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MASTER OF BUSINESS ADMINISTRATION

**MANAGEMENT PRACTICES AND
ORGANISATIONAL BEHAVIOUR
MBA603**

Self Learning Material

R101

**MASTER OF BUSINESS
ADMINISTRATION**

**MANAGEMENT PRACTICES AND
ORGANISATIONAL BEHAVIOUR**

MBA603

Prof. P. Subba Rao



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SLM SPECIALLY PREPARED FOR
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CU IDOL SELF LEARNING MATERIAL (SLM)



Management Practices and Organisational Behaviour

Course Code: MBA603

Credits: 3

Course Objectives:

- To identify different forms and features of organization and explain their relevance in business context.
- To access and analyze the human behavioural concepts of leadership, personalities, perceptions issues and develop appropriate solutions to these problems.
- To develop ability to overcome resistance for managing change.

Syllabus

Unit 1 - Introduction to Management: Nature, Scope and Significance of Management, Process of Management, Role of Managers, Principles of Management, Functions.

Unit 2 - Management and its Functions: Planning: Meaning and Importance, Process, Types, Nature, Organizing: Importance, Process and Principles of Organizing, Line, Staff and Functional.

Unit 3 - Management and its Functions: Formal vs. Informal Organizations, Staffing: Process, Delegation, Authority and Responsibility.

Unit 4 - Management and its Functions: Controlling: Importance, Types, Decision Making: Process.

Unit 5 - Organizational Behaviour and its disciplines: Definition, Nature and Scope of organizational behaviour, Disciplines Contributing to OB, Challenges to OB.

Unit 6 - Personality: Types, Factors Influencing Personality, Theories – Big Five. Learning: Meaning, Learning Theories.

Unit 7 - Perception: Perceptual Process, Factors Influencing Perceptual Selectivity, Motivation: Types, Theories – Maslow, Equity, Theory X and Theory Y, and Herzberg Theory.

Unit 8 - Stress: Meaning, Types of Stress, Various Work Stressors, Prevention and Management of Stress.



Unit 9 - Leadership: Styles, Theories- Trait and Behavioural Theories in Brief, The Managerial Grid/Leadership Grid, Hersey-Blanchard Situational Leadership Theory, Leader Member Exchange Theory, Leaders vs. Manager Difference.

Unit 10 - Group Behaviour: Introduction, Importance, Types of Groups, Group Decision Making Techniques.

Unit 11 - Change Management: Introduction, The Change Process, Resistance to Change, Managing Change.

Text Books:

1. Robbins, S.P., and Judge, T. (2007) *Organizational Behaviour*, New Delhi: Pearson/Prentice Hall.
2. Koontz (2008) *Principles of Management*, New Delhi: Tata McGraw-Hill.
3. Aswathappa, K. (2010), *Organisational Behaviour*, Mumbai: Himalaya Publishing House.

Reference Books:

1. Luthans, F. (1998), *Organizational Behaviour*, New Delhi: McGraw-Hill.



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UNIT 1 INTRODUCTION TO MANAGEMENT

Structure:

- 1.0 Learning Objectives
- 1.1 Introduction
- 1.2 Meaning of Management
- 1.3 Features of Management
- 1.4 Significance of Management
- 1.5 Functions/Process of Management
- 1.6 Role of Managers
- 1.7 Managerial Skills
- 1.8 Management Levels
- 1.9 Principles of Management
- 1.10 Functional Areas of Management
- 1.11 Summary
- 1.12 Key Words/Abbreviations
- 1.13 Learning Activity
- 1.14 Unit End Questions (MCQ and Descriptive)
- 1.15 References



1.0 Learning Objectives

After studying this unit, you will be able to:

- Explain the meaning of management
- Analyse the significance of management
- Discuss the functions of management
- Elaborate the role of management
- Describe the functional areas of management

1.1 Introduction

Some companies like Reliance Industries, Procter and Gamble, Hindustan Lever, ITC, Dr.Reddy's Labs, HDFC Bank, Tata Iron and Steel Company (TISCO) Limited etc. are most successful and on the other side some companies like Kolleru Paper Mills Ltd., Agrifural Chemicals Ltd., Binny Mills and Panyam Cements belong to the unsuccessful category. Similarly, we find some outperforming companies like Infosys Technologies and WIPRO. While other companies like Nava Bharat Ferro Alloys Ltd., Hindustan Machine Tools (HMT) Ltd. and Hindustan Cables Limited are low on the performance graph. Some companies like Tata, the Birla Group and Gujarat Gas Company expand and diversify their activities whereas the activities of other companies shrink day by day, subsequently recording low performance rates.

Companies of the same industry are being affected by the same environmental factors. Some companies attract a number of customers while some other companies repel them. Employees prefer to be identified with some companies while they prefer to be unemployed in case of some other companies. Why do companies perform differently when they operate under the same environmental conditions, serve the same customer, use the same raw material and technology and employ the people with similar skills? The answer for this question, invariably, is management practices. Thus 'Management' makes remarkable difference between the companies regarding their performance in terms of productivity, products, sales, profitability, service to the customer, employee welfare etc. Management plays a vital role in deciding the destiny of business as well as non-business organisations.

1.2 Meaning of Management

Management is the art of getting things done by a group of people with effective use of available resources. Management makes effective use of men, money machine and materials to achieve the objectives. Planning, organizing, staffing, directing and controlling are the major functions of management

Mary Parker defines the term management as *“the art of getting things done through others.”* But research studies concluded that management is a field of endeavour that combines art and science.

Ivancerich, Donnelly and Gibson, define the term management as *“the process undertaken by one or more persons to coordinate the activities of other persons to achieve results not attainable by any one person acting alone.”* Managers perform a number of activities, in addition to coordination. Further, this definition covers only one resource i.e., human resources and does not focus on material resources and financial resources.

John A. Pearce and Richard B. Robinson included all kinds of resources in their definition on management. According to them, *“Management is the process of optimizing human, material and financial contributions for the achievement of organisational goals.”* This definition ignores the integrated aspect of the contribution of all resources towards the attainment of organisational goals.

According to Harold Koontz and Heinz and Wehrich, Management is *“the process of designing and maintaining an environment in which individuals, working together in groups, efficiently accomplish selected aims.”* This definition ignores the external environment through which most of the stakeholders interact with the company.

Now, we shall define the term management as designing, providing and maintaining a conducive internal environment in tune with the opportunities and challenges of the external environment through planning, organising, directing and controlling all resources and operations in order to achieve effective organizational strategies efficiently.

1.3 Features of Management

The analysis of the above definitions provide the following aspects of management:

1. The purpose of management is to formulate effective (right) organisational strategies and to achieve them efficiently (productively) based on the mission's objectives and goals.
2. Management deals with both internal and external environment.
3. Management is concerned with all kinds of resources viz., human, financial, material, machines, technology and technical know-how.
4. Management functions include: planning, organising, directing and controlling.
5. Managers should possess varied skills in order to play a variety of roles.
6. It applies to managers at all levels in an organisation.
7. Management is applicable to all kinds of organisations i.e., both profit and non-profit oriented organisations.
8. Management is both an art and a science in order to create a surplus.
9. Management needs to be a profession to achieve goals continuously with an incremental efficiency.
10. Management is Dynamic. In the fast developing business world new techniques are developed and adopted by management. Management changes according to changes in business environment.

1.4 Significance of Management

Management is a must for every enterprise. The existence of management ensures proper functioning and running of an enterprise. Management can plan the activities to achieve the objectives and utilise the available resources at minimum cost.

Every business needs a direction. This direction is given by the management. The resources of production are converted into production. The resources will remain as resources in the absence of management. The conversion process is performed through the co-ordination of management.



The significance or importance of management is briefly explained below:

- 1. Management meet the challenge of change:** In the modern business world, there are frequent changes. The changes place the business in a dangerous position. Only an efficient management can save the business from the dangers brought in by the challenges.
- 2. Accomplishment of group goals:** The achievement of objectives of a business depends upon three factors. The proper planning of available resources, adjusting possibility of business unit with existing business environment and the quality of decision taken and control made by the business unit are the factors responsible for achieving objectives.
- 3. Effective utilisation of business:** There are eight M's in the business. These are said to be man, money, materials, machines, methods, motivation, markets and management. Management is the topmost of all other 'M's. Management has control over other remaining 'M's.
- 4. Effective functioning of business:** Ability, experience, mutual understanding, co-ordination, motivation and supervision are some of the factors responsible for the effective functioning of business. Management makes sure that the abilities of workers are properly used and co-operation is obtained with the help of mutual understanding. Besides, management can know the expectation of workers and the expectation is fulfilled through motivation techniques.
- 5. Resource development:** Efficient management is the life boat of any developed business. The resources of the business may be identified and developed by the management. The term 'resources' includes men, money, material and machines.
- 6. Sound organisation structure:** Management lays down the foundation for sound organisation structure. Sound organisation structure clearly defines the authority and responsibility relationship — who is responsible to whom, who will command whom and who is responsible for what. Care is taken in appointing qualified persons to the right job by the management.

7. **Management directs the organisation:** The human mind directs and controls the functioning of human body. Similarly, the management directs and controls the functioning of an organisation.
8. **Integrates various interests:** Each person has his own interests. These interests are different in nature. Management takes steps to integrate various interests to achieve the objectives of an organisation. In an organisation there are employees who are interested in social work, photography, interior decoration, conducting events and company can make use of the services of such employees to achieve the objectives of the organisation.
9. **Stability:** The fluctuations of business are stabilised by the management. The fluctuations of business are caused by the changing policy of the government, pressures on the part of competitors and changing preferences of customers. The efficient management can run the business as per the policy framed by the government, face the competitors in the market and produce the articles as per the preferences of customers.
10. **Innovation:** New ideas are developed by the management and implemented in the organisation. Better performance is achieved through new ideas.
11. **Co-ordination and team-spirit:** All the activities of business are grouped department-wise. Management co-ordinates the activities of different departments and establishes team-spirit to achieve the objectives.
12. **Tackling problems:** Good Management acts as a friend or a guide of workers while tackling problems.

1.5 Functions/Process of Management

As indicated earlier, management is the process of planning, organising, staffing, directing and controlling the efforts of organisation members in utilising all resources to achieve organisational goals, objectives and mission. Management is a process as it operates the activities systematically. Fig. 1.1 presents the management process.

Functions of management include planning, organising, staffing, directing and controlling.



Planning

Planning consists of the activities involved in choosing courses of action to achieve organisational objectives. It is deciding in advance what to do, when to do, how to do and who will do it, in order to achieve these objectives. Both long-term and short-term plans are necessary to achieve goals. It is necessary for the management to adopt certain assumptions or premises with regard to external factors that serve as a background for the planning function. Some companies have adopted the practice of contingency planning in view of growing difficulty of predicting future environmental conditions. Planning is a part of the activities of all managers.

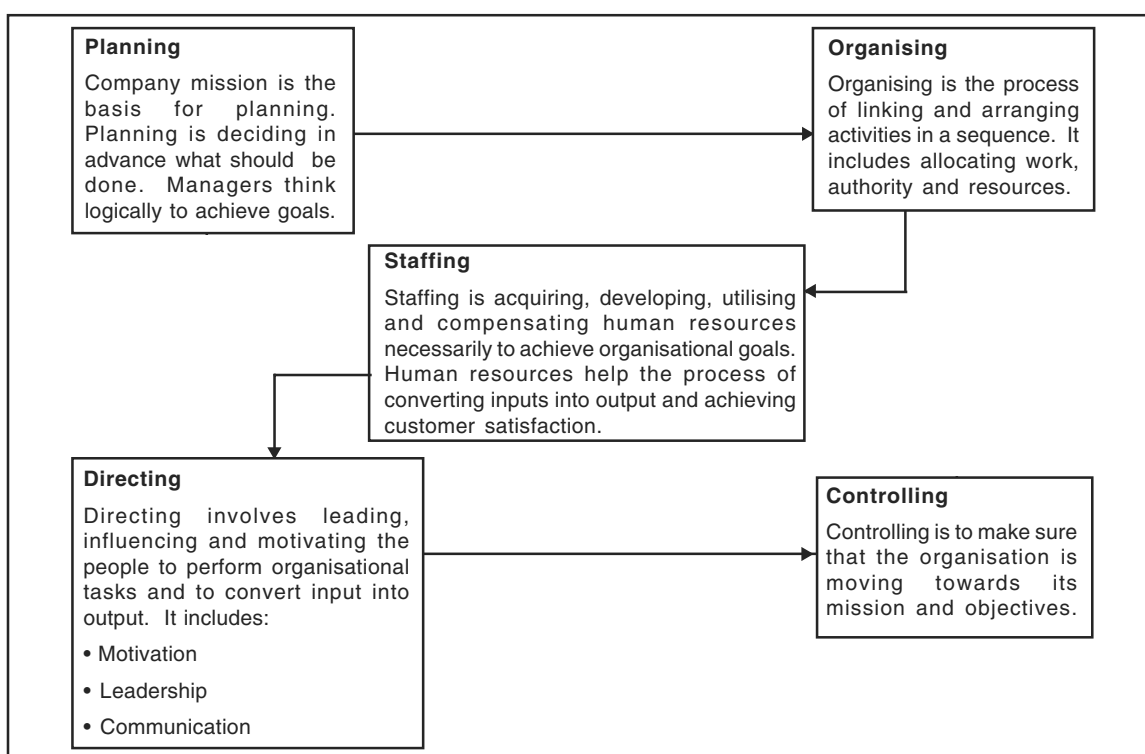


Fig. 1.1: The Management Process

Organising

Organising involves the grouping of jobs into a framework for coordination and direction. Formal organisations may be portrayed by use of an organisation chart. Careful structuring of an organisation is beneficial in terms of clarifying lines of command and eliminating gaps and overlaps. However, extremely detailed organisation structures may be dysfunctional.

Once job content is determined, jobs and activities must be grouped to devise an overall structure. Decisions affecting organisational structure involve values and goals for both enterprises and individuals.

Organisations are structured based on product, function, geography, customer and project. The matrix structure has evolved as a result of complex environments, markets and technology. It combines both functions and projects. Organisational culture reflects not only social values and expectations, but also the unique set of values, beliefs and behaviours that characterise each organisation.

Staffings

Staffing is planning, organising, directing and controlling of recruitment, development, compensation, integration and maintenance of people for the purpose of contributing to individual, organisational and social goals. Thus, building an effective organisational team requires planning and control of human resources. This process requires the performance of the functions like job analysis, human resources planning, recruitment, selection, induction, placement, training, executive development, wage and salary administration, leadership, teamwork, motivation, grievance procedure, disciplinary procedure etc.

Once the employee is employed, his development needs are identified through performance appraisal. Once these needs are identified, the employee will be trained/developed with the application of on-the-job and off-the-job methods. Staffing function is also known as human resource management.

