overcome with some effort on our part. A few ways of breaking down barriers are:

- 1) Be clear, precise and to the point. Plan your communication.
- 2) Use simple, direct and jargon free language.
- 3) Use repetitions to confirm that the message has been received and understood correctly.
- 4) Depends on first-hand communication as far as possible.
- 5) Use different channels and methods of communication. Mix and match efficiently depending on availability and suitability.
- 6) Insist on feedback.
- 7) Try to minimize noise and other disturbances by interacting with concerned authorities.
- 8) Improve your levels of concentrations to avoid distractions.
- 9) Have an open mind. Listen to different points of view. Do not allow bias and prejudice to creep in.
- 10) Don't pre-judge. Listen first, evaluate later.
- 11) Don't be selective in your communication.
- 12) Stop acting as a know-all. Remember that no one can ever know all there is to know about anything and everything.

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- 13) Develop empathy. Listen not only to words but to feelings being conveyed. Observe non-verbal signals.
- 14) Stop sparring. Don't refute for the sake of it. Understand analyse and then present your case.
- 15) Have an attitude of equality and respect for others. Be ready to co-operate and collaborate with others.



Chapter V

Directing

Module – 2 (G)

Leading

Leadership is one of the important aspects of management. Effective leadership is required to lead and guide the subordinates to perform organizational tasks effectively and efficiently.

In other words of George Terry ***“Leadership is the activity of influencing people to strive willingly for group objectives.”***

In the words of Peter Drucker, ***“Leadership is not making friends and influencing people, i.e. salesmanship. It is the lifting of man’s visions to higher sights, the raising of man’s performance to higher standards, the building of man’s personality beyond its normal limitations.”***

Alford and Beatty define, ***“Leadership is the ability to secure desired actions from a group of following voluntarily, without the use of coercion.”***

Nature and Characteristics:

1. Presence of followers: A leader needs to have followers. The leader cannot exercise leadership, if there are no followers. A person can be called a leader only when people get influenced by him, and agree to accept as their leader.
2. Common interest: There must a common interest for the leader and for group. If there is clash in interest, then the group may leave the leader and follow some other person who shares their common interest. Therefore, the interest of the leader and that of his followers must match.
3. Willing cooperation: Through effective leadership, the leader should influence his followers and secure willing cooperation from them, in order to achieve group goals. A good lead would never force his subordinates to obey him, and compel them to do certain acts.
4. Discipline and dedication: A good leader sets a good example for his followers. Lyndall Urwick once remarked, ***“It does not matter much what a leader says, still less what he writes, what influences subordinates. It is what he is. And they judge what he is by what he does and how he behaves.”*** Therefore, a good leader needs to be disciplined and dedicated.
5. Dynamic process: Leadership is a dynamic and continuous process of influencing behaviour of others. It is not enough to influence the

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followers only once. There is a constant need for influencing the followers.

6. Active participation: There must be a working relation between the leader and followers. The leader not only needs to secure active participations of his followers, but he also, needs to take active part in the activities of the group.
7. Superior knowledge and skills: The leader is expected to have superior, knowledge and skills as compared to his subordinates. Otherwise, the followers may not respect and obey the leader. In other words, if the leader does not possess superior knowledge, then he will not be able to exercise leadership over his followers.
8. Goal Oriented: Leadership is goal oriented. The purpose of leadership is to achieve some desired goals. It does not make any sense to be a leader of a group without any purpose to achieve.
9. Leadership Styles: There are different leadership styles. However, good leaders would follow situational leadership style.
10. Continuous Process: Leadership is a continuous process. It is an on going activity of influencing subordinates or followers to achieve group objectives.

Qualities of a Good Leader:

Managers need to be good leader. A leader according to Webster's Dictionary ***"is a person who takes charge of or guides a performance or activity."*** To be good leader, one must possess good qualities. The qualification of a leader are stated as follows:

1. Good personality: Personality is the sum total of physical, mental and social qualities. Successful leaders do have good personality. In fact, the only quality required for leaders is good personality. All other qualities listed below are various aspects of personality.
2. Intelligence: A leader should have good educational or technical knowledge. He needs to have superior knowledge than that of the followers, if not his followers may not respect him. As such the work of the group may be affected.
3. Initiative: Leaders need to have the quality of being initiative. They should be in a position to do the right thing at the right time without being told by others. He should be in a position to take appropriate decision without causing delay.
4. Innovative: A leader needs to have an innovative mind. He should have the imagination to develop new idea or new ways in handling the activities. Followers expect their leader to be innovative. This is because they like to undertake new and challenging activities.

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5. Self Confidence: A leader must have self-confidence. This will enable him to solve problems and face challenging situations. If he lacks self-confidence, then he may not be able to influence his followers.
6. Communication Skills: Good leaders are effective communicators. He should not only issue orders and instructions, but should ensure that the followers have understood his orders clearly. Again, he should clearly understand any communication from his subordinates.
7. Coach and Guide: The leader should act as a coach and a guide to direct the efforts of his subordinates. As a coach, he may actively direct his followers as to what to do, how to do and when to do a particular activity. As a guide, he may provide advise as and when the followers require to carry out their activities.
8. Proper Judgement: He must be in a position to judge certain situations effectively. He should be in a position to judge the performance of his subordinates. Whenever, there are disputes among his followers, he may play the role of the judge and solve the problems.
9. Human Skills: A good leader is the one who commands popular following. And to have good following, the leader should have a good inter-personal skills to understand others. The knowledge of human skills is very important to the leader as he constantly interacts with his followers.
10. Administrative Skills; The leader also needs to have good administrative skills. He should have the ability to plan, to organize, to direct, and to control the activities of his group.
11. Discipline: A good leader must be disciplined, then he would be in a better position to command discipline of his followers. Discipline often makes a leader dedicated and committed to group goals. Otherwise, he may work for his own self-interest.
12. Patience: Most of all, a leader needs to have good patience. He should have patience to take appropriate decisions and not hasty decisions. He also needs patience to listen to the views, opinions, and complaints of his followers.

Leadership Styles/ Types of Leaders:

Every manager develops a style in managing the activities. Such styles vary from leader to leader, from situation to situation, and from organization to organization.

In the words of Edwin Flippo, "***Leadership style is a pattern of behaviour designed to integrate organizational and personal interest in pursuit of some objective.***"

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The main types of leadership styles are as follows:

1. Autocratic style:

An autocratic is the one who takes all decisions by himself and expects to be obeyed by his subordinates. The subordinates have no scope to question the superior. Certain points to be noted in this respect:

- The superior makes the decision.
- The superior does not consult the subordinates in decision making.
- The superior is responsible for the decision.
- The relations between the superior and subordinates are formal.

This style is suitable when:

- Quick decisions are to be made.
- Subordinates are inexperienced and it does not make any sense to consult them.
- Subordinates are not affected by the decision.

2. Bureaucratic style:

This type of leadership style is more followed in the government departments. The bureaucrats often follow rules and regulations in totality. They do not use their discretion, even to do away with mere formalities.

They strictly follow the scalar chain principle, even in the case of urgency. The following points to be noted:

- The bureaucrat takes the decision by strictly following formalities, or rules and regulations.
- The subordinates are often not consulted.
- The bureaucrat may avoid responsibility.
- The relations between superior and subordinates are formal.
- This style results in delay and red tapism, and unwanted paper work.

3. Consultative style:

In this type, the leader consults his subordinates before taking decision. The leader feels, that it is always advisable to consult the subordinates. This type of leader is more open minded and would welcome suggestions from the subordinates before making a decision. The following points to be noted:

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- The superior consults the subordinates before making a decision.
- The subordinates may give their suggestions or comments, which the superior may or may not accept.
- The superior makes the decision.
- The superior is responsible for the decision.
- The relations between superior and subordinates are informal.

This type of style is suitable when:

- There is no urgency of the decision, which allows the leader to consult subordinates.
- The suggestions and comments of the subordinates are vital to making a decision.
- The subordinates are experienced and matured and can provide suggestions and comments.

4. **Participative style:**

The leader not only consults the subordinates, but allows them to take part in decision making. The following points are to be noted:

- The superior consults his subordinates before making a decision.
- The leader along with the group take part in decision making.
- Both the leader and the group share the responsibility for making the decision.
- The relations are informal.

This type of style is suitable when:

- Group decision making is required.
- There is an immediate possibility of opposition from a group of followers.
- There are experienced and matured followers.

5. **Laissez-fair style:**

In this style, the leader shares the problem with the group. He acts more as a chairperson in generating and evaluating alternatives in search of group consensus. He is prepared to do what the group wants to do. The following points are to be noted:

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- The superior allows the subordinates to take decision.
- The superior acts more as a guide in arriving at a decision.
- The superior and the subordinates share the responsibility.
- The relations are very informal.

6. **Paternalistic style:**

This style aims at creating a family atmosphere within the organization. The leader is respected and treated as a father figure by the subordinates. The following points to be noted:

- This style is mostly followed in Japanese organizations.
- The leader considers himself as a parent figure.
- The leader may consult his subordinates.
- Mostly the leader takes the decision.
- The leader is responsibility for decision making.
- The relations are very homely.

This type of style is more suitable in small organizations, where there are a handful of employees, and just one leader or boss. The leader advises, guides, consoles, and helps the subordinates even during their personal hardships.