Directing

The next logical function after completing planning, organising and staffing is the execution of plan. The important function of management at any level is directing the people by motivating, commanding, leading and activating them. The willing and effective cooperation of employees for the attainment of organisational goals is possible through direction. Tapping the maximum potentialities of the people is possible through motivation and command. Thus, direction is an important managerial function in securing employee's contribution. Coordination deals with the task of blending efforts in order to ensure successful attainment of organisational objectives.

Controlling

After planning, organising, staffing and directing the various activities, the performance is to be verified in order to know whether the activities are performed in conformity with the plans and objectives or not. Controlling also involves checking, verifying and comparing of actual performance with the plans, identification of deviations, if any and correcting of identified deviations. Thus actions and operations are adjusted to predetermined plans and standards through control.

The purpose of control is to ensure the effective operation of an organisation by focusing on all resources — human, material, finance and machines. Financial control is attained through a number of means viz., financial statements interpreted through ratio analysis and budgets.

Managers should have required skills in order to perform the functions discussed above. Now, we shall discuss managerial skills.

1.6 Role of Managers

Managers perform different roles as shown in Fig. 1.2. As can be seen from the figure, formal authority gives rise to three inter-personal roles and three informational roles. The two sets of roles enable the manager to play the four decisional roles.

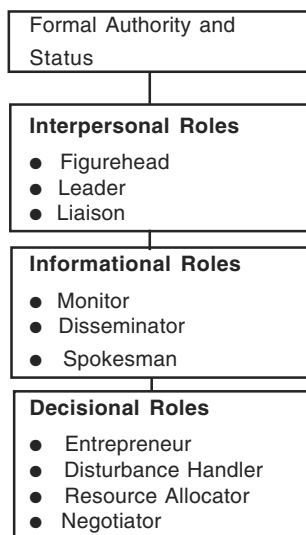


Fig. 1.2: Roles of a Manager

Source: Henry Mintzberg, “The Manager’s Job”, in James Brain Quinn, Henry Mintzberg and Robert M. James, “The Strategy Process,” Prentice-Hall, New Jersey, 1988, p. 27.

Interpersonal Roles

The important interpersonal roles of managers are:

- (a) **Figurehead Role:** Managers perform the duties of a ceremonial nature as head of the organisation, a strategic business unit or department. Duties of interpersonal roles include routine, involving little serious communication and less important decisions. However, they are important for the smooth functioning of an organisation or department.
- (b) **Leader Role:** The manager, in charge of the organisation/department, coordinates the work of others and leads his subordinates. Formal authority provides greater potential power to exercise and get the things done.
- (c) **Liaison Role:** As the leaders of the organisation or unit, the manager builds and maintains mutually beneficial relationships, facilitates connections and co-ordinates activities among two or more people, agencies or organisations. He maintains a network of contacts and information sources outside management. He meets key people from business environment such as corporate managers and key influencers and provides valuable feedback to the management.

Informational Roles

Manager emerges as the nerve centre of his organisation/department in view of his interpersonal links with his subordinates, peers, superiors and outsiders. Therefore, the manager has to play the informational role effectively to let the information flow continuously from one corner of the organisation to other corner.

The information roles of a manager include:

- (a) **Monitor's Role:** As a result of the network of contacts, the manager gets the information by scanning his environment, subordinates, peers and superiors. Managers mostly collect information in verbal form often as gossip, hearsay, speculation and through grapevine channels.
- (b) **Disseminator's Role:** The manager disseminates the information which he collects from different sources and through various means. He passes some of the privileged information

directly to his subordinates, who otherwise have no access to it. The manager plays an important role in disseminating the information to his subordinates, when they don't have contact with one another.

- (c) **Spokesman's Role:** Some insiders and/or outsiders control the unit/department or the organisation. The manager has to keep them informed about the developments in his unit. He has to keep his superior informed of every development in his unit, who in turn inform the insiders and outsiders. Directors and shareholders must be informed about financial performance. Customers must be informed about the new product developments, quality maintenance, government officials about implementation of law etc.

Decisional Roles

Information is an important and basic input to decision-making. A decision is an act of choice. The executive forms a conclusion about what must be done in a given situation. Decision making is the selection based on some criteria from two or more alternatives. The managers play a crucial role in decision-making system of the unit. Only the manager can commit the department to new courses of action and he has full and current information to initiate and implement the decisions that determine the department's or organisational strategy. The decisional roles of the manager are:

- (a) **Entrepreneurial Role:** As an entrepreneur, the manager is a creator and innovator. He seeks to improve his department, adapt to the changing environmental factors. The manager appreciates new ideas and initiates new developmental projects.

According to Peter F. Drucker, *"the manager has the task of creating a true whole that is larger than the sum of its parts, a productive entity that turns out more than the sum of the resources put into it."*

- (b) **Disturbance Handler Role:** Entrepreneurial role describes the manager as the voluntary initiator of change, the disturbance handler role presents the manager as the involuntarily responding to pressures. Pressures of the situation are severe and highly demand the attention of the manager and as such the manager cannot ignore the situation. For example, workers' strike, declining sales, bankruptcy of a major customer etc.

The manager should have enough time in handling disturbances carefully, skilfully and effectively.

- (c) **Resource Allocator's Role:** The most important resource that a manager allocates to his subordinates is his time. He should have an open-door policy and allow the subordinates to express their opinions and share their experiences. This process helps both the manager and his subordinates in making effective decisions. In addition, the manager should empower his subordinates by delegating his authority and power.
- (d) **Negotiator's Role:** Managers spend considerable time in the task of negotiations. He negotiates with the subordinates for improved commitment and loyalty, with the peers for cooperation, coordination and integration, with workers and their unions regarding conditions of employment, commitment, productivity and with the government about providing facilities for business expansion etc.

These negotiations are an integral part of the manager's job for only he has authority to commit organisational resources and is the nerve centre of information.

Though the different roles of a manager are discussed separately for convenience, they are, in fact inseparable. The manager has to perform these roles simultaneously by integrating one with the another. Thus, the major role of the manager is integrating all the roles while playing the managerial role or performing his tasks. Infact, the manager cannot play any one role isolating the other roles. As a strategist, the manager has to integrate all the roles in decision-making and performing his tasks. (See Exhibit 1.1).

Exhibit 1.1: Key Roles of Managers

Henry Mintzberg concluded that the job of a top manager contains ten interrelated roles. The importance of each role and the amount of time demanded by each probably varies from one job to another. These roles are as follows:

- | | | |
|------------|---|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Figurehead | : | Acts as legal and symbolic head; performs obligatory social, ceremonial or legal duties (hosts retirement dinners, luncheons for employees, and plant dedications; attends civic affairs; signs contracts on behalf of firm). |
| Leader | : | Motivates, develops and guides subordinates; oversees staffing, training, and associated activities (introduces Management By Objectives [MBO], develops a challenging work climate, provides a sense of direction, acts as a role model). |

Liaison	: Maintains a network of contacts and information sources outside the top management. Meets with key people from the business environment such as corporate division managers and the CEOs of other firms.
Monitor	: Seeks and obtains information in order to understand the corporation and its environments; acts as the nerve centre for the corporation (reviews status reports from vice-presidents, reviews key indicators of corporate performance, scans Wall Street Journal and key trade journals, joins select clubs and societies).
Disseminator	: Transmits information to the rest of the top management team and other key people in the corporation (chairs staff meetings, transmits policy letters, communicates five-year plans).
Spokesman	: Transmits information to key groups and people in the task environment (prepares annual report to stockholders, talks to the Chamber of Commerce, states corporate policy to the media, participates in advertising campaigns, speaks before congressional committees).
Entrepreneur	: Searches the corporation and its environment for projects to improve products, processes, procedures, and structures; then supervises the design and implementation of these projects (introduces cost reduction programmes, makes plant trips to divisions, changes forecasting system, brings in subcontract work to level the workload, reorganises the corporation).
Disturbance Handler	: Takes corrective action in times of disturbance or crisis (personally talks with key creditors, interest groups, congressional committees, union leaders; establishes investigative committees; revises objectives, strategies, and policies).
Resource Allocator	: Allocates corporate resources by making and/or approving decisions (reviews budgets, revises programme, scheduling, initiates strategic planning, plans personnel load, sets objectives.)
Negotiator	: Represents the corporation in negotiating important agreements; may speak directly with key representatives of groups in the task environment or work through a negotiator; negotiates disagreements within the corporation by working with conflicting division heads (works with labour as negotiator; resolves disputes, negotiates with creditors, suppliers and creditors).

1.7 Managerial Skills

According to Robert L.Katz 7, there are three types of managerial skills viz., technical skills, human skills and conceptual skills. Fig.1.3 presents the managerial skills.

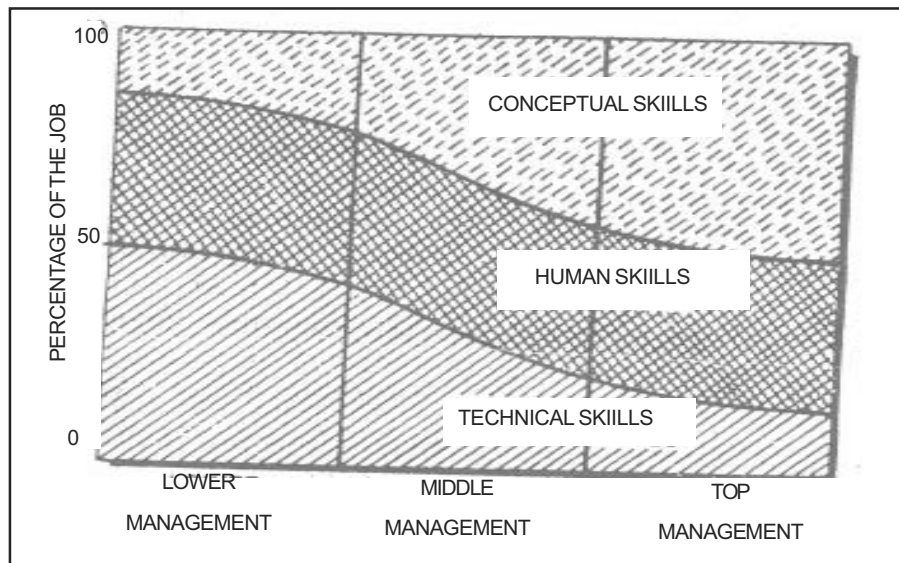


Fig. 1.3: Management Skills

Technical Skills

Technical skills are the proficiency in working with machines, tools and techniques in human resource management, financial management, marketing management and production management. Managers at all levels should possess technical skills. Those at the lower level should possess more of technical skills. However as they may move up the hierarchy, technical skills become less important than other skills.

Human Skills

Human skills include the ability to work with people tactfully, interpersonal proficiency, ability to build, maintain and work in teams and create an open environment. Managers at all levels should possess these skills.

Conceptual Skills

Conceptual skills include the ability to draw the total, integrated, comprehensive and the macro view of the company, situations and the ability to develop solutions for the probable problems and challenges. Top level managers should possess more of conceptual skills compared to those of lower level managers.

It may be said that technical skills is an essential ingredient in low level management, human skills are important at all levels of management and conceptual skill is essential for top executive positions.

1.8 Management Levels

Management includes all the managers of a company. Management is classified as managers at different levels viz., top level managers, middle level managers and lower level managers.

Top Level Managers

Top level managers are the senior level executives of the company including the Managing Director or President Vice-Presidents, General Managers, Chief Managers of the company, etc. Top level management particularly the Managing Director or President of the company is responsible for the overall management and performance of the company.

Top level management formulates objectives, policies and corporate level strategies of the company. Top level managers lead and motivate the middle level managers. They coordinate the activities of middle level managers.

Middle Level Managers

Middle level managers are responsible for coordination of the activities of various departments. Middle level managers include managers of various departments like Production department, Marketing department, Finance department, Human Resource Department and Research and Development department. These managers are responsible for the success or failure of their departments.

Middle level managers formulate the objectives, goals and strategies of their departments based on those of the organisation. In addition, middle level managers lead, motivate and coordinate the activities of the lower-level managers.

Lower Level Managers

Lower level managers are responsible for the work of the operating staff working with them. Lower level managers are also called First-Line or First-Level or Junior Managers. They direct, lead, motivate and coordinate the activities of the operating employees. These managers mostly supervise the operating employees while they perform their work. As such, the lower level managers are also called 'Supervisors.' Fig.1.4 presents management levels.

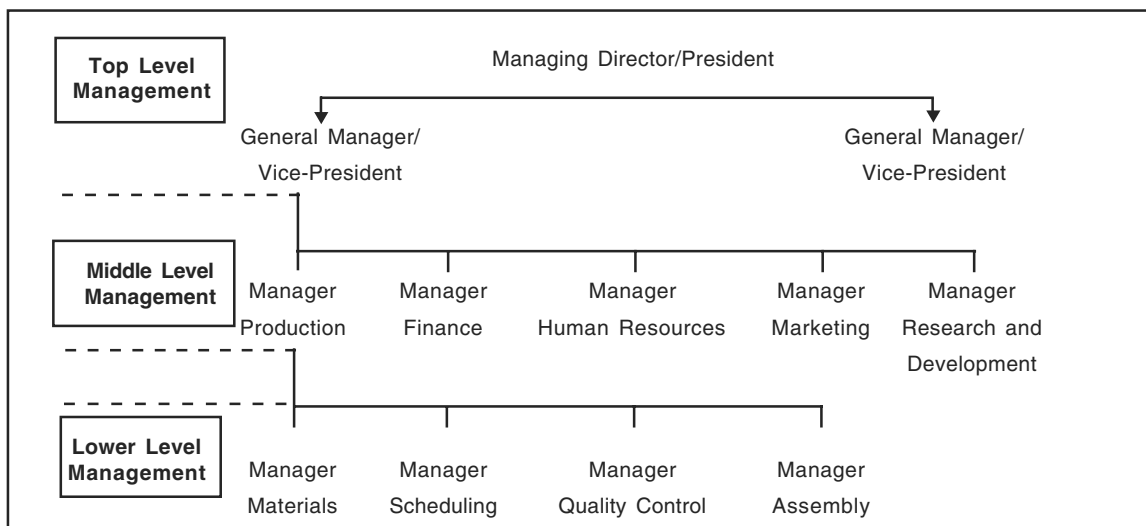


Fig. 1.4: Different Management Levels

1.9 Principles of Management

Henry Fayol has set forth the principles of management on the basis of his own experience in the mining company:

- 1. Division of work:** Division of work makes a man a specialist. The reason is that division of work helps to specialise in an activity which increases the output with perfection. Besides, it

avoids waste of time. According to Henry Fayol, division of work is applied to both technical and managerial kinds of work.

2. **Authority and responsibility:** Management is getting things done by others. A superior gives direction to his sub-ordinates to perform the job. Then the super-visor may exercise his authority. The post he holds invests him with this authority. Authority is closely connected with responsibility. Responsibility is shouldered whenever authority is exercised. Responsibility is essential to perform a job correctly.
3. **Discipline:** According to Koontz and O'Donnell, "Discipline is the respect for agreements which are directed at achieving obedience, application, energy and the outward marks of respect. According to Henry Fayol, discipline is essential in all levels of management people. Discipline is obtained through judicial application of penalties.
4. **Unity of command:** A subordinate has only one superior. If not so, the sub-ordinate does not perform any job perfectly. In other words, each subordinate is responsible to only one superior.
5. **Unity of direction:** The business activities are grouped on anyone of the bases, normally on functional basis. The activities of a group are assigned to a person who is said to be a manager. This manager is expected to look after all the activities of a particular group.
6. **Subordination of individual interest to group interest:** An individual has his own interest. At the same time, the organisation has its own interest. Here, the interest of an organi-sation is termed as group interest. Henry Fayol expected the reconcili ation of the individual interest with group interest. In no way, the individual interest should dominate the group interest.
7. **Remuneration of personnel:** According to Henry Fayol, employees should be given fair and reliable remuneration. The employees should get satisfaction out of their wages. The wages are determined on the basis of the work done by the employee and the wages payable are similar to those of other companies. Besides, the payment of wages should be made without any delay.

8. **Centralization:** Everything increases the importance of superior's role in centralization, while everything decreases the importance of superior's role in decentralization. In small firms, authority is centralized. In large firms, authority is decentralized. But, the centralization or decentralization of authority depends upon the personal character of the superior, his morality, reliability of resourcefulness and the like.
9. **Scalar chain:** According to Henry Fayol, "Scalar chain is the chain of superiors ranging from the ultimate authority to the lowest ranks." The communication flows from top to bottom. For example, A is the superior and has three subordinates in the order B, C and D. If A wants to communicate anything to D, it should be passed via B and C. Likewise, If D wants to communicate anything to A, it should be passed via C and B. This is called scalar chain.
10. **Order:** The principle of right place for everything and for everyone should be followed by the management. It is applied to both material and men. The material should be kept in order in the place where it is necessary. The personnel are selected scientifically and assigned duties according to their qualifications and ability.
11. **Equity:** Equity refers to a combination of fairness, kindness and justice. All the employees of the organisation are treated equally by the managers. The application of equity requires goodness and experience of managers. Besides, it requires loyalty and devotion from subordinates.
12. **Stability of tenure of personnel:** The security of job is an essential one. Insecurity of job results in the higher labour turnover. It increases the administration expenses. Unless and otherwise an employee has committed a mistake, no employee should be removed from service. The development of any organisation depends solely on the sincerity of labourers.
13. **Initiative:** A manager should have the conceiving and executing initiative. It will have psychological effect over the subordinates. The subordinates are free to express their views or opinions in the execution of the work. Henry Fayol suggests that managers can take decisions after getting suggestions from the subordinates. Initiative is the keenest satisfaction of an intelligent man with experience.

14. **Esprit De Corps:** This means union is strength or team spirit. All the employees of the organisation are put together as a team in order to achieve the objectives of the organisation. If there is any misunderstanding or difference of opinions or distrust among employees, the management should take corrective steps to remove them the management should take corrective steps to remove them.

1.10 Functional Areas of Management

Managers are also classified based on the functional areas of management. The functional areas of management include: production, marketing, human resource, finance, research and development. The functional managers include: production manager, marketing manager, finance manager, human resource manager and manager-research and development. Functional managers mostly perform the activities of their respective functional area. As such, they fail to see the total company.

General managers view the total company in an integrated and comprehensive approach. They also see the total of the sub-units and subsidiary companies besides integrating and coordinating the activities of the production department, marketing department, finance department and human resources department. General managers formulate strategies at the corporate and the business unit level.

1.11 Summary

Management is the art of getting things done by a group of people with effective use of available resources. Management function includes planning, organising, staffing, directing and controlling the efforts of organisation members to achieve organisational goals, objectives and mission. Managers at all levels should possess technical, human and conceptual skills. Managers play different roles depending upon situation i.e. Interpersonal roles, informational roles and decision roles. Management includes all the managers of a company. Management is classified as top level managers, middle level managers and lower level manager. The functional areas of management consist of production, marketing, finance, human resources, research and development and functional managers look after the activities of their functional area.

1.12 Key Words/Abbreviations

- **Management:** Management is the art of getting things done by a group of people with effective use of available resources. Management makes effective use of men, money machine and materials to achieve the objectives. Planning, organizing, staffing, directing and controlling are the major functions of management
- **Decisional Roles:** The managers play a crucial role in decision-making system of the unit. Only the manager can commit the department to new courses of action and he has full and current information to initiate and implement the decisions that determine the department's or organisational strategy.
- **Planning:** Planning consists of the activities involved in choosing courses of action to achieve organisational objectives. It is deciding in advance what to do, when to do, how to do and who will do it, in order to achieve these objectives.
- **Technical Skills:** Technical skills are the proficiency in working with machines, tools and techniques in human resource management, financial management, marketing management and production management. Managers at all levels should possess technical skills. Those at the lower level should possess more of technical skills. However as they may move up the hierarchy technical skills become less important than other skills.
- **Human Skills:** Human skills include the ability to work with people tactfully, interpersonal proficiency, ability to build, maintain and work in teams and create an open environment. Managers at all levels should possess these skills.
- **Organising:** Organising involves the grouping of jobs into a framework for coordination and direction. Formal organisations may be portrayed by use of an organisation chart. Careful structuring of an organisation is beneficial in terms of clarifying lines of command and eliminating gaps and overlaps.
- **Staffing:** Staffing is planning, organising, directing and controlling of recruitment, development, compensation, integration and maintenance of people for the purpose of contributing to individual, organisational and social goals. Thus, building an effective organisational team requires planning and control of human resources. This process requires

the performance of the functions like job analysis, human resources planning, recruitment, selection, induction, placement, training, executive development, wage and salary administration, leadership, teamwork, motivation, grievance procedure, disciplinary procedure etc.

- **Directing:** The important function of management at any level is directing the people by motivating, commanding, leading and activating them. The willing and effective cooperation of employees for the attainment of organisational goals is possible through direction.
- **Controlling:** After planning, organising, staffing and directing the various activities, the performance is to be verified in order to know whether the activities are performed in conformity with the plans and objectives or not. Controlling also involves checking, verifying and comparing of actual performance with the plans, identification of deviations, if any and correcting of identified deviations. Thus actions and operations are adjusted to predetermined plans and standards through control.
- **Conceptual Skills:** Conceptual skills include the ability to draw the total, integrated, comprehensive and the macro view of the company, situations and the ability to develop solutions for the probable problems and challenges. Top level managers should possess more of conceptual skills compared to those of lower level managers. It SUM, may be said that technical skills is an essential ingredient in low level management; human skills are important at all levels of management: and conceptual skill is essential for top executive positions.
- **Liaison Role:** As the leaders of the organisation or unit, the manager builds and maintains mutually beneficial relationships, facilitates connections and co-ordinates activities among two or more people, agencies or organisations. He maintains a network of contacts and information sources outside management. He meets key people from business environemnt such as corporate managers and key influencers and provides valuable feedback to the management.
- **Informational Role:** Manager emerges as the nerve centre of his organisation/department in view of his interpersonal links with his subordinates, peers, superiors and outsiders.

Therefore, the manager has to play the informational role effectively to let the information flow continuously from one corner of the organisation to other corner.

1.13 Learning Activity

1. Managers should possess human skills. Give examples.

2. One of the important functions of management is directing. Explain directing with examples.

3. A manager plays the role of a Leader. State examples of leadership qualities of manager.

1.14 Unit End Questions (MCQ and Descriptive)

A. Descriptive Type: Short Answer Type Questions

1. What is management? Critically comment on various definitions on management.
2. What are the functions of management? Explain each of them.
3. Explain the three types of Managerial Skills?
4. Explain different managerial roles.
5. Comment on different levels of managers.
6. Explain the process of management.

B. Multiple Choice/Objective Type Questions

1. Management means
 - (a) Getting things done through a group of people
 - (b) Training of employees
 - (c) Motivating employees
 - (d) All the above

2. Management is applicable to
 - (a) Banks
 - (b) Hospitals
 - (c) Charitable trusts
 - (d) All the above

3. Management has to make effective use of
 - (a) Money
 - (b) Materials
 - (c) Machine
 - (d) Men
 - (e) All the above

4. Top level managers should possess more of
 - (a) Technical skills
 - (b) Human skills
 - (c) Conceptual skills
 - (d) All the above

5. Controlling function includes
 - (a) Comparing actual performance against plans
 - (b) Directing employees
 - (c) Motivating employees
 - (d) All the above

6. Process of management consists of
- (a) planning
 - (b) organising
 - (c) Staffing
 - (d) Directing
 - (e) All the above

Answers

1. (a), 2. (d), 3. (e), 4. (c), 5. (a), 6. (e).

1.15 References

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UNIT 2 MANAGEMENT AND ITS FUNCTIONS – I

Structure:

- 2.0 Learning Objectives
- 2.1 Introduction
- 2.2 Meaning of Planning
- 2.3 Nature of Planning
- 2.4 Importance of Planning
- 2.5 Types of Plans
- 2.6 Steps in the Process of Planning
- 2.7 Meaning of Organising
- 2.8 Importance of Organising
- 2.9 Principles of Organising
- 2.10 Process of Organising
- 2.11 Line and Staff Function
- 2.12 Functional Organisation Structure
- 2.13 Summary
- 2.14 Key Words/Abbreviations
- 2.15 Learning Activity
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- 2.17 References



2.0 Learning Objectives

After studying this unit, you will be able to:

- Explain the meaning of planning
- Elaborate the nature of Planning
- Understand the importance of planning
- Evaluate the different types of plans
- Describe the steps in the planning process
- Elaborate the meaning and importance of organising
- Discuss the principles of organising
- Describe the process organising
- Elaborate the functional organisation and structure
- Describe line and staff function

2.1 Introduction

All planning involves anticipation of the future course of events and therefore bears an element of uncertainty in respect of its success. Planning is concerned with the determination of the objectives to be achieved and course of action to be followed to achieve them. Before any operative action takes place it is necessary to decide what, where, when and who shall do the things. Decision-making is also an important element of planning. Planning determines both long-term and short-term objectives and also of the individual departments as well as entire organisation.

Every business enterprise has its own predetermined objectives to be achieved. In order to achieve the objectives in the best possible manner, it requires a lot of mental exercise based upon imagination, foresight and judgement for deciding lies in the effective and sound planning, which undoubtedly determines the future course of action.

In fact there is an element of planning in every human activity, but in business there is greater need for planning. Planning thereby is to decide the future course of action and therefore it is an intellectual process which requires a manager to think before acting. It is thinking in advance. The managers of an organisation are able to decide what is to be done, when it is to be done and who is to do it only through proper planning. Planning hence is considered to be the first managerial function to be performed in the process of management.

2.2 Meaning of Planning

Planning is selecting information and making assumptions regarding the future to formulate activities necessary to achieve organisational goals. Planning is deciding in advance what is to be done. It involves the selection of objectives, policies, procedures and programmes from among alternatives. Thus, planning is primarily concerned with looking into the future and involving the selection of the best alternative.

According to Harold Koontz and O'Donnell, planning is deciding in advance what is to be done in future. Plan bridges the gap between where we are and where we want to go.

Alfred and Beatly defined the term planning as “the thinking process, the organised foresight, the vision based on fact and experience that is required for intelligent action.”

Stoner and Freeman defined planning as “the process of establishing goals and suitable action for achieving these goals.”

2.3 Nature of Planning

Planning decides the objectives, goals and course of action in advance and the method of implementing and achieving the plans. Planning aims at achieving the goals more economically and accurately. It is the basic management function. The nature of planning includes:

- 1. Primary Function:** Planning is the primary and basic function among the management functions viz., planning, organising, staffing, directing and controlling. In fact, all other functions follow the function of planning. Managers first perform the planning function and then perform all other functions.

2. **Contributes to Objectives:** Organisational objectives specify the purpose for which the organisations are established. These objectives are converted into goals. Managers perform the planning function in order to achieve the goals and objectives. Thus planning contributes to the achievement of objectives.
3. **Intellectual Activity:** Planning includes foreseeing the future environmental opportunities and threats. Further, it includes acquiring organisational strengths and eliminating weaknesses in order to match these strengths and environmental opportunities. It also includes strengthening the organisation to face the environmental challenges and threats.

Managers develop alternative courses, evaluate these alternatives and select the best course. Managers should have intellectual ability and multiple skills to perform planning effectively. Thus, planning is an intellectual activity.

4. **Higher Efficiency:** Efficiency is the ratio between input and output. Achieving more output with the same input and/or reducing the input to achieve the same output is referred to as efficiency. Planning minimises the input and maximises output. Thus, planning maximises organisational efficiency.
5. **Flexibility:** Planning should proact and react to the environmental changes. Liberalisation, privatisation and globalisation make the external environment more dynamic. This in turn results in high competitiveness and customer-centred production and marketing. In addition, customer tastes and preferences have been changing at a fast rate. All these factors made the business firms to introduce total quality management (TQM) and business process reengineering (BPPE). Planning function has acquired the character of flexibility in view of these developments.
6. **Consistency:** Managers at different levels formulate plans based on the internal and external environmental factors. Therefore, planning should be in consistence with the strengths of the firm and opportunities provided by the external environment. Similarly, planning at the departmental level should be in consistence with the corporate level plans.

Forecasting vs Planning

We generally tend to confuse forecasting with planning. Forecasts are predictions or estimates of the future changes. In other words, forecast is an attempt to probe the future by inferences from known facts. Forecast is estimating what will happen in future. But planning is deciding in advance what is to be done in future. The implementation of planning needs extra effort. Planning is a wider aspect whereas forecasting has a narrow dimension and so forecasting is a technique of planning.