7. **Sociocratic style:**

Sociocrats attempt to run their organization like a social club. They believe that good fellowship or friendship is more important than productivity. They keep people happy even at the cost of the organization. They believe in a warm and pleasant atmosphere. For them, the interest of the subordinates comes first, and then that of the organization. The following points to be noted:

- The superior takes a decision by keeping the interest of the subordinates. The interest of organization may be secondary.
- The superior consults the subordinates for decision making.

8. **Neurocratic style:**

A neurocrat is highly task oriented and wants to get the things done at any cost. He is highly sensitive and gets quickly upset at failures. The following points to be noted:

- The leader may be emotional and eccentric.
- The leader may not consult the subordinates in decision making.

- The leader takes the decision.
- The leader is responsible for the decision making, but he may shift the responsibility on to his subordinates.

9. Situational style:

Now-a-days, in most well managed organizations, the managers follow situational leadership style. This means, the leadership style varies depending upon the situation. In other words, the leader may be autocrat at times, consultative at times, and participative at times, depending upon the decision and the situation.

A Note on Situational Leadership Style

Now-a-days, in well managed organizations, most of the managers adopt situational leadership style. The managers vary their leadership style depending upon the situation.

Need for Situational style

No leadership style is good for all times and in all situations. The leader need to adjust his style depending upon:

- The nature of decision or work.
- The type of subordinates, and
- The work environment.

Which leadership style to follow?

Normally, in business organizations, leaders follow three main styles:

- Autocratic Leadership style.
- Consultative Leadership style, and
- Participative Leadership style.

The Situational leadership style is a combination of the above three styles. In other words, a leader may follow autocratic leadership style at time, consultative style at times, and participative style at times, depending upon the situation.

When autocratic style is Suitable?

Autocratic Style is suitable when:

- Quick decisions are to be made and the leader does not have enough time to consult his subordinates.
- Subordinates are inexperienced and the leader do not find worthwhile to consult the subordinates.

- Adequate powers are given to the leader by the organization.

When consultative style is Suitable?

This type of style is suitable when:

- The suggestions and comments of the subordinates are vital to making a decision.
- The subordinates are experienced and matured and can provide valuable suggestions.
- There is no urgency of the decision, which allows the leader to consult subordinates.

When participative style is Suitable?

This style is suitable when:

- Group decision making is required.
- There are experienced and matured subordinates.
- There is an immediate possibility of opposition from a group of subordinates.

Models of Situational Leadership:

The five main models of situational leadership are:

- Fred Fiedler's Contingency model.
- Robert House path – goal model.
- Life Cycle model.
- William Reddin's Tridimensional model.
- Hersy-Blanchard model.

Role / Function / Importance of Leadership

The importance of leadership is reflected in the following functions:

- 1. Goal Settings: The leader has to set the goals and objectives for his section or group. Goal setting is one of the important functions of a leader.** The goals may be set all by himself, or he may take the help of his subordinates in setting goals.
- 2. Developing Morale: One of the important functions of a leader is to develop morale in his subordinates. He always strives to keep his subordinates in a good mood or high spirits.** He always tries to develop positive attitude in his subordinates.
- 3. Securing willing participation: The leader influences the subordinates to work willingly towards group objectives. A good leader never uses force to make the subordinates work.** As a good example on his part, he takes active part in the activities of the group.

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4. **Motivates Subordinates:** A leader motivates subordinates for better performance. He may provide necessary incentives – monetary incentives and/ or non-monetary incentives.
5. **Organizes Resources:** A leader has to make arrangement of resources. Such arrangement of resources is required to undertake activities.
6. **Encourages initiative:** The leader encourages his subordinates to be initiative. He provides them with freedom to come up with new and innovative suggestions and ideas. He creates a healthy environment in which the subordinates take active interest in the accomplishment of objectives.
7. **Developing team spirit:** The leader coordinates the activities of his subordinates. If there is any difference of opinion among his subordinates, he strives to solve the differences. **He makes every effort to develop team spirit in his subordinates. A good leader does not believe in divide and rule policy.**
8. **Representation:** The leader is the representative of his subordinates. He represents his subordinates whenever there is a need to express their views with higher authorities within or outside the organization.
9. **Creating confidence:** A good leader creates confidence in his subordinates. He makes them accept and face challenges.
10. **Providing Direction:** An effective leader provides directions to his followers. He provides necessary instructions and orders to perform properly towards the achievement of goals.



6

CO-ORDINATING

Module - 1

MEANING

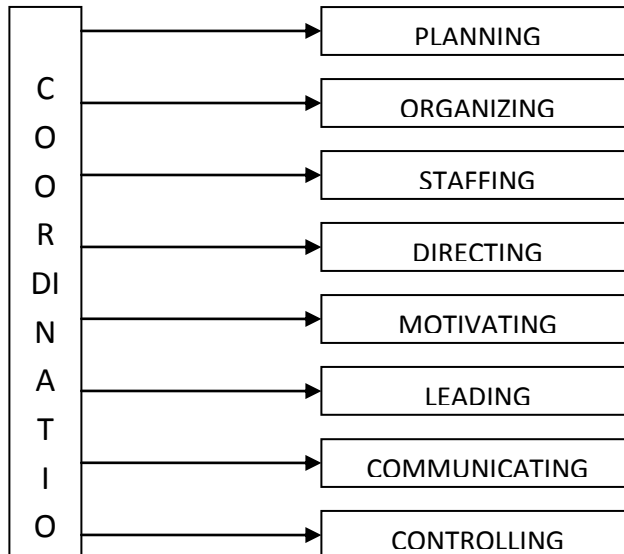
Co-ordination refers to interlinking of various activities of management in the organization. There is a need of co-ordination at all the levels.

- Top level co-ordinates the activities of middle level.
- Middle level co-ordinates the activities of lower level.
- Lower level co-ordinates the activities of workers.

According to Tead, “co-ordination is the effort to assure a smooth interplay of the functions and forces of the different component parts of an organization to the end that its purpose will be realized with a minimum of friction and a maximum of collaborative effectiveness.”

IMPORTANCE OF CO-ORDINATION

Co-ordination is an essence of management. This is because there is a need of co-ordination while carrying on every function of management. This can be explained with the help of following chart.



From the above chart it is clear that co-ordination is required at every function of the management.

1. Planning and co-ordination:

Planning is deciding in advance what to do, how to do, when to do and who will do it. While finalizing the plan all departmental activities need to be co-coordinated with each other. A good plan requires interdepartmental co-operation.

2. Organizing and co-ordination:

Organizing is arrangement and procurement of all human and physical resources requires for implantation of plan. It also includes deciding superior subordinate relationships. While organizing co-ordination is required so that resources will be utilized only as per requirement and there will be no wastage of resources.

3. Staffing and co-ordination:

Staffing is filling and keeping filled positions of organization structure. It also includes training, transfer, promotion, selection etc of employees. While carrying on staffing function co-ordination is required so that right person will be selected the right post.

4. Directing and co-ordination:

Directing is giving orders and instructions to the subordinates so that work will be carried on as per the plan. A good level of co-ordination is

required while issuing orders and instructions. There should not be any confusion and duplication of orders.

5. Motivating and co-ordination:

Motivation is encouraging the subordinates by giving monetary and non- monetary benefits, to get desired results. Motivation will be successful if co-ordination is maintained.

6. Leading and co-ordination:

Leading is driving the entire force positively for achieving goals. A leader should always co-ordinate the activities of his followers, so that expected results can be achieved.

7. Communicating and co-ordination:

Communication is the most important factor for co-ordination. Effective communication always facilitate co-ordination in the organization. It generates team work.

8. Controlling and co-ordination:

Controlling is monitoring the performance of subordinates and implementing corrective measures for improvement. While controlling superior should try to have co-ordination among all the activities of subordinates so that errors can be detected.

CONTROLLING

Meaning:

Controlling is the end function of management. It is required at all the levels of management. Controlling is a process of monitoring actual performance and taking corrective measures if required. It is the process of checking to determine whether or not plans are being properly implemented and objectives are achieved.

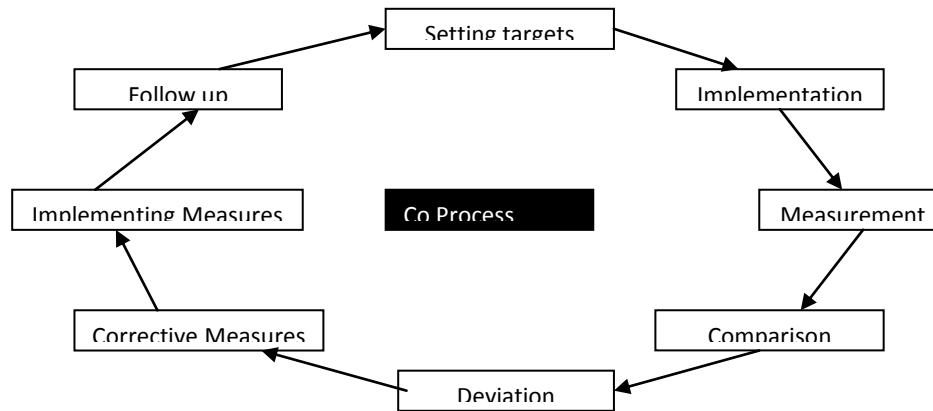
Definition:

1. According to George Terry, "Controlling is determining what is being accomplished, that is, evaluating the performance, and if necessary, applying corrective measures so that the performance takes place according to the plans."