2.4 Importance of Planning

All organisational activities have to be undertaken as per planning. In addition, all organisations formulate objectives and planning helps in the achievement of these objectives and goals. Further, planning helps for the entire business process from the stage of procuring machinery and material to the stage of selling the products:

- 1. Optimum Utilisation of Resources:** As indicated earlier, planning enhances efficiency. Efficiency requires optimum utilisation of all inputs. Further, it also requires optimum utilisation of machinery, men and other resources.
- 2. Economy in Operations:** Planning eliminates the unnecessary operations in production, marketing and other functions. In addition, it reduces the purchase price of material and other inputs. These result in economy in operations.
- 3. Reduces Uncertainties:** Planning process estimates the future trends of the external environments, initiates the steps to prepare for meeting the future challenges and converting some of the future threats into opportunities. Thus, planning reduces uncertainties.
- 4. Strengthens Competitive Ability:** An organisation's competitive ability depends upon its strengths and matching these strengths with the environmental opportunities. Planning helps the organisation to build the strengths, reduce the weaknesses, foresee the environmental opportunities and match the strengths with the opportunities. Thus, planning helps for improving the organisation's competitive abilities.
- 5. Effective Coordination:** Coordination is linking various sections and departments through network. Planning incorporates coordination in its process. In fact, the planning process

provides the detailed process of programming of activities which would result in effective coordination.

6. **Acts as Change Agent:** Planning helps to predict the future trends and also manipulate the environmental factors. Planning decides what should be done in terms of innovative product design, technology, marketing alliances etc. and bring the change before it is implemented by other companies. Thus, planning process acts as change agent.
7. **Motivation:** Planning encourages subordinates to participate in formulating and finalising the plans. Employee participation in planning satisfies their need for involvement and belongingness. This in turn will meet the employees' social and esteem needs. Thus, planning process motivates the employees.
8. **Effective Control:** Planning provides the detailed programming for implementation of various activities. Control function is based on the plans. The detailed plans provide guidelines for effective control. Though planning has many advantages, it has certain limitations. Now, we shall discuss the limitations of planning.

2.5 Types of Plans

The following are the major types of plans:

1. Strategic plans
2. Tactical plans
3. Operational plans
4. Time Horizons of plans: These include:
 - (a) Long-range plans
 - (b) Intermediate-range plans
 - (c) Short-range plans.

1. Strategic Plans

Strategic plan is a comprehensive, unified and integrated plan of the total organisation. Strategic plans are formulated and implemented to achieve strategies. Normally strategic plans are formulated/crafted by top level management of an organisation. Normally strategic plans cover long-range of the time horizons.

The basic steps of the strategic management process are: (a) identifying or defining business mission, purpose and objectives, (b) environmental (including global) analysis to identify present and future opportunities and threats, (c) organisational analysis to assess the strengths and weaknesses of the firm, (d) developing alternative strategies and choosing the best strategy, (e) strategy implementation, and (f) strategic evaluation and control.

2. Tactical Plans

Tactical plans are a set of procedures for translating broad strategic goals and plans into specific plans and goals that are relevant to distinct portion of the organisation like market share, retention of human resources and cost of procuring finance. Thus, tactical plans aim at achieving specific goals and implement a particular segment of the company's plan. Tactical plans provide detailed actions based on the strategy for a particular department or unit. These plans cover shorter time horizons compared to strategic and long-range plans. Middle level managers mostly deal with the tactical plans.

3. Operational Plans

Operational plans are normally designed by the lower level managers based on the tactical plans. Operational plans are courses of action that are to be carried out in day to day activities. Tactical plans indicate day to day and detailed actions to be carried out at departmental or unit level. Operational plans are normally based on strategic plans, intermediate plans, internal environment of the organisation, and ground realities.

Time-Horizons of Plans

Organisational plans are formulated based on time frame viz., long-range plans, intermediate plans and short-range plans.

(a) Long-range Plan: Long range plans normally deal with strategic plans covering 2 years to 10 years and above. Multinational companies (MNCs) and large domestic companies such as steel and machinery industries formulate long range plans over 20 years. Thus, the time horizon of the long range plan varies from one company to the other based on the size of the company and the nature of the industry to which it belongs.

The basic question in considering any sort of long-range planning is: Why should a firm attempt to look into the future? These are three basic reasons: (i) The first reason for looking into the future in a systematic way to understand the future implications of present decisions, (ii) The second reason for looking into the future in a systematic way is in a sense the observe of the first. As well as considering the future implications of present decisions, it is necessary to examine the present implication of future events, (iii) The third reason for looking into the future in a systematic way is to provide such motivation and such a mechanism.

(b) Intermediate Term Plans: Intermediate term plans mostly deal with tactical plans normally covering one to two years. Intermediate plans deal with specific aspects of long-term plans. Intermediate plans assure significance when the long term environment is unclear and is critical to scan and assess. Thus, managers, particularly at middle level follow the intermediate plans during the periods of uncertainty. However, intermediate plans focus on a particular aspect of long-term plan.

(c) Short-term Plans: Short-term plans normally cover the time horizon upto one year. In fact, it would be upto one month of time horizon for software industry. Thus, the time horizon may vary from industry to industry. Short-term plans normally deals with operational plans and act as guidelines for lower level managers in their day to day activities.

Normally short-term plans are based on intermediate plans and flexible in order to react to the environmental changes and ground realities. Thus, short-term plans are both action plans and reaction plans. They are action plans because, they are based on long and intermediate/medium term plans and are basically action-oriented. They are also reaction plans because they are modified based on environmental shifts, changes in management shifts and other ground realities. Thus, they react to the changes. The relationship between types of plans, time horizon and management skills given in Fig. 2.1. **Example:** Long term plans normally deal with stretegic plans and top level management is engaged in preparing strategic plans.

		Top-Level Management	Medium-Level Management	Lower-Level Management
Time Horizon	Time	Long Range Plans	Intermediate Range Plans	Short Range Plans
	Types	Strategic Plans	Tactical Plans	Operational Plans

Types of Plans

Fig. 2.1: Types of Plans, Time Horizon and Management Levels

2.6 Steps in the Process of Planning

Planning is a continuous process. Planning is an organisations plan for the total business or any part of the business including the departments or any part of it. For example, organisations plan for diversification or introduction of a new product, entry into a foreign market, introduction of new technology etc.

The steps in planning include:

(i) Being Aware of Opportunities and Strengths: Business firms analyse both internal environment and external environment. Analysis of the internal environment reveals organisation’s strengths and weaknesses. Analysis of an external environment includes the factors which are characterised as technological, economic, political, international and natural. Analysis of these factors reveal the opportunities offered by the external environment and threats posed by the external environment. Thus the business firms should be aware of the opportunities and strengths. For example, increase in middle income group is an opportunity for consumer goods industry. Business firms can plan to match the organisation’s strengths with the environmental opportunities, thus knowing the opportunities and strengths is the first step of planning.

(ii) Establishing Objectives and Goals: Business firms have to formulate objectives. Objectives are the ends towards which activity is aimed. They also represent ends towards which organising, staffing, directing and controlling are aimed at. The organisations formulate objectives not only for the entire enterprise but also for each department, unit and sub-unit. The departmental objectives are related to the enterprise objectives and strategically contribute to achieve them.

Objectives provide direction to the organisational plans. Organisational objectives control the departmental objectives and the sub units' objectives. Managers and subordinates formulate the objectives in collaboration by exchanging their ideas and views.

(iii) Developing Premises: The next step is getting acceptance from the employees regarding the planning premises like forecast, policies etc. Managers also get the acceptance of others regarding the assumption of the environment. All the managers involved in planning should have a common understanding about the planning premises. Forecast is an important planning premise. Forecasting premises include:

- What will be the population?
- What new markets will emerge?
- What will be the new products?
- What will be the supply of the competitors?
- What will be the new technologies?
- What will be the future prices?
- What will be the salary levels of employees?
- What will be the new trends in financial markets? and
- What political factors will affect the business?

These premises are more important, critical and strategic for formulating and finalising plans.

(iv) Determining Alternative Courses: The managers have to develop alternative courses. There would be several ways to achieve the predetermined objectives. The objective of profit maximisation can be achieved through the following alternative courses.

- Through forward linkage of the business
- Through backward linkage of the business
- Through expansion of the capacity
- Through diversification

- Through joint ventures and
- Through mergers and acquisitions.

Thus, managers have to develop alternative courses.

(v) Evaluating Alternative Courses: Managers have to evaluate the alternative course. Each alternative course has to be analysed in terms of its strengths and weaknesses. In addition, each alternative should also be analysed in terms of the opportunities for implementation of the course of action and the threats or challenges posed by the environment in implementing the course of action. Thus, each alternative course of action has to be evaluated in terms of strength, weakness, opportunity and threat (SWOT) analysis.

(vi) Selecting a Course: After evaluating the alternative courses based on the SWOT analysis, a manager has to rank them based on relative strengths and opportunities of each alternative. The alternative with highest strengths and opportunities and with the lowest threats and weaknesses would be ranked as number one while the last rank would be assigned to the alternative course with relatively lowest strengths and opportunities and highest threats and weaknesses. Then the manager selects the alternative for which rank number one is assigned.

(vii) Formulating Derivative Plans: Managers have to prepare derivative plans after finalising the main and the basic plan. These plans are essential to support and achieve the basic plan.

(viii) Budgeting: The final step is converting the plans and derivative plans into budgets. The budgets provide clear direction in numerical terms. They also provide clear programmes to be achieved. These budgets include capital budgets, financial budgets, material budgets, production budgets, sales budgets, human resource budgets etc.

2.7 Meaning of Organising

Organisations are economic and social entities in which a number of persons perform multifarious tasks in order to attain common goals. Organisations are effective instruments in that they help individuals accomplish personal objectives that they (persons) cannot achieve alone. According to Argyris, organisations are usually formed to satisfy objectives, “that can best be met collectively.”

Organising deals with structural aspects of organisations. It aims at analysing roles and relationships so that collective effort can be explicitly organised to achieve specific ends and exchange of information between these units and positions.

According to Allien, Organising is “the process of systematic and logical grouping of activities, delegation of authority and responsibility and establishing working relationships that will enable both the company and employee to realise their mutual objectives.”

According to Stephen P. Robbins, Organising is determining what tasks are to be done, who is to do them, how the tasks are to be grouped, who reports to whom and where decisions are to be made.”

2.8 Importance of Organising

Organising creates the relationship between top level executives and lower level staff members. The top level executives perform the functions, like planning, organising, staffing, directing, controlling the lower level people. The actual work is completed at lower level of the organisation. In this way, the organisation maintains the relationship with each other in an enterprise:

1. Facilitate administration: Administration aims at earning the highest profit by utilising the available resources properly. Duplication of work, wrong planning, inefficient personal, lack of motivation, improper allocation of duties and responsibilities, absence of co-ordination, communication gap, improper instructions are the ingredients of ineffective administration. This ineffective administration can be removed by having a sound organisation. Allen observes that “A properly designed and balanced organisation facilitates both management and operation of the enterprise. Inadequate organisation may not only discourage but also actually preclude effective administration”.

2. Increases the efficiency of management: Under good organisation, there is a chance of exhausting the worker’s ability in full and utilisation of resources effectively. Confusion, delay and duplication of work are avoided in good organisation. It automatically motivates the employees who are working in an organisation and increases the efficiency of management.

3. Facilitates growth and diversification: The structure of the company can be changed whenever the growth and expansion activities are carried out. The growth of business means an increase in the scale of operation and diversification means starting of production of a new type of

products. Changes in the organisation may result in the appointment of additional staff members, decentralisation of authority and responsibility, raising of additional capital, identification of the consumer's satisfaction and preferences, expansion of sales promotion activities and the like.

4. Ensures optimum utilisation of material resources and human efforts: Division of work and specialisation are the tools used to achieve the objective of optimum utilisation of material, resources and human efforts. Right man, right time and the right job can also be applied to them. Good organisation increases the efforts of the employees and the working facilities.

5. Adoption of new technology: The effectiveness of an enterprise is measured by the reaction of staff members to the adopting of a new technology. In the scientific world, there is a lot of innovations and inventions identified in the area of production, distribution and personnel management. If the new technology is adopted by the enterprise, the maximum benefits can be obtained in any field or activity. A flexible organisational structure is needed to adopt a new technology.

6. Places proportionate importance to the various activities of the enterprise: Organisation classifies the entire business activities into departments. Each department is receiving attention according to its importance it has in the achievement of business objectives. Money and efforts are spent in proportion to the contribution made by each and every department. It does not mean that less important department activities are neglected.

It means that due importance is given to each department according to its contribution towards the achievement of the objectives.

7. Encourages creativity and initiative: A sound organisational structure will give an opportunity for the staff to show their hidden talents which will help the enterprise to achieve the business goals and earn higher profits. Clear distribution of authority and responsibility, incentives offered for specialised work and freedom given to personal work, increases the spirit of constructive and creative approach in management.

8. Facilitates co-ordination: The activities of different departments are grouped together to achieve the business objectives. Each department performs its own function in a closely related manner and not as competitors.

9. Facilitates training and development of managerial personnel: A sound organisational provides training to new staff members before placement and give refresher training to the existing staff members to improve their efficiency. The training may be given within the company or outside the company according to the training facilitates available. Now-a-days training institutes give training to the needy persons with the help of the different experts from various fields. These training institutes are collecting data directly from the field used in the training.

10. Prevents the growth of secret, influence and corruption: Sound organisation develops the morale, honesty, devotion to duty and loyalty of business organisations. Normally, these help remove corruption, secret and influence. Only an unsound organisation develops secret, influence and corruption.

2.9 Principles of Organising

- **Principle of objective:** The organisation is established with a specific mission, purpose and objective like constructing buildings for profit.
- **Principle of specialisation and division of labour:** The organisation activities are divided into departments, units and tasks and each employee may be assigned with separate task. Employees can specialise in that activity.
- **Principle of coordination:** All the activities, units and departments should be coordinated with the organisation's objective, purpose and mission.
- **Principle of co-equal authority and responsibility:** Authority and responsibility are equally delegated. Otherwise subordinate may misuse authority, if more authority than required to discharge the responsibility is delegated. Alternatively, the subordinate can't discharge responsibility, if responsibility is more than the authority.
- **Span of control:** Span of control is number of subordinates, that can be managed efficiently by a superior. The span should be optimum depending upon organisational requirements.
- **Principle of continuity:** Organisations should continue their operations. Therefore they should be flexible and responsive to the environmental changes.

- **Principle of teamwork:** The purpose of the organisation is to achieve its mission. Achieving mission, strategy and goal efficiently is possible through a collaborative work of a team of people, even though the organisation is departmentalised.
- **Principle of efficiency:** Organisations should be designed in such a way that they should perform their activities with least cost and achieve highest return. Therefore, organisations should perform most efficiently.

2.10 Process of Organising

The process of organising includes determination of activities, grouping of activities, allotment of duties to specified persons, delegation of authority, defining relationships and the co-ordination of various activities:

1. **Determination of activities:** It includes the deciding and division of various activities required to achieve the objectives of the organisation. The entire work is divided into various parts and again each part is sub-divided into various sub-parts. For example, the purchase work may be divided into requisition of items, placing of an order, storage and so on.
2. **Grouping of activities:** The next function of organisation is that the identical activities are grouped under one individual or a department. The activities of sales such as canvassing, advertisements and debt collection activities are grouped under one department i.e., sales department.
3. **Allotment of duties to specified persons:** In order to ensure effective performance, the grouped activities are allotted to specified persons. In other words, the purchasing activities are assigned to the Purchase Manager; the production activities are assigned to Production Manager; the sales activities are assigned to Sales Manager and the like. Besides, adequate staff members are appointed under the specified persons. The specified persons are specialised in their respective fields. If there is any need, appropriate training would be provided to such persons.
4. **Delegation of authority:** Assignment of duties or allotment of duties to specified persons is followed by delegation of authority. It will be very difficult for a person to perform the duties effectively, if there is no authority to do it. While delegating a authority, responsibilities

are also fixed. Thus, the Production Manager may be delegated with the authority to produce the goods and fixed with the responsibility of producing quality goods.

5. **Defining relationship:** When a group of persons is working together for a common goal, it becomes necessary to define the relationship among them in clear terms. If it is done, each person will know who is his boss, from whom he has to receive orders and to whom he is answerable. In another sense, each boss should know what authority he has and over which person.
6. **Co-ordination of various activities:** The delegated authority and responsibility should be co-ordinated by the Chief Managerial Staff. The reason is that there must be a separate and responsible person to see whether all the activities are going on to accomplish the objectives of the organisation or not.

2.11 Line and Staff Function

The relationships with which the managers in an organisation deal with one another are broadly classified into two categories, viz., line and staff. Line and staff are often used in ways that are loose and unclear. Attempts have been made in some organisations to dispense with them. Line and staff are characterised by relationships but not by departments.

Line Relationship

The relationship that exists between two managers due to delegation of authority and responsibility, and giving or receiving instructions or orders is called line relationship. Thus, line relationship generally exists between the superior and his subordinate. Line refers to those positions of an organisation which have responsibility, authority and are accountable for accomplishment of primary objectives. Managers identified as line managers are not subject to command by staff position. In case of disagreement between line and staff, the line manager has the right to make final decisions.

Line authority represents an interrupted series of authority and responsibility delegating down the management hierarchy. In other words, the board of directors delegates a part of its authority to the general manager. The general manager in turn delegates part of his authority to different departmental heads and through them, to the next level managers. However, the line managers are completely responsible and accountable for the results achieved by the employees of the respective departments

and sections. This means that though the authority is delegated, responsibility for action taken by a subordinate still rests with the superior. Staff control is monitoring and reporting, which brings the results of information to the attention of the line managers for action by the line.

Staff Relationship

The staff concept is probably as old as organisation itself. It is virtually impossible for the busy line managers to perform all their functions and concentrate on all the activities, including management of the people in their respective departments. This gives rise to securing advice and help from specialists. This creates staff relationships. The relationship between two managers is said to be staff relation when it is created due to giving and taking advice, guidance, counsel, information, help or assistance, etc., in the process of attaining organisational goals.

Thus, staff managers analyse problems, collect information and develop alternative suggestions and help the line managers to make the right decision quickly. They reduce the work load of the line managers and allow them to concentrate on their operative issues.

Managers identified as lines are not subjected to command by staff positions. The line managers do not have authority over staff. The decisive factor in the authority limitations of relationship is that, in case of disagreement, the line manager has a right to make the final operational decision.

As discussed earlier, the responsibility of line managers is to attain effective goals of their respective departments by the proper management of materials, machine, money and men. Thus, management of four Ms which includes management of personnel in their respective departments is the responsibility of line management. Since management is getting things done through and by the people, responsibility of management of these people rests with line managers.

2.12 Functional Organisation Structure

Functional organisation structure is the most widely used structure. Each functional department consists of those jobs in which employees perform similar jobs at different levels. The commonly used functions are: marketing, finance and accounting, human resources, manufacturing, research and development and engineering. Fig. 2.2 illustrates a typical functional structure.

Advantages

(i) A functional structure would be effective in single business firms where key activities revolve around well defined skills and areas of specialisation. (ii) Indepth specialisation and focused concentration on performing functional tasks can enhance operating efficiency and the development of core competencies. (iii) This type of structure promotes maximum utilisation of up-to-date technical skills and enables the firm to capitalise on specialisation and efficiency. These are strategically important considerations for single business companies, dominant product companies and vertically integrated companies. (iv) The functional structure is most appropriate when firms compete on the basis of technical specialisation or efficiency in a relatively stable environment. (v) This structure promotes common values and goals among employees of the department, facilitating cooperation and collaboration within the functional department.

Disadvantages

(i) The horizontal diversification of the business reduces the efficiency of the functional structure. (ii) The departmental members may see the activities from the narrow viewpoint of the department rather than the total organisation. This aspect results in absence of interdepartmental coordination and cooperation. (iii) Interdepartmental policies further result in conflicts. This situation leads to indecision, delay in decision-making or ineffective decision-making. (iv) Further, the narrow specialisations kill the initiative of entrepreneurs and the zeal of innovativeness and creativeness. Consequently, the firm may lose sensitiveness to the customer demands, technological changes and environmental demands. These limitations of functional structure may make the firm to reassess the suitability of the structure to the strategy and decide accordingly.

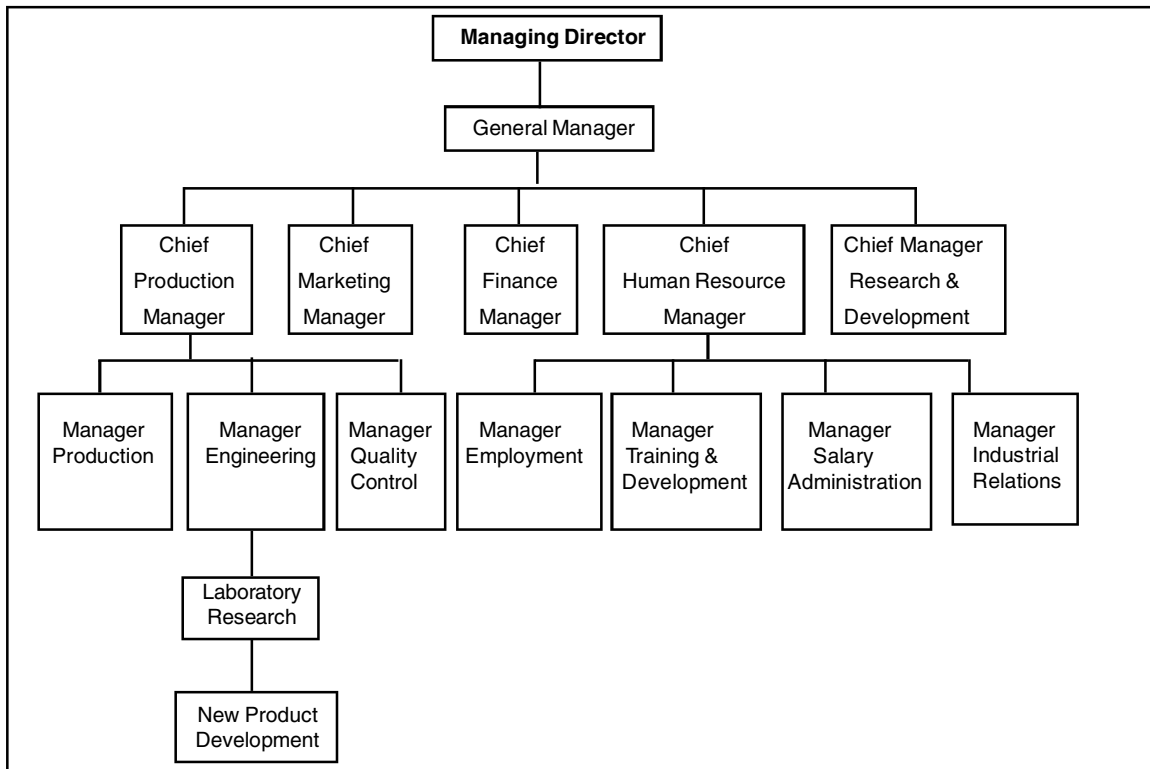


Fig. 2.2: A Functional Organisation Structure

2.13 Summary

Planning is deciding in advance what is to be done. It involves the selection of objectives, policies, procedures and programmes from among alternatives. Planning is mainly concerned with looking into future and selection of the best alternative to achieve the goals more economically and accurately. There are several types of plans i.e. Strategic plan, tactical plan, operational plan and time horizons plan. Strategic plans are formulated by top management. Tactical plans are actions plans and cover shorter time horizon compared to strategic plans. Operation plan covers day to day activities. Organisational plans are formulated based on time frame i.e. Short range, medium range and long range plans. The steps in the process of planning are: (a) Assessing opportunities and challenges (b) Establishing objectives and goods (c) Developing premises (d) Determining alternatives courses (e) Evaluating alternatives (f) Selecting a course (g) Finalising the plans (h) Budgeting.

Organising is the process of systematic grouping of activities, delegation of authority and responsibility and establishing working relationship that will enable both the company and employee to realise their mutual objectives. The process of organising includes (a) Determination of activities (b) grouping of activities (c) Allotment of duties to specified persons (d) Delegation of authority (e) Defining relationship and (f) Coordination of various activities. The relationship with which the managers in an organisation deal with one another are broadly classified into line and staff categories. Line refers to those position which have responsibility, authority for accomplishment of objectives. Line managers such as sales managers are not subject to command by staff position. The staff managers analyse the problems and provide suggestions and guidance to line managers. Of course, the line managers has the right to make the final operational decision.

2.14 Key Words/Abbreviations

- **Planning:** Planning consists of the activities involved in choosing courses of action to achieve organisational objectives. It is deciding in advance what to do, when to do, how to do and who will do it, in order to achieve these objectives.
- **Forecasting:** Forecasts are predictions or estimates of the future changes. In other words, forecast is an attempt to probe the future by inferences from known facts. Forecast is estimating what will happen in future.
- **Short term plan:** Short-term plans normally cover the time horizon upto one year. In fact, it would be upto one month of time horizon for software industry. Thus, the time horizon may vary from industry to industry. Short-term plans normally deals with operational plans and act as guidelines for lower level managers in their day to day activities.
- **Budget:** The final step in planning is converting the plans and derivative plans into budgets. The budgets provide clear direction in numerical terms. They also provide clear programmes to be achieved. These budgets include capital budgets, financial budgets, material budgets, production budgets, sales budgets, human resource budgets etc.
- **Line Function:** The relationship that exists between two managers due to delegation of authority and responsibility, and giving or receiving instructions or orders is called line relationship. Thus, line relationship generally exists between the superior and his subordinate.

Line refers to those positions of an organisation which have responsibility, authority and are accountable for accomplishment of primary objectives. Managers identified as line managers are not subject to command by staff position. In case of disagreement between line and staff, the line manager has the right to make final decisions.

- **Staff functions:** The staff concept is probably as old as organisation itself. It is virtually impossible for the busy line managers to perform all their functions and concentrate on all the activities, including management of the people in their respective departments. This gives rise to securing advice and help from specialists. This creates staff relationships. The relationship between two managers is said to be staff relation when it is created due to giving and taking advice, guidance, counsel, information, help or assistance, etc., in the process of attaining organisational goals.
- **Strategic Plan:** Strategic plan is a comprehensive, unified and integrated plan of the total organisation. Strategic plans are formulated and implemented to achieve strategies. Normally strategic plans are formulated/crafted by top level management of an organisation. Normally strategic plans cover long-range of the time horizons.
- **Operation Plan:** Tactical plans are a set of procedures for translating broad strategic goals and plans into specific plans and goals that are relevant to distinct portion of the organisation like market share, retention of human resources and cost of procuring finance. Thus, tactical plans aim at achieving beside goals and implement a particular segment of the company's plan. Tactical plans provide detailed actions based on the strategy for a particular department or unit. These plans cover shorter time horizons compared to strategic and long-range plans. Middle level managers mostly deal with the tactical plans.
- **Tactical Plan:** Tactical plans are a set of procedures for translating broad strategic goals and plans into specific plans and goals that are relevant to distinct portion of the organisation like market share, retention of human resources and cost of procuring finance. Thus, tactical plans aim at achieving beside goals and implement a particular segment of the company's plan. Tactical plans provide detailed actions based on the strategy for a particular department or unit. These plans cover shorter time horizons compared to strategic and long-range plans. Middle level managers mostly deal with the tactical plans.

- **Delegation of authority:** Assignment of duties or allotment of duties to specified persons is followed by delegation of authority. It will be very difficult for a person to perform the duties effectively, if there is no authority to do it. While delegating a authority, responsibilities are also fixed. Thus, the Production Manager may be delegated with the authority to produce the goods and fixed with the responsibility of producing quality goods.
- **Forecast:** Forecasts are predictions or estimates of the future changes. In other words, forecast is an attempt to probe the future by inferences from known facts. Forecast is estimating what will happen in future. But planning is deciding in advance what is to be done in future. The implementation of planning needs extra effort. Planning is a wider aspect whereas forecasting has a narrow dimension and so forecasting is a technique of planning.
- **Long-range plan:** Long range plans normally deal with strategic plans covering 2 years to 10 years and above. Multinational companies (MNCs) and large domestic companies such as steel and machinery industries formulate long range plans over 20 years. Thus, the time horizon of the long range plan varies from one company to the other based on the size of the company and the nature of the industry to which it belongs.
- **Span of control:** Span of control is number of subordinates that can be managed efficiently by a superior. The span should be optimum depending upon organisational requirements.
- **Organising:** Organising creates the relationship between top level executives and lower level staff members. The top level executives perform the functions like planning, organising, staffing, directing, controlling the lower level people. The actual work is completed at lower level of the organisation. In this way, the organisation maintains the relationship with each other in an enterprise:
- **Functional Structure:** Functional organisation structure is the most widely used structure. Each functional department consists of those jobs in which employees perform similar jobs at different levels. The commonly used functions are: marketing, finance and accounting, human resources, manufacturing, research and development and engineering.

2.15 Learning Activity

Give three examples for each of the following.

1. Business Forecast.

2. Tactical Plans.

3. Short Term Plans.

2.16 Unit End Questions (MCQ and Descriptive)

A. Descriptive Type: Short Answer Type Questions

1. Define the term planning. Differentiate planning from forecasting.
2. Explain the importance of planning
3. Discuss different types of plans.
4. Comment on the planning process and explain various steps in the planning process.
5. What is organising? Explain planning principles.
6. Explain the differences between line and staff function.
7. What is a functional organisation? Explain with a diagram.