2. According to Koontz and O'Donnell, " Control is measurement of accomplishment against the standard and the correction of deviations to assume attainment of objectives according to plans."

Steps in controlling process:

The steps in control process are explained as follows:



1. Setting targets:

Managers must fix the targets to be achieved. The standards are generally fixed for a definite period may be for one month, one year etc. the standards are required to be set properly because against these only the actual performance is compared. For e.g. The marketing manager may fix the standard for his department to sell 10000 units in a particular month.

2. Implementation of targets:

Manager must make arrangement for actual implementation of targets. For implantation proper arrangements of resources is required.

3. Measurement:

After implementation manager should count the actual performance of his subordinates. For e.g. The subordinates may actually sell 9000 units in the market in that particular month.

4. Comparison:

Manager should compare the actual performance with the standard performance. In our example Marketing manager will compare the actual performance i.e. 9000 units against standard performance i.e. 10000 units.

5. Deviation:

Deviation is difference between standard and actual performance. Manager should then find out deviation if any. In our example deviation is $10000-9000=1000$ units.

6. Corrective measures:

After finding out deviation, manager should list out possible reasons for deviation. In our example reasons can be poor advertising, poor quality of product, poor distribution strategy etc. Manager then list out the corrective measures to overcome these reasons. The corrective measures can be improvement in product quality, improving advertising strategies, improving distribution network etc.

7. Implementing measures:

Manager then should select the best corrective measure out of all the listed measures. This selection is done after doing cost benefit analysis of

each alternative. Manager should then implement the best selected corrective measure.

8. Follow up:

After implementation manager should take a review of performance that whether the selected corrective measure is able to solve deviation or not. If there is no improvement then manager should again find out the other alternative corrective measure.

Control Techniques:

Following are some of the techniques of managerial control:

1. Budgetary control:

Budgets are statements of anticipated results either in e monetary terms or in non-monetary terms. There are various types of budgets such as cash budget, production budget, capital expenditure budget etc. Because of quantitative nature budgets provide basis for measuring performance and facilitate comparison across departments, between levels in the organization and from one period to another. It follows the principle of control by exception. The subordinates report only exceptional deviations to their superiors.

2. Management audit:

Management audit refers to the systematic evaluation of the functioning and performance of management. It reviews the quality of management. It is designed to make an assessment of management process. It is a periodic evaluation of past and present managerial practices to identify the adjustments necessary to make the organization more effective. It is conducted by a team of experts. The team collects relevant data from management, employees, customers, dealers and others. The data is collected, analyzed and conclusions are drawn in respect of performance of management.

3. PERT and CPM:

The two important network techniques are PERT (Programme Evaluation Review Technique) and CPM (Critical Path Method). PERT was developed by the Special Projects Office of the U.S.Navy in connection with the Polaris Weapons System. CPM was developed by Du Pont company for facilitating control of large, complex and industrial projects

The PERT and CPM techniques are based on the same principles. The only difference is that CPM is based on a single estimate of time requires for the completion of activities.

The CPM technique is used for projects like construction and maintenance rojects. PERT is based on expected completion time, computed from three estimated times- the optimistic time, the pessimistic time and the most likely time. The PERT technique can be used for more complicated projects like engineering and tooling projects.

4. MBO:

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The concept of MBO (Management By Objectives) was first popularized by Peter Drucker in 1950s. In MBO superiors and subordinates jointly decide the goals, plan out the activities. The subordinate managers implement the plan and finally there is a joint review of performance.

5. Direct supervision:

It is the oldest technique of controlling. In every organization supervisors directly supervise and observe the subordinates performance. If they found any deviation they can suggest immediate corrective actions.

6. Self control:

Self control means controlling the performance on own. This is specially applicable at higher levels. Here the managers set their own targets, observe the performance, find out the deviations and take necessary actions to improve the performance.

7. Break Even Analysis:

This technique analyses the cost-profit-volume relationship. It indicates at what cost and volume a firm would make a profit. It helps to decide break even point. The break even point is that point where cost is exactly same as revenue ie no profit no loss point. With the help of this analysis a firm monitor the activities so as to reach at least the break even point.

8. MIS:

MIS (Management Information System) is a tool rather than a technique of controlling. In MIS information is collected from internal and external environment, analysis is done and then data is stored for future reference. Managers can use this information whenever required.

Requirements of an effective control system

Following are the requirements of a good control system:

1. Focus on objectives:

A good control system should always focus on objectives. It should aim at the accomplishment of organizational goals.

2. Suitability:

A sound control system must be appropriate to the nature and needs of the activity to be controlled. It should be suitable to the needs of the organization. It should reflect positions in the organization structure through which deviations are corrected.

3. Prompt:

An effective control system should be enough prompt to detect and recognize deviations. It should be able to report the deviations before it takes place. Deviations should be reported quickly without loss of time so that corrective actions can be taken immediately.

4. Flexible:

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The system of control should be flexible enough to adjust with changing situations. It should remain workable under dynamic situations.

5. Simplicity:

The control system should be simple. It should be easily understood by those who are going to operate it. The control system should be keeping in view abilities of executives.

6. Objectivity:

The system should be definite. Standards must be objective and specific in nature. They may be qualitative or quantitative. The performance should be based on facts.

7. Suggestive:

The control system should not only detect the deviations but it should also suggest corrective actions to overcome these deviations. Good control system should point out where failures are occurred, who is responsible for that etc.

8. Economical:

The control system should be economical to administer. Cost of installation and maintenance of control must be justified by its benefits. It should bring more returns than money spent on it.

9. Forward looking:

A good control system should be directed towards future. It should help the managers to plan out for future.

10. Motivating:

A sound control system should always encourage the people in the organization. It should be designed to prevent mistakes rather than to punish individuals. It should motivate everyone in the organization for better performance.



CONTROLLING

Module – 1(G)

DEFINITION AND STEPS IN CONTROLLING

Controlling is a process of monitoring actual performance, and taking corrective measures, if required.

George Terry, defines ***“Controlling is determining what is being accomplished, that is, evaluating the performance, and if necessary, applying corrective measures so that the performance takes place according to the plans.”***

Harold Koontz, defines ***“Managerial control implies the measurement of accomplishment against the standard and the correction of deviation to assure attainment of objectives according to plans.”***

In other words of Robert Anthony, ***“Management control is the process by which managers assure that resources are obtained and used effectively and efficiently in the accomplishment of an organization’s objectives.”***

Characteristics of Managerial Control:

1. Control involves measurement : Controlling involves monitoring of actual performance and then comparing it with planned targets. Necessary corrective measures are taken to correct the deviation, if any.
2. Control is a continuous process : Controlling is not a one time affair. There is a continuous and constant need to monitor the performance in the light of plans. As long as the organization exists, some kind of control is required.
3. Control influences employees : A good control system acts as the influencing force, whereby, employees tend to perform effectively and efficiently as per the plans. This is because control facilitates performance appraisal.
4. Control process is universal : Every organization needs to control its activities. Again, managers at all levels need to control the performance of their subordinates. Thus, control has universal application.
5. Facilitates direction : Control as a function of management facilitates direction of action. Efforts are directed at purposeful activities. Unwanted activities are avoided.

6. **Effective use of resources** : Control helps make optimum use of resources. Wasteful expenditure and wastages of materials and other resources is minimized because of effective control.
7. **Helps managers to recognize change** : Control function helps managers to recognize the need for a change. At times, managers find it difficult to achieve planned targets, in spite of corrective measures. This may be because the managers are concentrating on those products or markets which are not in their line of business.
8. **Goal Oriented** : Control is goal oriented. Corrective measures are undertaken to achieve targets or goals. In other words, emphasis is placed on goals or results rather than mere activities.

Importance of Controlling

A good control system offers the following ADVANTAGES:

1. **Guide to operations** : Control system guides the actions of the organization. Activities are undertaken in the right direction. It acts as a traffic signal post, and keeps the activities moving on the right track.
2. **Facilitates performance appraisal** : Control system facilitates employee appraisal. The actual performance is measured in the light of the plans. The superior can easily measure the performance of his subordinates and provide them necessary performance feedback.
3. **Improves morale** : Employees are aware that their performance is reviewed periodically. They will put in their best efforts to show better performance. Thus, employee morale is improved because those employees who show better performance are normally rewarded.
4. **Facilitates coordination** : Controlling facilitates coordination among the various departments of the organization. Whenever, there are any deviations, the concerned departments come together to review and to take collective and corrective measures.
5. **Facilitates optimum utilization of resources** : The resources of the organization – physical, financial and human are put to the best possible use. This generates higher productivity and efficiency.
6. **Minimization of wastages** : Control helps to reduce wastages of raw materials, machines, men and money. Wasteful expenditure is avoided. There is proper materials management. Again, the right personnel is placed at the right place to work.
7. **Fixes responsibility** : Control system fixes responsibility on the superiors. It is the duty of the managers to correct the activities, if they are not taking place as expected or as planned. Managers cannot simply ignore their responsibility, because it is their duty to control the activities.
8. **Higher efficiency** : Controlling brings in higher efficiency to the organization. This is because of optimum utilization of resources and

minimization of wastages. Again, the right corrective measures are taken at the right time.