B. Multiple Choice/Objective Type Questions

1. Planning means
 - (a) Predicting future
 - (b) Developing people
 - (c) Delegation of work
 - (d) All the above.
2. Types of plans includes
 - (a) Operational plan
 - (b) Short range plan
 - (c) Strategic plan
 - (d) All the above
3. Planning helps the organistaion in the following areas
 - (a) Utilisation of resources
 - (b) Effective coordination
 - (c) Economy in operations
 - (d) Effective control
 - (e) All the above
4. Organising involves
 - (a) Grouping of work to be performed
 - (b) Recruitment of people
 - (c) Training of people
 - (d) All the above
5. Staff manager
 - (a) Provide suggestions and recommendation to line staff.
 - (b) Has authority over line staff
 - (c) Controls people working in his department
 - (d) All the above

6. Principles of organising include
- | | |
|------------------------|-------------------|
| (a) Span of control | (b) Teamwork |
| (c) Division of labour | (d) all the above |

Answers

1. (a), 2. (d), 3. (e), 4. (a), 5. (a), 6. (d).

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UNIT 3 MANAGEMENT AND ITS FUNCTIONS – II

Structure:

- 3.0 Learning Objectives
- 3.1 Introduction
- 3.2 Formal and Informal Organisation
- 3.3 Authority, Responsibility and Accountability
- 3.4 Delegation of Authority
- 3.5 Staffing
- 3.6 Summary
- 3.7 Key Words/Abbreviations
- 3.8 Learning Activity
- 3.9 Unit End Questions (MCQ and Descriptive)
- 3.10 References

3.0 Learning Objectives

After studying this unit, you will be able to:

- Explain the concept of formal and informal organisation
- Analyse the meanings of and differences among authority, responsibility and accountability.
- Discuss the meaning, principles, benefits and barriers of delegation.



- Analyse how to make delegation effective?
- Explain the meaning and functions of staffing

3.1 Introduction

L.A.Allen defines an organisation as “the process of identifying and grouping the work to be performed, defining and delegating responsibility and authority and establishing relationships for the purpose of enabling the people to work most effectively together in accomplishing objectives.” The relationships that exist in an organisation may be formal and/or informal.

The manager describes organisational relationships in a written and graphic manner. He/she tells the participants to do certain things in a specified manner, to obey orders from designated individuals, and to work co-operatively with others. Formal organisation is built on the relationships of authority responsibility, accountability span of management, delegation, centralisation and decentralisation. Now, we discuss these concepts.

3.2 Formal and Informal Organisation

Classification of Organisation

The organisation can be classified on the basis of authority and responsibility assigned to the personnel and the relationship with each other. In this way, an organisation can be either *formal or informal*.

Formal Organisation

The formal organisation represents the classification of activities within the enterprise, indicates who reports to whom and explains the vertical journal of communication which connects the chief executive to the ordinary workers. In other words, an organisational structure clearly defines the duties, responsibilities, authority and relationships as prescribed by the top management.

In an organisation, each and every person is assigned the duties and given the required amount of authority and responsibility to carry out this job. It creates the co-ordination of activities of every person to achieve the common objectives. It indirectly induces the worker to work most efficiently.

The inter-relationship of staff members can be shown in the organisation chart and manuals under formal organisation.

Characteristics of Formal Organisation

The important characteristics of a formal organisation are given below:

1. It is properly planned.
2. It is based on delegated authority.
3. It is deliberately impersonal.
4. The responsibility and accountability at all levels of organisation should be clearly defined.
5. Organisational charts are usually drawn.
6. Unity of command is normally maintained.
7. It provides for division of labour.

Advantages of Formal Organisation

1. The definite boundaries of each worker is clearly fixed. It automatically reduces conflict among the workers. The entire building is kept under control.
2. Overlapping of responsibility is easily avoided. The gaps between the responsibilities of the employees are filled up.
3. Buck passing is very difficult under the formal organisation. Normally exact standards of performance are established under formal organisation. It results in the motivating of employees.
4. A sense of security arises from classification of the task.
5. There is no chance for favouritism in evaluation and placement of the employee.
6. It makes the organisation less dependent on one man.

Keith Davis observes that formal organisation is and should be our paramount organisation type as a general rule. It is the pinnacle of man's achievement in a disorganised society. It is man's orderly, conscious and intelligent creation for human benefit.

Arguments Against Formal Organisation

1. In certain cases, the formal organisation may reduce the spirit of initiative.
2. Sometimes authority is used for the sake of convenience of the employee without considering the need for using the authority.
3. It does not consider the sentiments and values of the employees in the social organisation.
4. The formal organisation may reduce the speed of informal communication.
5. It creates the problems of coordination.

Informal Organisation

Informal organisation is an organisational structure which establishes the relationship on the basis of the likes and dislikes of officers without considering the rules, regulations and procedures. These types of relationships are not recognised by officers but only felt. The friendship, mutual understanding and confidence are some of the reasons for existing informal organisation.

Example: If bank officers decide to meet every Sunday evening for two hours and form a recreation club to play games outside the bank, they are meeting in an informal organisation. However when the same group meets to discuss bank recovery for the next three months, it is in the context of a formal organisation.

The informal organisation relationship exists under the formal organisation also. The informal organisation relationship or informal relations give a greater job satisfaction and result in maximum production.

According to C.J. Bernard, “Informal organisation brings cohesiveness to formal organisation. It brings to the members of a formal organisation a feeling of belonging, status of self respect and gregarious satisfaction. Informal organisations are important means of maintaining the personality of the individual against certain effects of formal organisation which tend to disintegrate personality.”

Characteristics of Informal Organisation

1. Informal organisation arises without any external cause i.e., voluntarily.
2. It is a social structure formed to meet personal needs.

3. Informal organisation has no place in the organisation chart.
4. It acts as an agency of social control.
5. Informal organisation can be found on all levels of organisation within the managerial hierarchy.
6. The rules and traditions of informal organisation are not written but are commonly followed.
7. Informal organisation develops from habits, conduct, customs and behaviour of social groups.
8. Informal organisation is one of the parts of total organisation.
9. There is no structure and definiteness to the informal organisation.

Advantages of Informal Organisation

The advantages of informal organisations are briefly explained below:

1. It fills up the gaps and deficiency of the formal organisation.
2. Informal organisation gives satisfaction to the workers and maintains the stability of the work.
3. It is a useful channel of communication.
4. The presence of informal organisation encourages the executives to plan the work correctly and act accordingly.
5. The informal organisation also fills up the gaps among the abilities of the managers.

Disadvantages of Informal Organisation

The disadvantages of Informal Organisation are summarised below:

1. It has the nature of upsetting the morality of the workers.
2. It acts according to mob psychology.
3. Informal organisation indirectly reduces the efforts of management to promote greater productivity.

4. It spreads rumour among the workers regarding the functioning of the organisation unnecessarily.

3.3 Authority, Responsibility and Accountability

Authority

Authority is the right to give orders and the power to extract obedience. It is the right to decide what should be done or the right to do it oneself or to require someone else to do it. An authority is the power to command or to extract action from others in the process of discharging the delegated responsibility. Thus, authority is derived from responsibility just as responsibility is derived from functions. The important principle of authority is:

Authority and responsibility should be equal. In other words, the required amount of authority should be delegated to discharge responsibility. This principle avoids misuse of authority and at the same time helps in the proper discharge of responsibility.

Responsibility

Edwin B. Flippo defined responsibility as “one’s obligation to perform the functions assigned to the best of one’s ability in accordance with directions received.” Responsibility is derived from function which is the origin for relationship. Hence, it is called functional derivative. The important principles which could be observed in delegating responsibility are:

- Absence of overlapping responsibilities i.e., one function should not be assigned to more than one individual employee.
- Functional similarity which facilitates specialisation should be taken into consideration while delegating responsibility.
- Clear identification of responsibility limits.
- Avoidance of gaps in delegation of responsibility.
- Unnecessary function or responsibility which does not contribute to organisational goals should not be entrusted.

Though, a certain part of the responsibility is delegated to the subordinate, the original and entire amount of the responsibility still rests with the superior.

Accountability

Accountability is the requirement of answerability for one's performance. It is the opposite phase of responsibility in the sense that responsibility flows downward while accountability flows from bottom to top for proper performance. If one has been delegated with co-equal authority and responsibility, he can logically be held accountable for results. While authority is delegated from a superior to a subordinate, where as accountability is created. In other words, accountability is derived from authority. Thus, responsibility is a functional derivative, authority is derived from responsibility and accountability is derived from authority. The important principle of accountability is single accountability. That is each person is accountable to only one superior. Divided accountability is undesirable as it confuses the subordinate.

3.4 Delegation of Authority

Every manager in the organisation has to perform certain activities/tasks which are assigned to him. Managers require authority in order to perform the activities assigned to him by his superiors. Hence, superiors delegate the necessary authority to their subordinates.

Meaning

Most of the managers fail to delegate because they fail to understand the meaning of delegation. The process of giving authority to a subordinate in order to perform the assigned activities by a superior is called *delegation of authority*.

“Delegation is the process a manager follows in dividing the work assigned to him so that he performs only that part which he can perform effectively and so get others help him with the remaining work.”

Delegation is the instrument of responsibility and authority of another and the creation of accountability for performance. It is to be noted that the person who delegates authority and responsibility will not be relieved of the final responsibility and accountability.

Nature of Delegation

Nature of delegation includes:

- It gives direction to a manager in performing his duties
- It has dual characteristics in the sense that though the authority is delegated, it is still retained with the superior
- It can be modified even after the action is over
- Manager cannot delegate authority which he does not possess
- It may be specific or general and
- It is an art rather than a science.

Informal Delegation

Formal delegation is effective to the extent of formal authority and responsibility. Informal delegation occurs because people want to do something and not because they are instructed to do it. It often takes place as people want to cut delays and get things done quickly and effectively. In informal delegation, the delegation could be bottom-up and lateral, in addition to top-down. As in the case of informal organisation, informal delegation also has plus and minus points. In view of this, the management should wisely use the informal delegation as the delegation is mostly an art rather than a science.

Principles of Delegation

Managers have to follow the following principles in order to make the delegation effective:

- (i) Delegation of Results Expected:** Managers have to clearly know the activities to be performed by the subordinates and the results to be achieved by the subordinates. Managers have to delegate the necessary authority and responsibility to produce the results.
- (ii) Co-equal Authority and Responsibility:** Managers should delegate equal authority and responsibility. It means that the amount of authority that is to be delegated should be enough to discharge the responsibility. The authority may be misused, if it is more than the responsibility. In contrast, if the authority is less than the responsibility, the subordinate cannot discharge the authority.

- (iii) **Absoluteness of Responsibility:** The superior holds responsibility though he delegates it to his subordinates. Therefore, the responsibility of subordinates to their superiors is absolute.
- (iv) **Creation of Accountability:** The subordinates who receive both authority and responsibility should be accountable for their responsibility of completing the activities as specified and for their authority of using various resources. Thus, the delegation of authority and responsibility should create accountability on the part of the subordinates.
- (v) **Unity of Command:** Unity of command indicates that the subordinate should receive orders, instructions and commands from one superior only. Therefore, the authority and responsibility should be delegated to a subordinate by only one superior.
- (vi) **Limits of Authority:** Superiors cannot delegate all the authority they have to their subordinates as they are finally responsible for the success or failure of their departmental functioning. Therefore, they delegate part of the authority to their subordinates. Subordinates should know the limits of the authority delegated to them while exercising the authority and also discharging their responsibilities. Now, we shall discuss the benefits advantages of delegation.

Benefits of Delegation

Delegation of authority and responsibility provides the basic energy to the organisational activities. The benefits of delegation include (see Table 3.1):

Table 3.1: Benefits and Barriers of Delegation

Benefits	Barriers
● Relieves the Managers from routine work	● Fear of loss of power
● Helps the Managers to concentrate on policy issues	● Avoidance of risk
● Basis for effective functions	● Lack of confidence in subordinates
● Effective and timely decisions	● Autocratic style
● Empowers and develops subordinates	● Fear of misuse of authority
● Satisfaction to subordinates	● Overconfidence of subordinates

- (i) **Relief to the Manager from routine work and concentration on policy issues:** Managers are burdened with the heavy work relating to policy matters, strategic issues and routine activities. Managers normally delegate the responsibility of carrying out routine activities to their subordinates. This process of delegation relieves them from the heavy workload and concentrate on important areas like policy and strategic issues.
- (ii) **Basis for Effective Functioning:** Delegation of authority creates relationships and links among various jobs in the organisation. This relationship enables the smooth flow of organisational activities.
- (iii) **Effective and Timely Decisions:** Delegation of authority and responsibility to the subordinates to the lowest level of the organisation enhances the number of decision points. Each decision point has less number of decisions to be made. Hence, it enables the managers at each decision point to make decisions effectively and timely.
- (iv) **Empower and Develop Subordinates:** Delegation process encourages the subordinates to make decisions relating to their areas. Therefore, subordinates are trained to equip with all the necessary skills, knowledge etc. to make the decisions and implement them. Thus, they are empowered to decide their activities and develop strategies to implement or execute them.
- (v) **Satisfaction to Subordinates:** Subordinates derive the satisfaction for doing a meaningful and challenging task. In addition, they have the opportunity to utilise their skills and knowledge.
- (vi) **Effective utilisation of organisational human resources:** Responsibilities are delegated to all the subordinates depending upon their skills, knowledge, abilities, attitudes and emotions. Therefore, these organisational human resources can be effectively utilised.

However, there are certain barriers to delegation. Now, we shall discuss these barriers.

Barriers to Delegation

Delegation provides various benefits to the superior, subordinates and the organisation in general. But certain factors do hinder the process of delegation. These include:

- (i) **Fear of Loss of Power:** Superiors feel that they lose power by delegating their authority. They also feel that their subordinates become powerful. This fear hinders some of the managers from delegating their authority and responsibility.

- (ii) **Avoidance of Risk:** Some subordinates are not ready to accept responsibility as they do not want to take risk. So they try to encourage the superior to exercise the authority and act as the leader.
- (iii) **Lack of Confidence in Subordinates:** Some superiors always view their subordinates as children, who cannot think and act independently. They also view that subordinates have to learn a lot and get experience to accept responsibility. Consequently such superiors show lack of confidence in subordinates and as such they hesitate to delegate authority.
- (iv) **Autocratic Style:** Some managers are autocrats. They never consult others and do not allow others to make decisions. They never part with their authority.
- (v) **Fear of Misuse of Authority:** Some managers feel that the subordinates misuse the authority or use the authority excessively and as such they fail to delegate.
- (vi) **Overconfidence of the superiors:** Some superiors have overconfidence in themselves and feel that they do things better than their subordinates. As such they do not want to delegate their authority.

Art of Delegation

Delegation is mostly an art rather than science. As such managers should have necessary skills of delegation. Most managers fail to delegate not because they are unaware of the principles but because they take least interest in applying the principles to practice owing to their personal attitudes like receptiveness, willingness to let go, willingness to let others make mistakes, willingness to trust subordinates, willingness to establish and view broad controls.

In view of these limitations in delegation, the manager has to:

- Define assignments in the light of results expected and then delegate the necessary authority;
- Select the right man based on the job analysis;
- Establish and maintain open lines of communication;
- Use appropriate control techniques and
- Reward the superiors who delegate authority appropriately and assume the authority properly.

Most of the managers fail to delegate adequate authority owing to their love for authority and their personality factors. Fear of being exposed, control of the managers over the position they have succeeded, underestimation of subordinates' ability and improper estimation of required authority are other reasons for inadequate delegation.

How to Make Delegation Effective?

The problem of delegation is essentially one of human leadership. Hence, the management has to create appropriate climate, allow the others to develop, should have faith in the subordinates' ability and educate them to overcome fear:

- Management should establish clear-cut goals and define authority and responsibility clearly, motivate the subordinates through stimulation, group cohesiveness, organisational influences, appropriate leadership, counselling and communication.
- Delegation should be complete when arrangements are made for guidance, coaching, supervision, direction, communication and control.
- Managers who delegate authority should make a clear-cut assignment, delegate the details of coordination, specify progress information needed, provide counselling, guidance and adequate training which should be followed up by appraisal of current performance, counselling for improvement and coaching on the job.

Another concept that influences the organisation design is centralisation and decentralisation, which is close to delegation.

3.5 Staffing

Introduction

In a new enterprise, the staffing function follows the planning and organising function. In the case of running an enterprise, staffing is a continuous process. So, the manager should perform this function at all times. The staffing function includes recruitment, selection, training, development, transfer, promotion and compensation of personnel.

It is obvious that the management must ensure a constant availability of sufficient number of efficient executives in an enterprise for the efficient functioning of the enterprise. The selected personnel should be physically, mentally and temperamentally fit for the job.

Definition

According to Koontz and O'Donnell, "The managerial function of staffing involves managing the organisation structure through proper and effective selection, appraisal and development of personnel to fill the roles designed into the structure."

S. Benjamin has defined staffing as, "The process involved in identifying, assessing, placing, evaluating and directing individuals at work."

According to Theo Hainmann, "Staffing function is concerned with the placement, growth and development of all those members of the organisation whose function is to get things done through the efforts of other individuals."

Elements of Staffing

While performing the staffing function, the manager has to see that men are fit for jobs and jobs are not altered for men. The major elements of staffing are given below:

1. Effective recruitment and selection.
2. Proper classification of personnel and pay fixed for them.
3. Proper placement.
4. Adequate and appropriate training for development.
5. Satisfactory and fair transfer and promotion.
6. Sound relationship between management and workers.
7. Adequate provision for retirement.

Functions of Staffing

1. **Manpower planning:** Manpower may be planned for short-term and long-term. The short-term manpower planning may achieve the objectives of the company at present conditions.

The long-term manpower planning should be concerned with the estimation of staff members required in future.

2. **Development:** Development is concerned with the development of staff members through adequate and appropriate training programmes. The training is given only to the needy persons.
3. **Fixing the employment standards:** It involves the job specification and job description. These enable the management to select the personnel and train them scientifically. Job description is a systematic and organised written statement of the duties and responsibilities in a specific job. Job specification is a statement of personal qualities that an individual must possess if he is to successfully perform the job.
4. **Sources:** It is concerned with the method by which the staff members are selected. The sources may be internal and external sources. Internal source means that a vacancy is filled up by the company out of the staff members available within the company. The external source means that a vacancy is filled up by the company from outside the company. The person selected may be unemployed or working in any other company.
5. **Selection and placement:** It includes the process of selection of the staff members. The placement includes giving a job to a person on the basis of his ability, education, experience and the like.
6. **Training:** The training may be arranged by the company itself. In certain cases, the staff members may be sent out by the company to get the training. The expense is borne by the company. The training may be required not only by the new staff members but also by the existing staff members.
7. **Other functions:** The other functions of staffing includes co-ordination, promotion, transfer, record maintenance regarding employees, rating of employees, motivation, etc.

Process of Staffing

The selection and placement of personnel involves the following process. They are briefly discussed below:

1. **Planning:** The term planning of staff members includes estimation of the number of staff members required to the company in various grades. It is based upon the size of the company and the policy followed by the company.
2. **Recruitment and selection:** It deals with the selection of qualified applicants to fill the jobs in the organisation. A standard procedure may be followed while selecting the staff members. The procedure may be valid for different types of personnel.
3. **Training of developments:** It is concerned with providing training to new staff members as well as the existing staff members. The working efficiency of the staff members may be developed through the training programmes.
4. **Performance operation:** It deals with assessment of the work performed by the staff members in an organisation. A standard may be fixed in order to evaluate the efficiency of the staff members.

Proper Staffing

Proper staffing means providing adequate qualified staff members for the purpose of effective functioning of office. The chief executive or the general manager undertakes this function. Identifying appropriate staff members is a difficult task. So, some of the staffing functions may be assigned to a separate department in a large concern.

Advantages of Proper Staffing

1. It helps in the recruitment of efficient staff members.
2. It helps the proper placement of staff members according to their ability.
3. Proper selection, training and development of staff members, will result in the maximum production in an organisation.
4. Increasing the efficiency of the workers will increase the earning capacity of the workers.

3.6 Summary

The organisation can be classified on the basis of authority and responsibility assigned to the personnel and relationship with each other. In this way the organisation can be formal and informal. A formal organisation structure clearly defines the duties, responsibilities, authority and relationship as prescribed by top management. Informal organisation is an organisational structure which establishes the relationship on the basis of likes and dislikes of employees without considering rules and regulations. Friendship, mutual understanding and confidence are some of the reasons for existence of informal organisation. Informal organisation is voluntary and it has no place in organisation chart. It develops from customs, traditions and behaviour of social groups.

Every manager has to perform certain tasks/activities which are assigned to him. Managers receive authority to perform the activities assigned to them by his superiors. Delegation involves giving authority to a subordinate to perform the assigned duties by a superior. The benefits of delegation are : Relieves the manager from routine work, empowers and develop subordinates and effective and timely decisions.

3.7 Key Words/Abbreviations

- **Authority:** Authority is the right to give orders and the power to extract obedience. It is the right to decide what should be done or the right to do it oneself or to require someone else to do it. An authority is the power to command or to extract action from others in the process of discharging the delegated responsibility.
- **Responsibility:** Responsibility is one's obligation to perform the functions assigned to the best of one's ability in accordance with directions received.

Though, a certain part of the responsibility is delegated to the subordinate, the original and entire amount of the responsibility still rests with the superior.

- **Accountability:** Accountability is the requirement of answerability for one's performance. It is the opposite phase of responsibility in the sense that responsibility flows downward while accountability flows from bottom to top for proper performance.

- **Delegation:** Delegation is the process a manager follows in dividing the work assigned to him so that he performs only that part which he can perform effectively and so get others help him with the remaining work.
- **Unit of Command:** Unity of command indicates that the subordinate should receive orders, instructions and commands from one superior only.
- **Staffing:** The managerial function of staffing involves managing the organisation structure through proper and effective selection, appraisal and development of personnel to fill the roles designed into the structure.
- **Formal Organisation:** The formal organisation represents the classification of activities within the enterprise, indicates who reports to whom and explains the vertical journal of communication which connects the chief executive to the ordinary workers. In other words, an organisational structure clearly defines the duties, responsibilities, authority and relationships as prescribed by the top management.
- **Informal Organisation:** Informal organisation is an organisational structure which establishes the relationship on the basis of the likes and dislikes of officers without considering the rules, regulations and procedures. These types of relationships are not recognised by officers but only felt. The friendship, mutual understanding and confidence are some of the reasons for existing informal organisation.

3.8 Learning Activity

1. Managers delegate authority to subordinates. State three examples.

2. State the external sources of recruitment.

3. Give examples of informal delegation.

3.9 Unit End Questions (MCQ and Descriptive)

A. Descriptive Type: Short Answer Type Questions

1. Explain the terms formal and informal organisation.
2. What is authority? Differentiate authority from responsibility and accountability.
3. What is delegation of authority? Explain the principles of delegation.
4. What are the benefits and barriers of delegation?
5. How do you make delegation effective?
6. What are the areas covered under staffing?

B. Multiple Choice/Objective Type Questions

1. In Informal organisational structure is based on
 - (a) Habits, conduct, customs and behavior of employees
 - (b) Division of labour
 - (c) Defined responsibility and authority
 - (d) All of above.
2. Principles of delegation includes
 - (a) Co-equal authority and responsibility
 - (b) Unity of command
 - (c) Accountability
 - (d) All the above

3. Staffing covers the following areas
 - (a) Recruitment and selection
 - (b) Training
 - (c) Compensation
 - (d) All the above
4. Authority means
 - (a) Right to give orders and extract obedience.
 - (b) Delegation of work
 - (c) Taking responsibility for the work
 - (d) All the above
5. Delegation means
 - (a) Assigning work to others in the organization
 - (b) Helping the employees to improve performance
 - (c) Assessing the performance of employees
 - (d) all the above
6. In informal delegation, the delegation is
 - (a) Bottom-up
 - (b) Lateral
 - (c) top down
 - (d) All the above

Answers

1. (a), 2. (d), 3. (d), 4. (a), 5. (a). 6. (d).

3.10 References

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UNIT 4 MANAGEMENT AND ITS FUNCTIONS – III

Structure:

- 4.0 Learning Objectives
- 4.1 Introduction
- 4.2 Meaning of Control
- 4.3 Importance of Control
- 4.4 Types of Control
- 4.5 Basic Process of Control
- 4.6 Control Techniques
- 4.7 Introduction to Decision Making
- 4.8 Meaning of Decision Making
- 4.9 Importance of Decision Making
- 4.10 Process of Decision Making
- 4.11 Summary
- 4.12 Key Words/Abbreviations
- 4.13 Learning Activity
- 4.14 Unit End Questions (MCQ and Descriptive)
- 4.15 References

4.0 Learning Objectives

After studying this unit, you will be able to:

- Describe the meaning of and importance managerial control
- Discuss various steps in the managerial control process
- Elaborate different types of control
- Explain decision making and understand the importance of decision making.
- Discuss the process of and various steps involved in the decision making.

4.1 Introduction

Managers formulate mission, objectives, strategies and plans, organise the people and resources and direct the people to implement the plans to achieve the objectives. To what extent do the people achieve the objectives? To what extent the facilities and people contributed for the implementation of plans? Did the environmental factors affect the implementation of plans? We have to review the total process to answer these questions. In addition, we have to study control to answer these questions.

Once the strategy is formulated and implemented, there is no guarantee that the strategy could be implemented as it is designed and also that the strategy generates the results aimed at. Therefore, the strategist has to evaluate the strategy and its programme to assess whether the implementation of the strategy is as per the strategic plan or not. Further, a number of deviations either in the external environment or in the organisational environment may take place. These deviations may necessitate a change in the strategy. These changes also require evaluation and control.

4.2 Meaning of Control

Control consists of making something happen the way it was planned to happen. According to Henri Fayol, *control consists in verifying whether everything occurs in conformity with the plan adopted, the instructions issued and principles established*. Its objective is to point out weaknesses and errors in order to rectify them and prevent recurrence. It operates on everything,

things, people and actions. The control function includes three procedures *viz.* (i) measuring actual performance, (ii) comparing actual performance to standards and (iii) taking corrective action to ensure that planned events actually occur.

4.3 Importance of Control

A good control system gives the following benefits to the management:

1. Adjustments in operation: Every organisation has certain objectives. These objectives are achieved only when the plans are properly implemented. If it is not done so, objectives cannot be achieved. Control provides a clue to find whether the plans are properly implemented to achieve the objectives. The deviations from standards are corrected immediately. Thus control makes necessary adjustments in operation.

2. Verification of policy: The management frames the policies and plans to help the organisation function smoothly. The organisational performance is reviewed in the light of these policies. The organisational performance might deviate from the plans (standard) on account of many internal and external factors. These factors may force the organisation to deviate from the original plans. Constant review of plans helps to revise and update them. Thus, the management can verify the policy through the control process.

3. Managerial accountability: Managerial personnel are assigned responsibilities from top to bottom. A superior may delegate his authority to his subordinates. But the superior is responsible (or accountable) for the performance of his subordinates even after the delegation. It is quite natural that the superior has control over his subordinates. Besides, it is specified that the superiors should not misuse their authority. Control flows throughout the organisation from top to bottom as the existence of relationship between the superior and subordinates. Everyone, whether superior or subordinate, has responsibility for the work assigned to him.

4. Psychological pressure: Better performance is obtained by the management through the control process. It is achieved psychologically. The reason is that each person's performance is evaluated and linked with rewards. So, the employees will work hard to achieve the standard set for them.

5. Maintaining morality: Control creates an atmosphere of discipline in the organisation. Everybody is responsible for the work assigned to him. The workers are expected to make best efforts to complete the work and to the satisfaction of the management. These are not possible in the absence of control.

6. Co-ordination: Control gives unity of direction. Proper performance of all managerial functions is necessary to achieve co-ordination. A manager has to co-ordinate the activities of his subordinates with the help of control. Control helps to maintain an equilibrium between means and ends.

7. Efficiency: As responsibility is fixed for each individual, effective performance is possible. Control indirectly induces the employees to perform the work efficiently. They are well aware that defective performance is linked with punishment.

4.4 Types of Control

1. Standardising control: Controls are used to standardise performance for increasing efficiency. Costs may be reduced by time and motion studies, inspections and work schedules.

2. Preserving control: Company assets are protected or preserved through the allocation of responsibilities. Proper accounts are maintained for assets and usage of assets are controlled and put under strict supervision.

3. Delegation of authority control: Control puts some limits to the usage or delegation of authority. The approval of the top management is necessary to use the delegation of authority. Policy manual, procedure manual and internal audits are some of the techniques included in this control.

4. Measurement control: Controls are used to measure the job performance. Performance is measured through special reports, budgets, standard cost and production per hour or per employee.

5. Motivating control: Controls are designed to motivate the employees of organisation. Motivation includes promotions, rewards for best opinions and operation, profit sharing and the like.

4.5 Basic Process of Control

The managerial control process consists of six steps as given below:

Step 1: Key Areas to be Monitored

- **Macro-environment:** As stated earlier, one of the key areas to be monitored is the macro-environment of the company. This area should be focused first. Normally individual companies cannot influence the environment significantly. But the external environmental forces must be continuously monitored as the changes in the environment influence the implementation of the plans of the company.
- **Mission and Objectives:** This includes modifying any one or more of the areas like company's mission, objectives, plans, goals, strategy formulation and implementation. The modification depends upon the nature and degree of changes and shifts in the environment.
- **Industry Environment:** The manager also monitors and controls the industry related environment. The environmental forces may not be as they were planned. The changes in the environment may provide new opportunities or pose new threats. The plan, therefore, should be modified accordingly.