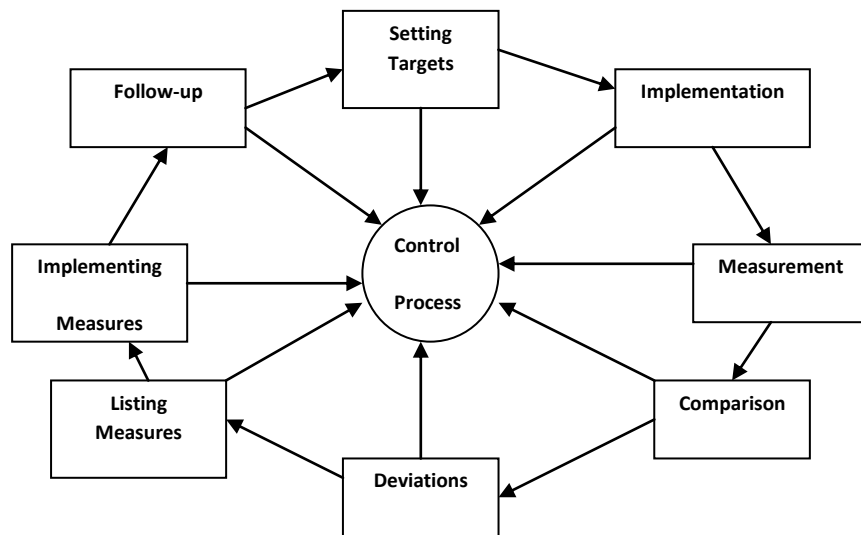
9. It facilitates proper direction to the employees

10. It enhances corporate image.

Steps in the Control Process

Controlling is one of the important functions of management. Managers control business activities by monitoring the performance and checking it against planned targets, thereby, taking corrective measures, if required.

The steps in the control process are explained as follows:



1. Setting targets:

While planning, managers fix targets that are to be achieved by individuals / departments. The targets are set after due consideration. Targets should be challenging ones and at the time attainable.

Specific targets are generally set for a definite period. For instance, the marketing department may set the target to sell 10,000 units of a product during the month of March, 2004.

2. Implementation of targets:

Activities are directed to achieve the planned targets. Necessary policies and programs are developed to achieve the targets. ***The manager makes arrangement of required resources. All the activities are directed towards the accomplishment of the planned targets.*** Undesirable activities are avoided.

3. Measurement of performance:

Performance of individuals / departments is measured periodically. Necessary reports or tables are prepared to indicate the performance of individual. The reports may be prepared section wise, activity wise, and period wise.

4. Comparing performance with plans:

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The actual performance is then compared against the planned targets. By comparing, the manager can find out the shortfalls or deviations. For instance, the actual performance may be sale of 9,000 units of product in the month of March 2004. Thus, the shortfall is unit 1000 units (10,000 -9,000).

5. **Finding the causes of deviations:**

The manager may study the causes of deviation, especially, when there are negative deviations. For instance, there can be shortfall in sales. This may be due to any or many of the following reasons:

- a. **Poor advertising campaign.**
- b. **Poor dealer relationship.**
- c. **Problems with the quality of product.**
- d. Problem with the pricing of the product.
- e. Problem with the distribution of the product.
- f. Better marketing strategies of the competitors, etc.

6. **Listing out corrective measures:**

The next step would be to list out the various corrective measures to correct deviations. For instance, **to correct shortfall in sales, the corrective measures can be such as :**

- a. **Corrective Measure I – to increase advertising.**
- b. **Corrective Measure II – to improve quality.**
- c. **Corrective Measure III – to increase dealers incentives, etc.**

7. **Selecting and implementing corrective measures:**

Once, a list of corrective measures is prepared, the manager makes a cost-benefit analysis of the corrective measures. He then selects the best feasible corrective steps. The measures are then implemented.

8. **Review or follow-up:**

The manager needs to review the corrective measures to find out whether the corrective measures taken are in a position to correct the deviations. If necessary, additional corrective measures may be taken, or the targets may be set again.

Requirements of a Good Control System

The following are the maintenance requirements of a good control system:

1. **Focus on objectives:** The control system should always focus on objectives. It should aim at the accomplishment of organizational goals.
2. **Suitability:** The control system should be suitable to the needs of the organization.
3. **Prompt:** An effective control system should promptly help to recognize deviations and to take quick and corrective steps.
4. **Flexible:** The control system must be flexible. The system must be workable even during the changing conditions when the plans are changed or modified.
5. **Forward looking:** A good control system should help the managers to plans their activities for the future.

6. **Simplicity:** The control system must be simple. Those who are going to use it or who would be affected by it must understand it clearly and correctly.
7. **Economical:** The control system should be economical to administer. It should bring more returns than the money spent on it.
8. **Objectivity:** It means that the system should be definite and verifiable. Performance standards must be objective and specific. They may be qualitative or quantitative.
9. **Suggestive:** The control system must be suggestive. It should indicate where the problem is, who is at fault and what should be done to correct the faults, if any.
10. **Motivating:** A good control system should encourage rather than discourage the employees. It should be designed to prevent mistakes rather than to punish individuals.

Control Techniques

Budget as a Tool of Control

Budget is an estimate expressed in financial terms. There are various types of budgets such as cash budget, advertising budget, sales budget, etc. Budget plays an important role as a device for managerial planning and control.

The role of budget is stated as follows:

1. **Lays Down Standards:** Budgets lay down clear standards of performance for a certain period of time, usually a year. For instance, sales budget can lay down standards or target that is to be achieved over a period of time, say monthly, quarterly, half-yearly, etc.
2. **Arrangements of Resources:** Budgets help to make arrangement of resources. Depending upon the target, the manager can make proper arrangement of resources – human, physical, and financial in order to undertake the tasks and to achieve the targets.
3. **Facilitates Comparison:** Budget facilitates comparison between actual performance and targets. Such comparison enables the management to know the deviations. If there are any deviations, the management tries to find out the causes of deviation.
4. **Corrective Measures:** Budget help to take corrective measures. When deviations are noticed between actual performance and targets, then the management finds out the cause of such deviation. After identifying the causes of deviations, the management takes corrective measures to minimize or eliminate the deviations.
5. **Optimum Use of Resources:** Budgets provide a specific framework for day-to-day activities. The resources of the organization are put to best possible use. This in turn helps to generate higher efficiency in the organization.

6. **Control by Exception:** Budgetary control facilitates the principle of control by exception. The subordinates report only exceptional deviation to their superiors, and as such the superiors can concentrate on significant deviation.



CONTEMPORARY ISSUES IN MANAGEMENT

Module – 1(G)

CHANGE MANAGEMENT.

The internet age and the spread of computers have introduced new forms of business and new ways of processing transactions. With vast strides in communication technology, the process of marketing to customers, placing of orders and delivery of finished products has been speeded up to almost unbelievable levels. Computer manufacturers like Dell, for example, are offering totally customized Personal Computers, delivered to the customers' preferred location within 48 hours of placing the order.

A study of the organization itself thrown up some interesting insights. A hitherto unknown form of organization, called the "Click and Mouse" Organization sprang up, this defining traditional business as "Brick and Mortar" Organizations. Brick-and-Mortar Organizations provided the traditional set of products and services and were saddled with all the paraphernalia that accompanies traditional forms of businesses: A manufacturing location, A Marketing location, etc. However, Click-and-Mouse Organizations, harnessing the power of the internet, no longer needed such trappings. Instead of vast sums invested in impressive offices, such business invested a fraction of those sums in impressive websites and web-based promotions. Customers no longer needed to physically visit the "offices" of such organizations. Instead, they "visited" the web-sites of the businesses, made their decision and placed their orders online. Increased security enabled people to pay online, through credit cards. The promoters of the business no longer needed to physically commute to a place of work. A kind of "work-from-home" culture was being touted as the newest form of business organization.

Stunning successes like Hotmail and Amazon.com convinced investors that this was not only a viable business model, it was a tremendous opportunity to make millions. Venture Capitalists, called "Angels" in local parlance, poured millions of dollars into start-up ventures. Many "Dotcom" companies went public, mopping up millions of dollars from a public that was caught up in the hype of this new form of business.

And then came the "bust", "Dotcoms" collapsed so fast that people began calling them "Dotgoners". Millions of dollars were lost in a matter of days, and some internet start-ups were reduced to auctioning their physical assets online. However, several survived, and their survival is a lesson in combining hard nosed business acumen with flexibility to adopt new technology.

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Let us take a look at some of the lessons this experience has taught:

“Click-and-Mouse” promotion is not enough.

“Click-and-Mouse” organizations made the erroneous assumption that merely starting up a venture would bring the dollars in. Online promotion was still not a developed science and there was a definite need to support the business with traditional forms of advertising such as newspaper advertisements, billboards, etc.

“Brick-and-Mortar” is not enough.

The traditional Brick-and-Mortar businesses need to embrace the technology of the internet and enable consumers to place their orders online as well as pay online. With a high paced lifestyle, the modern consumer is no longer willing to physically go to a store to purchase certain items. He would prefer to order those from home, after comparing various models, prices, etc.

Not everything can be sold on the “Net”.

Some products are ideally suited to being sold on the net. Some of these are books, airline tickets, hotel rooms, some electronic items, computers and computer peripherals, etc. Others are better sold at physical outlets. This is true in cases where the product itself is only an element in the whole shopping process. For example, buying carved seashells in Goa. The shells themselves have no meaning unless the tourist buys them in Goa.

B2B is currently more accepted than B2C.

B2B refers to Business to Business solutions. These are solutions like Internet Enabled Services such as Call Centres. Transcription Centres, etc. B2C refers to Business to Consumer solutions. These are solutions like email, internet based shopping, etc. We shall discuss in another section, but it is clear that the revenue today is coming from Business to Business solutions, including important solutions like transaction security modules, etc.

Work-from-home is difficult as a full time occupation.

While working from home seems like an attractive proposition, it has failed to become the phenomenon that was predicted in the early days. The logic was that people who work from home will not face the problems of commuting, pollution, etc. that modern life is fraught with. It was thought that such people would be more productive because they would be in a better frame of mind. However, several things went wrong. Perhaps because people are so used to being supervised in a modern work environment, several home based workers found it difficult to drum up the motivation to work by themselves. Working from home also meant that small day-to-day chores which would earlier be tackled in “batch” mode on an off day or by taking leave once in a while became pressing “online” problems that had to be tackled immediately. Thus, a dripping tap that would normally be fixed on a weekend had to be repaired immediately, reducing the amount of time spent on the revenue generating work. Another aspect that home-based workers had to tackle was friends dropping in and expecting to be entertained because the worker was “at home”. This author has faced an identical problem, where a friend who dropped in was quite upset that he was not spoken to although the author was “at home” at the time.

A Note on B2B and B2C

As mentioned earlier, while there are several B2C solutions on the internet, they have so far failed to serve as revenue models. Let us take a look at email as such a B2C solutions.

While email has become widely accepted, there are today so many providers that email by itself cannot be a viable revenue model. Some providers like Yahoo are offering a two-tiered email service, where the basic tier is free, but for add on features like additional space, advanced message filtering, etc., the provider charges a fee. Whether this works or not is still to be seen. Another route some providers have taken is to bundle the email service with something that the customer is willing to pay for, such as the internet connectivity itself. An example of this is the ETH/Dishnet service, which has modified its email service provide web-based mail as well, such as that offered by Yahoo and Hotmail. For a long time, Internet Service Providers did offer email as a feature, but such a mail service was confined to the computer on which the provider's dialer was installed. The consumer could not access his / her email from a friend's computer or from a cyber café. This made it difficult for those who traveled frequently yet needed to check their email regularly. Also, another reason why services like Hotmail had become popular was that employees of an organization no longer had to receive personal email at their company accounts. By law, all correspondence residing on an office computer, including employees' private correspondence, is the property of the company. Hotmail and Yahoo email services came as a boon to employees without their own internet accounts. By modifying their service to provide such web-based email, ISP's have managed to capture some part of the email market and turn it into a revenue-generating module.

On the B2B front, however, the internet has really come into its own. Internet Enabled Services (IES) like Call Centres and Transcription Centres have flourished, as have internet security solutions, secure transaction modules which allow sensitive data to be transmitted securely, firewalls, intranets(private networks that work through the internet), etc. Companies are willing to pay for such services, and software solution companies that provide such software solutions are doing well.

A Note on Globalization

A hallmark of modern business is the Global or "stateless" corporation, which operates in a boundary-less world. Such companies have research, manufacturing and marketing operations in several countries, managed by a team on international managers. This phenomenon has given rise to the phrase " Think Global, Act Local", meaning that corporations today use whatever advantages a country might offer for manufacturing and research, and sell their products in local markets through marketing units headed by local managers. Geographic and product managers report to top managers at the companies headquarters. Thus, companies have to move beyond being more exporters and take an active interest in the peculiarities of local markets. Today, even smaller business find it necessary to enter into a joint venture with established business in other countries in order to take advantage of overseas markets while at the same time remaining competitive on their home turf. Many corporations based in the US, Europe and Japan today earn more in foreign markets than in their home countries.

The global corporations has to tackle, often simultaneously, several issues like exports barriers, taxations, local customs, relocation of managers, cultural training for managers, counseling for families of relocated managers to prepare them for relocation, etc. This is a vast areas of study and the student of managerial economics would do well to follow events in this arena in the daily newspaper, since the phenomenon is still relatively new.

The Theory of the Firm

The theory of the firm is integral to the study of Managerial Economics. We must therefore, understand the meaning of the term Firm and its connotations. To put it simply, the Firm is an organization that combines and organizes resources for the purpose of producing goods and / or services for sale. The Firm may be organized as a proprietorship, partnership, joint stock company or co-operative society, as long as it fulfills its primary purpose, i.e., producing goods and / or services for sale.

This we see that any business organization can be termed as a firm, since all business organizations use resources to produce goods and / or services for sale. Government organizations and departments and Not-For-Profit organizations thus do not fit into the definition of a Firm, whose primary motive is profit.

Firms exists because they allow entrepreneurs to “internalize” many operations that would otherwise necessitate separate contract at different points of the Production-Sale spectrum. Thus, if a firm did not exist, the entrepreneur would have to enter into a separate contract with each worker to produce an item. He would also have to enter into a contract with each salesman to sell the goods and services produced, as well as with godown keepers to stock unsold goods. Thus, by internalizing, all these operations through long term contracts, the Firm cuts down on cost, time and complexity. Every time a Firm hires a labourer. Every time it hires a salesman, it is entering into a long term contracts (employment), the firm bypasses the need to enter into a contract for every transaction. Thus, the Firm is the ideal way to consolidate transactions into a business with long term growth prospects.

Theoretically, by entering into such long term contracts, firms can grow to very large sizes, since there is no limitation on the number of contracts it can enter into. In practice, however, firms rarely grow indefinitely, due to constraints on management of operations and staff of the firm as it grows larger. Some firms overcome this limitation to a certain extent by decentralization. Decentralization refers to the division, each of which has its own management and which reports to a central governing authority. However, even decentralization firms have a limit beyond which they cannot grow because such firms have highly complex communication and co-ordination needs. These needs impose “diseconomies” of scale that limit the size of the firm.

Chapter VIII

Contemporary Issues in Management

Module – 2(G)

Time management.

Nothing stays the same. With time everything changes. It is always assumed that growth is good and the economy becomes better. 'Either grow or stagnate' was the slogan in those days. But days have changed. In modern days, we want to limit the growth of some cities/regions to avoid pollution and environment problems.

In an environment like this, we have to define growth and change so as to help in planning. We will have to forecast changes over time, as they are important part of decision making.

In this module, we will learn how to measure amounts and rates of change. For eg., to predict the changes in the level of inventory in a factory. Unless we predict correctly, we may either have excess or less. Secondly, this will lead to liquidity problems, if we have to arrange for sudden ordering of materials. Thirdly, this may lead to cost escalations, or delivery problems due to unavailability of raw materials.

We will also see how to describe the long term patterns of change and secular trend. Along with long term trends, we will study about short term fluctuations like seasonal trends, business cycles and irregular variations.

Secular trend is caused by basic inherent factors. Business cycle trends are mostly upward.

The quality of forecast depends on the information provided by the past data and its validity. A group of data or statistical information accumulated at regular intervals is called TIME SERIES.

Variations in Time Series

There are 4 types of variations in time series:

- 1) Secular Trend.
- 2) Cyclical Fluctuation.
- 3) Seasonal Variation.
- 4) Irregular Variation.

1) Secular Trend :

In the first type of variation or change comes over a long period of time. A steady increase in cost of living recorded by Consumer Price Index is a good example. From year to year there is a fluctuation but there is a steady increase in the trend. Let us see the series given below.

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Let us try to detect patterns in the information over regular intervals of time. Then let us try to predict to cope with uncertainty.

Year	1997	1998	1999	2000	2001	2002	2003
Number	98	105	116	119	135	156	177

Observation:

There is an increase over time -7 years. But the increase are not equal. This is not an arithmetic progression.

2) Cyclic Fluctuation :

Most common example of a cyclic fluctuation is a business cycle. Over time there are years when business cycle hits peak above the trend line. Fluctuations in business activity occur many times, and they have irregular periods and vary widely in amplitude from cycle to cycle. There is also times when business activity slumps, and hits a point below the trend line. The time between hitting peaks and lows are periods – it can be one or many. The cyclical moves do not follow any regular pattern, they are irregular.

3) Seasonal Variation:

There is a pattern of change within a year. A doctor can expect the number of flu cases to increase in winter. Hill resorts can expect more tourists during summer. These are regular patterns and can be used for forecasting the amount of flu vaccines required during winter, the doctor's income during the winter, the hotel bookings in resorts and availability of air and train bookings.

4) Irregular Variation :

The value of the variable is unpredictable, changing in a random manner. The effects of Latur earthquake, floods, wars, etc., cannot be predicted. As a result of flood, the agriculture output suffers. Then the prices ho up at an unprecedented rate. This could not be predicted by using time series.

Even though we describe time series as exhibiting one or another variation, in most instances real time series will contain several of these components. Then the question is how to measure them.

Trend Analysis

Of the 4 variations, secular trend represents the long-term direction. We can visually fit a line in the graph sheet.

The studying of the trend helps us to understand historical pattern and events (for sudden unusual change). Studying trend also helps us to project trends into the future. Even a sudden change in the past due to a situation (like war, etc.) can be used to predict the trend if a similar sudden change happens.

There are three maintenance reasons, why we should study the trends:

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- a) We will be able to describe historical patterns, which will help us to evaluate the success of previous policies – long-term direction of the time series is given by secular trend.
- b) Past trends will help us to project the future – some growth rate of population, GDP.
- c) We will be able to separate the trend components and eliminate it from the series, to get an accurate idea of other components like seasonal fluctuations.



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Chapter VIII

Contemporary Issues in Management

Module – 3(G)

Organizational Development

Organizational development is a systematic integrated and planned approach to improving enterprise effectiveness. Organizational Development refers to the process by which organizations can grow, change and develop to function more effectively. Organization development is a process by which behavioural science knowledge and practices are used to help organizations achieve greater effectiveness, including improved quality of work life and increased productivity.

According to Huse and Cummings, Organizational Development can be defined as “a system-wide application of behavioural science knowledge to the planned development and reinforcement of organizational strategies, structure and process for improving an organization’s effectiveness.”

According to Newstrom & Davis,(1993), in the 1950’s and 1960’s a new, integrated approach, known as Organizational Development (OD) originated; It was concerned with the systematic application of behavioural science knowledge at various levels (groups, intergroup, and total organization) to bring about planned change.

It has also been defined as a systematic application of behavioural science knowledge, at various levels (group, intergroup and total organization) to bring about planned changes. Organizational Development can also be defined as a process that attempts to move the organization from where it is now (requiring-diagnosis) to where it should be (by action interventions).

Some other definitions of Organizational Development are as follows:

- a) Organizational Development is planned it increases organizational effectiveness and health through a planned intervention in an organization using knowledge of the behavioural science.
- b) Bennis has defined Organizational Development as a response to change, a complex educational strategy intended to better adapt themselves to new technologies, markets and challenges, and the dizzying rate of change itself. It aims at developing the organization into an “organic” system as contrasted to the “mechanical system”.

According to Wendell French, “O.D. refers to a long range effort to improve an organization’s problem solving capabilities and its ability to cope with changes in its external environment with the help of external or internal behavioural-agents such as scientist, consultants, or change agents, as they are sometimes called.”

Blake and Mouton observe that “O.D. is a systematic way of introducing changes based on structural model for thinking; progressing in a

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programmatic sequence of steps from individuals learning to organization application; focused upon those silent and often negative attributes of culture which dictate action that so frequently contradict business logic, with emphasis on confronting and resolving conflict as a pre-requisite to valid problem-solving, and employing a variety of techniques of organizational study and self-learning to bring about the necessary change”.

According to Porras and Robertson(1992), most of the definitions of Organizational Development have the following common themes:

1. **Purpose:** Every OD program has a definite purpose. Some important purposes of OD programs are as follows:

- ❖ Improvement in organizational effectiveness.
- ❖ Its ability to adapt.
- ❖ Its self-renewing processes.
- ❖ Its development of new and creative organizational solutions.

2. **Scope:** The scope of OD program is to bring about overall organizational or system- wide change.

3. **Conceptual:** The conceptual framework of OD program is derived from behavioural science theory, research and technology.

4. **Process:** The process of OD programs is planned, value-based, consultant aided and directed or supported by top management.

5. **Targets:** The OD programs target the organization’s culture, strategy, structure and processes.

According to Robert A Gallagher (1997), Organization Development(OD) is an effort to increase an organization’s ability to improve itself as a humane and effective system. Elements of OD may include:

1. Finding ways to adapt to the changing context while maintaining and enhancing the organization’s integrity and internal integrations.
2. Establishment structures, processes and a climate that allow it to effectively manage its important and pressing business (e.g. projects, crises, problems etc.) while giving adequate attention to strategic issues (e.g., long term development and renewal, planning and envisioning, engaging new opportunities, crisis prevention, etc.)
3. Increasing the ability to engage formation of issues such as:
 - ❖ Vision including the defining of identity, purpose, values, organizational culture and related programs and activities.

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- ❖ Attracting new people (as staff and/or members) who support the vision.
 - ❖ Increased competence and commitment.
 - ❖ Creating an alignment, an adequate “fit” among the various aspects of the organization’s life, e.g.
 - i. Various sub-systems (people, structure, strategy, processes, etc.)
 - ii. Vision and resources of leadership, energy and funds.
 - iii. Income and expenses.
 - iv. Physical facilities and program needs and possibilities.
 - ❖ Establishing the relationships with external “public” or constituencies that have a stake in the organization.
4. Increasing its ability to adapt to new conditions, solve problems and learn from experience. A capacity for self renewal.

OD does involve problem solving, but its most significant contribution to an organization is in creating a culture that focuses on the continuous growth and vitalization of the system. OD is a normal and vital part of a healthy organization.

The Need for Organisation Development.

In order to understand the need for OD we must understand the social circumstances and conditions through which OD programs have evolved.

During the last four to five decades that need OD program has changed with changing socio-economic scene. Some important needs for OD programs can be outlined below:

1. **Understand the process of group dynamics:** OD was born as an attempt to better understand the process of group dynamics. Through OD programs sought to humanize work at the group level, they were largely not successful in doing so.
2. **Massive organizational restructuring and downsizing:** OD programs in 1980’s were needed to overcome massive adjustment problems that occurred as a result of organizational restructuring and downsizing. OD programs were needed to help organization and its members deal with problems arising out of restructuring and downsizing.
3. **Improving relationship between employee and organizations:** An organization can progress only when there is a committed work force. OD programs were needed to re-establish the relationship between

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employees and organizations that lead to sustained growth and development.

4. **Understand the “softer” sides of organization:** Today, OD is needed to understand the softer sides of an organization. These softer sides include understanding the values, vision, culture and integrity involved in organizational functioning.
5. **Transformation Process:** Today, OD programs are also needed to understand the process of organizational transformation. Organizations are today transforming in various ways and in various directions. OD experts attempt to study such transforming organizations so as to consider both the financial criteria of success and the social dynamics required to sustain such success.
6. **Organizational Excellence:** OD approach is also needed to achieve organizational excellence. Organizations attempt to achieve excellence in the following areas:
 - ❖ Products that organizations make.
 - ❖ The services that they provide.
 - ❖ The customers they satisfy.
 - ❖ Individuals they employ.

Concepts in OD:

Three important concepts that are evident in all OD literature are as follows:

1. The Change Agent.
2. The Client.
3. The Intervention.

We would discuss each of these briefly.

1. **The Change Agent:** The change agent is also called as the interventionist. He/she is the person who initiates the change. A change agent is usually a consultant who is hired from outside. However, occasionally he may be a person who may also belong to an organization.

The agent is basically concerned with the following:

- ❖ Diagnosis and classifying problems.
- ❖ Identifying courses of action.
- ❖ Recommending change procedures.
- ❖ In some cases actually implementing them.

Researchers have identified that effective change agents have the following qualities:

- ❖ Diagnostic ability.

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- ❖ Basic knowledge of Behavioural Sciences.
- ❖ Empathy.
- ❖ Knowledge of the theories and methods of their own disciplines.
- ❖ Goal setting ability.

- ❖ Problem solving skills.
- ❖ Agents also make attempts to build trust among organizational members.
- ❖ They should also be sincere and reflect their sincerity and must demonstrate that they are sincerely concerned with improving organization's well-being.
- ❖ Agents should intervene only to the extent required for effecting enduring solutions to the problem at hand. The change agent should understand his limits and must not exceed the limits of his/her role.

2. **The Client:** The client is the one who receives the services of an OD expert. The client can be an individual, a group of individuals or possibly a whole organization. An OD expert has to be very clear as to who the client is, for example, sometimes a consultant may be imposed to diagnose as to why an important manager is not motivated for a particular assignment and to suggest strategies to motivate him. In the process of diagnosing the problem of a manager the consultant will discover that the manager is not motivated because his subordinates are seen to be uncooperative and incompetent for a given assignment. Thus, what originally seemed to be a single client (i.e. the manager) the consultant now has three clients in front of him.
- a. The manager.
 - b. The incompetent and uncooperative subordinates and
 - c. The organization employing these people.

From the above example we see that in practice there may be more than one client. The manager may be the key client, but there may be various ancillary clients.

Sometimes it so happens that helping one client may conflict with enhancing the well-being of another client. The agent must use his/her judgement to decide as to how an organization can best be helped with minimum conflict among its members/units.

3. **The Intervention:** Intervention refers to the various activities that the change agent carries out on behalf of the clients. Some of the broad range of activities in which a change agent can indulge in are as follows:
- a. Diagnostic activities: These activities can help the change agent understand and find out about the causes of the problem.
 - b. Intergroup activities: The change agent indulges in intergroup activities to improve inter-relationship between group members and to improve

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the effectiveness of interdependent group. Inter group activities are generally directed towards work teams.

- c. Education and training activities: The change agent also indulges in activities so as to educate and teach some skills and abilities to their clients. Some such activities are as follows:
 - I. Improving certain required skills. These can be either technical skills, or human skills.
 - II. Teaching certain abilities which are required on a given job.
 - III. Imparting knowledge to the client in certain areas.
- d. Coaching and counseling activities: The change agent also indulges in certain coaching and counseling activities. Some such activities are as follows:
 - I. Helping people to define learning and work goals.
 - II. To learn how others see their behaviour.
 - III. Learn new bahviour to see whether it helps in goal attainment.
- e. Life and career-planning activities: Another major activity of change agent is to enable individuals to focus on life and career objectives and how they might achieve them. Life planning activities are generally directed towards individuals

Goals or Objectives of Organizational Development

Organizational Development seeks to change the organizational environment in which a manager works. It aims at the improvement of the total system to ensure that the full potential of a manager's abilities is utilized, and there is sustained change in his behaviour, which is conducive to a better organizational performance.

According to French, some of the common goals of Organizational Development programs are as follows:

- I. To develop a self-renewal, viable system which can be organized in a variety of ways, depending on the tasks that are to be performed;
- II. To increase the level of trust and support among an organization's members;
- III. To create an environment in which authority-assigned role is augmented by authority based on knowledge and skills;
- IV. To increase the openness and authenticity of communications laterally, vertically and diagonally;
- V. To increase the level of self and group responsibility in planning and implementation;
- VI. To optimize the effectiveness of both the stable (the basic organization chart)and the temporary systems (the maintenance projects, committees, etc.,) through which much of an organization's work is accomplished by built-in and continuous improvement mechanism.
- VII. To move towards high collaboration and low competition between inter-dependant units;

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- VIII. To create conditions in which conflict is effectively managed;
- IX. To reach the point where decisions are taken on the basis of an information source rather than an organizational role;
- X. To enhance the identification of members and groups with the organization as a whole.
- XI. To assist managers in setting challenging but realistic goals for themselves.

The emphasis on the “people” aspects of organization does not mean that Organizational Development, practitioners do not try to bring about changes in organization structure, practices or policies, they often do. But the typical Organizational Development program is aimed at changing the attitudes, values and beliefs of the employees so that they themselves can identify and implement such organizational changes.

Some important objectives of Organizational Development are as follows:

- I. Increasing the level of trust and mutual emotional support among all organization members;
- II. Increasing the incidence of confrontations of organizational problems within groups and among other groups in contrast to “sweeping problems under the rug”;
- III. Creating an environment in which the authority is based on knowledge and skill;
- IV. Increasing the openness of, communication, laterally, vertically and diagonally;
- V. Increasing the level of enthusiasm and personal satisfaction among the employees in the organization;
- VI. Finding the probable solutions to problems with greater efficiency;
- VII. Increasing the level of group and self-responsibility in planning and implementation.

Human Values of Organizational Development: Some important humanistic values are as follows:

- 1) To provide opportunities for people to function as human beings rather than mere inputs in the production process.
- 2) To provide opportunities for each organization member, as well as for the organization itself, to develop full potential.
- 3) Attempting to increase the effectiveness of the organization in terms of all its goals.

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- 4) To create an environment in which it is possible to find exciting and challenging work.
- 5) To provide opportunities for people in organization to influence the ways in which they relate to work, the organization, and the environment.
- 6) To treat each human being as a person with a varied set of needs, all of which are important in his work and in his life.

Process of Organizational Development

The process of Organizational Development is complex and it involves the following steps:

- a) **Initial diagnosis:** The consultant meets with top management to determine the nature of the firm's problems, to develop the Organizational Development approaches most likely to be successful, and so to ensure that full support of top management. During this step the consultant may seek inputs by means of interview with various people in the organization.
- b) **Data collection:** Surveys may be made to determine organizational climate and behavioural problems. The consultant usually meets with groups away from work to develop information from questions. Such as:
 - I. What kind of conditions contribute most to your job effectiveness.?
 - II. What kind of conditions interferes with your job effectiveness?
 - III. What would you like most to change in the way this organization operates?

The by-products of data collection include the identification of performance gaps-deficiencies in the way the organization operates and baseline information a portrait of the organization's current level of operation for later comparison with the effect of Organizational Development efforts.

- c) **Data feedback and confrontation:** Work groups are assigned to review the data collected, to mediate areas of disagreement, and to establish priorities for change.
- d) **Action planning and problem solving:** Groups use the data to develop specific recommendations for change. Discussion focuses on actual problems in the organization. Plans are specific, including who is responsible and when action should be completed.
- e) **Use of interventions:** Once the action planning is completed, the consultant helps the participants select and use appropriate

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Organizational Development interventions. Depending on the nature of the key problems the intervention may focus on individual, teams, interdepartmental relations or the total organization.

- f) **Evaluation and follow-up:** The consultant helps the organization evaluate the results of its Organizational Development and develop additional programs in areas where additional results are needed.



Chapter VII

Contemporary Issues in Management

Module – 4(G)

Case Study (Functions of management)

Case Study 1:

Analyse the case and answer the questions:

Varghese Kurian stated Co-operative movement 50 years ago and Amul established a successful brand name is one of the strongest marketing networks in the country. The competitors are none other than the big MNCs like HLL and Nestle. Amul's vision 2005 aims at a turnover of Rs 10,000 crore by adding more products like coffee, tea, jams, pickles and ketchup. Amul a cooperative dares to enter the coffee market, the one dominated by Nestle (14.81 % of market), HLL (5.9%), the Tatas (4.54%).

In metros, Amul café has made a strong entry competing with Nescafe. There's sound logic for moving into hot beverage. Globally, the coffee business is very protected. While there are quite a few coffee producing nations, only three buyers Nestle, RJR Nabisco, and the Folgers coffee company, a subsidiary of Procter and Gamble have a stronghold on the global market. In India, this is the first time a cooperative has ventured into coffee, a market dominated by Nestle which, according to CMIE figures, holds 14.81% of the market followed by HLL (5.9%) and the Tatas (4.54%).

Gujarat Co-operative Milk Manufacturers Federation (GCMMF) of Kurian is looking at the organizational set up for the new product range keeping the long term perspective without losing focus on dairy business. Addition of new products helped GCMMF to grow at compounded annual rate of 18% for the last five years. Amul expects new products frozen paneer, gulab jamuns, etc. to become cash cows over a period of time. Amul ice cream was the first of the slew of new products that included new products that included frozen paneer, gulab jamuns, gulab jamun mix and mozzarella and Emmental cheese. There are still small volume products in their first or second year. However, the company expects them to become cash cows over a period of time. Cheese found significant place on the Indian Consumer's platter only about five years ago. Growth has been mainly on account of demand from the defence sector and the growth of fast food restaurants, especially pizza chains, that use mozzarella cheese. Its growing market, but the non-availability of a cold chain and refrigeration facilities at points of sale hinders distribution as cheese has very short shelf life. In 1996 GCMMF built a Rs. 40 crore, 20 tonnes per day cheese factory at Anand. After this initial launch the cheese business was refocused in 1998. The company air lifted its cheese plant from Anand to Khatraj near Ahmedabad so that the various varieties of cheese could be made under one roof.

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Amul achieved market share mainly on price front over its rivals. Low pricing resulted in high volumes in turnover for Amul. The motto of 'sell more and earn more' of GCMMF allows Amul to share 50 % of its profit with the distribution network. In the changing economic scenario Amul has also changed the strategy and created a good infrastructure by investing Rs. 6 crore in information systems. The tempo did not stop there, TCS has been roped into the implement its Enterprise wide Integrated Application System. Amul started accepting interest orders in cities like Mumbai, Delhi and Ahmedabad on the other side, Amul exports are likely to reach Rs. 30 crore this year. Amul introduced knowledge updation test to its marketing managers as a measure to beef up marketing department as a prelude to fulfill vision 2005. Unfazed by the competition, GCMMF is preparing itself for the new millennium. The new entrants dwell on the strategies of the market leader your butterfly Amul.

Questions:

1. Summarise the case and identify the problem.
2. Analyse the cause of the problems.
3. Amul established its own brand over the years competing with giants like Nestle, HLL. Identify the strategies adopted by Amul to increase its market share.
4. Critically examine the appropriateness of the identification and use of strategies by Amul.
5. What are the other alternatives by Amul today?
6. Present your suggestions in the report form to the chairman of Amul.

Case 2

Analyse the following case and write your report.

Bharat Engineering Works Limited

Bharat Engineering Works Limited is a major manufacturer of industrial machineries besides other engineering products. It has enjoyed considerable market preferences for its machineries because of limited competition in the field. Usually there has been more orders than what the company could supply. However, the scenario changed quickly because of the entry of two new competitors in the field with foreign technological collaboration. For the first time, the company faced problem in marketing its products with usual profit margin. Sensing into the likely problem, the chief executive appointed Mr. Arvind Kumar as a general manager to direct the operations of industrial machinery division. Mr. Kumar had similar assignment abroad before coming back to India.

Mr. Kumar had a discussion with the chief executive about the nature of the problem being faced by the company so that he could fix up his priority. The chief executive advised him to consult various heads of department to have first hand information. However, he emphasized that the company lacked an integrated planning system while members of the board of directors insisted on introducing this meeting both formally and informally.

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After joining as General Manager, Mr. Kumar got 6 briefings from the heads of all departments. He asked all departmental heads to identify major problem and issues concerning them. The marketing managers and sales professionals. His main concern was a lack of engineers but they were spread under three separate engineering groups. Sales people had no central organization which had responsibility to provide sales support. Therefore, some jobs were being done from outside at higher costs or with lower quality. Besides he needed a generous budget for demonstration system which could be sent on a trail basis to customers to win business.

The Production Manager complained about the old machines and equipment used in manufacturing. Therefore, cost of production was high but without corresponding quality. While competitors had equipments and machinery, Bharat Engineering neither replaced its age-old plant nor got it reconditioned. Therefore, to reduce the cost, it was essential to automate production lined by installing new equipment.

Direction of research and development did not have any specific problem and, therefore, did not indicate for any change. However, a principal scientist in R & D indicated on one day that the director R & D, through very nice in his approach, did not emphasize on short-term research projects which could easily increase production efficiency to the extent of at least 20% within a very short period. Moreover, such projects did not involve any capital outlay.

Mr. Kumar got himself convinced about the management process going on in the division and the type of problems being faced.

Questions:

1. Discuss the nature and characteristics of management process followed in the company.
2. What are the real problems of industrial machinery divisions of the company.
3. What steps should be taken by Mr. Kumar to overcome these problems?

Case 3

Analyse the following case and answer the questions.

Market Survey

The company maintained a list of 476 retailers spread over 40 cities throughout the country, which formed the population for the retailer's survey. For personal interviews, it was decided to select six cities which accounted for the maximum amount of sales during the year 1985-86. There were, in all 151 retailers (32% of the total) in these cities, ranging between a maximum of 57 in Bombay and a minimum of 16 in Baroda. It was further decided to select one-third of the total number of retailers from each of the selected cities, for the purpose of personal interviews. The actual number of respondents consisted of 50 retailers.

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The remaining 325 retailers in about 35 cities were covered through mail survey. The response was, however, very limited, as only 30(7%) of the retailers responded. These respondents were widely dispersed in about 25 cities all over the country. All these responses were clubbed together as 'other cities' for the purpose of analysis. Thus, the total sample size consisted of 80 retailers as per city-wise classification given below.

Cities	Number of Respondent
Mumbai	19
Delhi	10
Baroda	5
Lucknow-Kanpur	8
Jaipur	8
Other Cities	30
Total	80

With a view to studying the attitude and behaviour of the consumer of knitted garments, consumer survey, was also planned. It was, however, restricted to the consumers in six cities where sample survey of retailers was conducted. For obvious reason, the population for consumer survey could not be determined. In view of the time constraint, who were selected on the basis of convenience sampling.

To collect the information required in an organized manner, the research vehicles used were structured, non-disguised questionnaires. The field investigation was conducted during June-September 1986. The summary of findings is given below.

Retailer Survey

A majority of the retailers(71%) have been in this business for more than 5 years, thereby suggesting that the knitwear manufacturer prefers to deal with the retailers who have sufficient experience in this business. Moreover, about three-fourths of the retailers under study have their size of operations upto Rs. 2 lakh per month.

The share of knitted garments under the present market conditions lies somewhere between 30%-40% of their total sales. In a few cases (16%), the share was even more that 60%. Moreover, the share of knitted garments in the market under study has been reported to be increasing during the 5 years and this trend is most likely to persist in future (the next five years). This shows a vast potential for knitwears in the readymade garment market in India.

The knitwear garments are available in the gents wear, ladies wear and children wear. Out of these, the children wear alone account for a major share in the sales of knitwears, followed by gents wear. Ladies knitwear, on the other hand, have a limited market. Casual wears like T-shirts are more popular among gents knitwears.

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Brand preference is one aspect in consumer goods that has been gained importance in the Indian market. There is, however, practically no brand preferences in ladies and children wears according to a majority (60%) of the retailers. But, there certainly exists a good degree of brand preferences in men's wear. Consumer's awareness of, and reference for, certain brand's in men's wear may be mainly attributed to a good degree of advertising campaign being done by some manufacturers, specially from Delhi and Mumbai. The consumer who exhibit brand reference are, however, not hardcore loyals, but instead are shifting loyals. Their preference can easily be changed in favour of another brand, if they are offered better products or designs which appeal to their fancy.

According to the retailer's 'design' of knitwear appealed to the consumers most, to be followed by quality. Price was not an important consideration for knitwear purchases, particularly for high-income consumers, though for students and other consumers in the low-income group (below Rs. 1.500 per month), price was relatively more important. Brand preference was ranked fourth as one of the product attributes and only marginally influenced the purchase process, for which consumers primarily relied upon the design and quality of knitwears. However, wellknown brands are often identified with good quality.

During the past five years, pure cotton and blended knitwear (i.e. polyester-cotton mix and acrylic-cotton mix) were that most preferred blends. This trend is likely to continue in future. Mercerized cotton is not presently perceived to enjoy high consumer preference, mainly due to its very limited supply. But the retailers awareness of this product and its superior properties is quite high (91%), who see quite a good potential for this product in the coming years.

Readymade knitwears are purchased mainly from Ludhiana (57%) and Bombay (52%). Delhi has also emerged in recent years as an important source of supply (40%). Retailers situated in an around Bombay or Delhi prefer to procure their stocks from these centers. An additional advantage is that the lead time is shortened. Retailers in cities far off from these metropolitan centers; on the other hand, prefer to purchase from Ludhiana. Ludhiana is well-known for its quality products, while Delhi and Mumbai are becoming famous for their fashion garments. Moreover, since the manufacturers in Delhi and Bombay are spending a large amount of money on product development and advertisements, they are gaining a larger market share in knitwears at cost of the Ludhiana manufacturers.

The retailers generally want their orders to be supplied within 15 to 30 days or within the time specified by them. The lead time was around one to one-and-a-half months in the case of Ludhiana, while the Bombay and Delhi manufacturers could deliver the supplies immediately or within a few days to local retailers as well as those located in nearby cities. This may be one of the reasons why Bombay and Delhi have emerged as very important sources of the supply of knitwears, giving tough time to the Ludhiana manufacturers.

The retailers prefer a shortened channel of distribution and like to procure their supplies from the manufacturers either directly or through the consignee agents. They avoid buying from wholesalers, because they would prefer not

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to stock the products that have already flooded the market. Only the retailers with a shortage of capital or a low level of operations tend to buy from wholesalers, who do not mind supplying small quantities if knitwear to retailers.

Magazines and hoardings were perceived to be the most effective media for advertising knitwears, especially T-shirts. Advertising in good magazines helps in creating a good image of the product as well as the company in the eyes of the consumers. Many respondents favoured the television for knitwear advertisements. But, in view of the high costs involved in the choice of T.V. advertising may be optimum for a small unit. The newspaper were thought to be the best media to advertise clearance sales or exhibition-cum-sales of the knitwear. Also, the possibilities of using carrier bags were not ruled out, as it was an important promotional tool for creating the retailer's as well as the product's image.

About two-thirds of the respondents were inclined to share the cost of promotion with the manufacturers on a 50-50 basis. Needless to emphasize that the retailers would share costs incurred only on local advertisements by means of hoarding, leaflets, carrier bags, etc.

Consumer Survey.

A majority of the consumers were students or young business men and service men, under 30 years of age and having an income between Rs. 1,500 and Rs. 5,300 per month.

Through-many consumers did not have a clear idea about the difference between the various blends, it was observed that pure cotton and blended (polyester-cotton/acrylic-cotton mix) fabric or garments were preferred the most. 100% polyester was not preferred by any of the consumers. On the other hand, acrylic attracted some respondents, particularly young entrepreneurs.

A majority of the consumers preferred to buy T-Shirts and sport shirts among the different types of knitwears available. This response can be attributed to the fact that a majority of the respondents (77%), were males. Female tops were purchased by almost all the female respondents, who were mostly students. Baba suit were generally purchased by the working wives or housewives, whose number in the survey was insignificant.

Most of the consumer (69%) did not show any preference for the brands available in the market. About one-third(31%) of the consumers, however, preferred to buy branded products. The most popular brands among them were Proline and Smash. Hold up and Via also attracted some consumers. All these brands are offered by the Mumbai and Delhi manufacturers and are advertised in national magazines. They often imitate the designs of knitwears from abroad with minor changes.

Design and quality, in that order, are the most important attributes of knitwears. A majority of the students gave maximum importance to the design of the knitwear, followed by the quality. The business ad professionals gave

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equal importance to design and quality, while the servicemen were more influenced by price rather than quality, in addition to the design.

A majority of the consumers of different occupations become aware of the various brands of knitwear through magazines as well as through their friends and relatives. Newspapers and hoardings were also influential in creating brand awareness.

A majority of the consumers (74%), did not prefer to purchase knitwears from the pedestrian sellers or outlets. Only some students and small traders, who mostly came in the income bracket of below Rs 2,500 p.m., would not hesitate to buy from the pedestrian sellers. Most of the retailers thought that inferior quality products were sold at these outlets and, moreover, it was below their status and dignity to buy from them.

Most of the consumers were unaware of mercerized cotton and its properties. Only a few respondents, who were either in business or service and has an income of Rs 2,500 to Rs. 3,500 per month were aware of mercerized cotton.