The industry environment of the future should be considered by the top management for the purpose of evaluation and control.

- **Internal Operations:** The manager has to evaluate the internal operations continuously in view of the changes in the macro-environment and industry environment. The manager has to introduce changes in internal operations when changes in the environment affect the plans.

Step 2: Establishing Standards

Evaluating an organisational performance is normally based on certain standards. These standards may be the previous year's achievements or the competitor's records or the fresh standards established by the management. Qualitative judgements like the qualitative features of the product or service in the last year may be used. Quantitative measures like Return on Investment (ROI),

Return on sales may also be used for judging the performance. Companies should establish the standards for evaluating the performance of the strategies taking several factors into consideration.

The standards may include:

- Quality of Products/Services.
- Quantity of Products to be Produced.
- Quality of Management.
- Innovativeness/Creativity.
- Long-term investment value.
- Volume of sales and/or market share.
- Financial soundness in terms of return on investment, return on equity capital, market price of the share, earning per share etc.
- Community and environmental responsibility in terms of amount spent on community development, variety of facilities provided to the community, programmes undertaken for environmental protection and ecological balance etc.
- Soundness of human resources management in terms of percentage of employee grievances redressed, employee satisfaction rate, employee turnover rate, industrial relations situation etc.
- Ability to attract, develop and retain competent and skilled people.
- Use of company's assets.
- Production targets, rate of capacity utilisation, design of new products, new uses of existing products, rate of customer complaints about the product quality, suitability of ingredients etc.
- Corporate image among the customers and general public.
- Market place performance.

- Standards relating to the organisational variables include freedom and autonomy, level of control, responsibility, formal organisation and degree of formality and informal organisation scope for innovation and creativity.

Step 3: Measuring Performance

The manager has to measure the performance of various areas of the organisation before taking an action. Performance may be measured through quantitative terms or qualitative terms. Reports and statements help to measure the actual performance through quantitative terms and managerial observations help to measure performance through qualitative terms. Production, sales, profitability, staff cost etc. can be measured through quantitative terms and quality of the product, employee's performance, attitude etc. can be measured through qualitative terms.

Step 4: Compare Performance with Standards

Once the performance of different aspects of the organisation is measured, it should be compared with the predetermined standards. Standards are set to achieve the already formulated organisational goals and plans. Organisational standards are yardsticks and benchmarks that place organisational performance in perspective. The manager should set standards for all performance areas of the organisation based on organisational goals and strategies. Normally, the standards vary from one company to the other company. Further, they also vary from time to time in the same company. The standards developed by General Electric Company can be used as model standards. These standards include:

- **Profitability Standards:** They include how much gross profit, net profit, return on investment, earning per share, percentage of profit to sales, the company should earn in a given time period.
- **Market Position Standards:** These standards include total sales, sales region-wise and product-wise, market share, marketing costs, customer service, customer satisfaction, price, customer loyalty shifts from or to other organisation's products etc.
- **Productivity Standards:** These standards indicate the performance of the organisation in terms of conversion of inputs into output. These standards include capital productivity, labour productivity, material productivity etc.

- **Product Leadership Standards:** They include the innovations and modifications in products to increase the new uses of the existing product, developing new products with new uses etc.
- **Human Resources Standards:** These standards include providing competitive salaries, benefits and different aspects of quality of work life. They also include human resources performance, productivity, turnover rates, absenteeism rates providing challenging and creative jobs etc.
- **Employee Attitude Standards:** They include employees' favourable attitude towards the nature of work, organisation, salaries, benefits, working environment, quality of work life, treatment by superiors etc.
- **Social Responsibility Standards:** All organisations discharge their responsibilities towards different sections of the society. These standards are related to the services of organisations towards community, government, employees, suppliers, creditors etc.
- **Standards Reflecting Balance between Short-range and Long-range Goals:** Short-range and long-range strategies should be balanced successfully. Standards in these areas should bring balance between these two goals.

Step 5: Take No Action, if Performance is in Harmony with Standards

If the performances of various organisational areas match with the standards, the manager need not take any action. He should just allow the process to continue. However, he can try to improve the performance above the standards, if it would be possible, without having any negative impact on the existing process.

Step 6: Take Corrective Action, if necessary

Managers should take necessary corrective action, if performance is not in harmony with standards. If the deviation is positive *i.e.* performance is above the standards continuously, revises the standards. On the contrary, if performance is below standard, take steps to improve the performance.

Causes of Deviations: It is very easy to conclude that someone made a mistake, when deviations are identified. But the deviations maybe the result of an unexpected move by a competitor, or changes in external environment. Therefore, the manager should consider the following before making a decision, in this regard:

- Was the cause of deviation internal or external?
- Was the cause random, or should it have been anticipated?
- Is the change temporary or permanent?
- Are the present plans still appropriate?
- Does the organisation have the capacity to respond to the change needed?

Corrective Action: Corrective action may be defined as change in a company's operations to ensure that it can more effectively and efficiently reach its goals and perform its established standards.

Plans that do not achieve standards produce three possible responses *viz.*: (i) to revise plans, (ii) to change standards and (iii) to take corrective action in the existing process without changing standards and plans. Change in plans may require a 'fine tuning' of the existing strategy or complete changes in plans. If it is realised that the existing standards are unrealistic under the present conditions, the manager should reset the standards taking the existing conditions into consideration.

Corrective action may be as simple as to increase the price or may be as complex as change the chief executive officer. Deviations require re-examination of the company's mission, objectives, relationship to its environment, internal strengths, weaknesses and plans. After having an idea of the process of control, now we shall study the types of control. Now, we shall discuss the control techniques.

4.6 Control Techniques

Control techniques are broadly classified into budgetary techniques and non-budgetary techniques.

(a) Budgetary Control Techniques

Budgets are plans for a specific period in numerical terms. They are statements of expected outcome in financial terms, physical terms, human resources terms etc. Budgets would be the basis for delegation of authority and responsibility without loss of control. The budgets would provide orderliness in controlling.

Types of Budgets

Budgets are of several types. Now, we discuss the important types of budgets mentioned below:

- (i) **Capital Expenditure Budgets:** Companies basically require capital for establishing manufacturing facilities, marketing network, marketing the product/service, employing and developing the people etc. They formulate budgets before acquiring and incurring capital expenditure. Capital expenditure budgets specify the estimates of the amount of capital required for land, buildings, plant, equipment, machinery, technology, minimum level of materials etc. The actual expenditure is compared with the budgeted capital expenditure and steps are taken to control the deviations regarding the future capital expenditure.
- (ii) **Cash Budgets:** Cash budgets provide the estimates of cash receipts and disbursements. The actual cash receipts and disbursements are compared with the estimates, if the deviations are negative. Deviations and causes are identified and steps are taken to control the deviations, Cash budgets are highly essential in order to ensure required amount of cash to meet the obligations.
- (iii) **Time, Space and Materials Budget:** Budgets need not be specified in financial and physical terms. They can be specified in other quantifiable terms like time and space. Time is more important in the business organisations. Time-based budgets are direct labour hours and machine-hours rate. Space budgets include square-feet required and actually allocated for each machine or office. Materials budgets include estimation of materials of various kinds needed and actually allocated. All these budgets help to control the allocations.
- (iv) **Production Budgets:** They specify the amount of the estimated output, estimated materials, human resources etc. These budgets help to control the production hindering factors and ensure the production as ensured.
- (v) **Sales Budgets:** Sales budgets specify the amount of estimated sales. They help to estimate the sales, identify the factors hindering sales and control these factors. These budgets help to ensure the estimated sales and are more advantageous to the management as a controlling technique for ensuring the achievement of plans and strategies.

- (vi) **Zero-Based Budgeting:** The recent budgeting technique is the zero-based budgeting. Organisational programmes for all the departments are divided into packages. Each package focuses on its own goals, activities and resources. Though the different departments are in various levels of development, the starting of the budgets of all packages would start at a base of zero. All costs or expenditures are calculated afresh for each budget period avoiding the past changes. Zero-based budget is useful for starting the programmes or activities afresh, ignoring the different stages of the packages.

(b) Non-Budgetary Control Techniques

These include statistical data, special reports and analysis, operational audit and personal observations:

- (i) **Statistical Data:** Statistical data provide the basis for performing a number of activities for the present and the future. Future, data act as a control technique for the present operations.
- (ii) **Special Reports and Analyses:** Accounting reports, financial reports, personnel reports, sales reports etc. provide information for reporting and control.
- (iii) **Operational Audit:** Operational audit is also known as internal audit. Internal audit specifies the results of financial operations of the company including the company sales, profits, cost of salary etc. Operational audit compares the results of one year with those of another year and helps as a control technique.
- (iv) **Personal Observations:** Personal observations are more powerful control devices. Managers observe the various activities and operations including production, sales, human resources and finance. They check them against the standards and take the controlling steps.

4.7 Introduction to Decision Making

All managers continuously make decisions regarding all kinds of problems, issues, opportunities, threats etc. In fact, management is decision making. In other words, the most important part of management is making decisions. All functions of management *viz.*, planning, organising, directing, staffing and controlling involves decision making. Similarly, all business activities from the beginning

to the end, like type of business to start, type of product, sourcing of raw materials, finance, human resources, where to locate the factory, the production process, type of technology, how much to produce, whether to buy or make some of the components, where to market? to whom to sell? at what price? how to maintain the relations with the customer? expansion or diversification of the business in case of getting profits and how to retrench the loss making business operations etc., are important issues for decision making.

There are a number of alternatives for each of these issues, problems etc. Therefore, managers have to select the best alternative at the right time. This involves decision making. Decision making depends upon the type of organisation structure *i.e.*, tall structure and flat structure. In case of tall structure, authority to make the decisions is centralized at various levels. In case of flat structure, the authority to make the decisions is decentralised or spread at many points.

4.8 Meaning of Decision Making

Decision making is the process of choosing the best from among the alternative solutions under a given set of circumstances.

Now we shall discuss the meaning of decision making based on this analysis.

Decision making is the process of choosing the best among the available alternatives with a purpose under a given set of circumstances.

Harold Koontz and Heinz Weihrich define decision making as “selection of a course of action from among alternatives, it is the core of planning”.

John A Pearce and Richard B. Robinson define decision making as, “the process of choosing a course of action from two or more alternatives.”

The analysis of these definitions present the following facts:

- Identify the purpose or goal, based on which decision has to be made.
- Analyse the set of circumstances, conditions or ground realities which set the norms for decision making.

- Decision making is a process of identifying the issues, collecting information and data, analyse them, and generate or develop necessary inputs for developing alternative solutions.
- Develop alternative solutions to solve the problem or ways to deal with the situation.
- Evaluate the alternative solutions and choose the best solution.
- Implement the selected solution.

4.9 Importance of Decision Making

Managers perform all their functions and activities through decision making. In addition, making the decision in right time values much to the organisation rather than making a right decision in the wrong time. Managers in the business world, often fail to make a decision in the right time and allow the competitors to grab the opportunities. As such, managers have to make not only the right decisions but make them in the right time. Otherwise, the problems remain or magnify and culminate into a crisis.

Decision making process helps the management to procure necessary data and information. Thus, it helps in information management. In addition, decision making helps to initiate and complete the action of all the activities of the management in the right time. Decision making further helps in the formulation of strategies and implement them. Thus, decision making plays an important role in the management of a company. Now we shall discuss the Approaches to decision making.

4.10 Process of Decision Making

There are five steps in the process of decision making are given below:

Step 1: Problem Awareness

Mostly individual employees identify the problems in various areas. Individuals, when they get a 'gut feeling' that something is wrong, they identify the problem. The awareness of a problem mostly occurs to employees at the grass-root level like sales people, machine operators, finance assistants, human resource assistants etc. This awareness is likely to develop through a period of 'incubations' in which managers sense various stimuli that confirm and define a developing picture of a problem. Norburn and Grinyer call this stimuli as 'signals' or 'ear twitchers' and are of three types:

- Internal performance measurements like level of turnover or profit performance.
- Customer reaction particularly to the quality and price of the products and/or services and
- Changes in the environment, particularly in terms of competitive action, technological change and economic conditions.

These three factors together provide a picture of the deviation of an organisation's circumstances from the planned or expected one. This can be the deviation from a normal trading pattern.

The accumulation of stimuli will clearly indicate the existence of the problem in the organisation. This 'triggering point,' will soon be highlighted by the formal information system in the form of decline in sales, profit and increase in the rejection level in the production department.

Step 2: Problem Diagnosis

After the individual employees are aware of the problem and it is informed to the managers, managers will gather the information and define the problem.

Information, may be gathered in the following ways:

- (i) Information may be explored to determine the facts of the problem in detail. Such information may be gathered on a verbal and informal basis.
- (ii) Rationalise the information and stimuli relevant to the problem so as to clarify the situation.
- (iii) Act diplomatically to establish peer groups or those of political support for individual views of the problem.

Try to define the problem through debates and discussions and also get an organisational view or consensus on the problem to be solved. The problem, then may take a clear shape by interweaving managerial experience of the executives and political process in the organisations. Some executives, may not accept to proceed or define the problem and ask for additional information or the triggering of a different problem owing to different managerial experience and different views in view of social and political process. In such a situation, the process reverts back to the stage of triggering.

Step 3: Development of Alternative Solutions

After the problem is diagnosed clearly, the tendency of managers is that of searching for ready made solutions. They do this process: (i) through memory search in which the managers seek for known, existing or attempted solutions, or (ii) passive search which entails waiting for possible solutions to be offered. If the managers fail in these two searches, they search for the past experiences of themselves and other managers. If they fail to find a solution even through this method, they attempt to designing solutions.

They start designing or developing solutions through a vague idea, gradually improve it, refine it by recycling it through selection routes back into problem identification or through further searches. This process of developing solutions takes place through discussions, debates, consultations and brainstorming sessions and by sharing management wisdom and experience. This can take place both in the form of structured and unstructured team works. The solutions once developed are to be refined until they are developed to the stage of perfection within the available human and other resources of the organisation.

Step 4: Evaluation of Alternative Solutions

After the alternative solutions are developed, the solutions have to be formally evaluated based on their inherent strengths and weaknesses and also based on the environmental threats and opportunities for implementation. The solutions are to be ranked on the basis of their weights in terms of strengths and opportunities after eliminating the non-viable solutions in view of their weaknesses and environmental threats for implementation.

Step 5: Selection of the Best Solution

After the formal evaluation and ranking is completed, the managers tend to re-evaluate the solutions based on the managerial judgement followed by political bargaining as the formal evaluation is not the predominant criterion for assessing the feasibility in practice. Therefore, the techniques for evaluation of solutions also include social and political process. Quinn suggests that successful managers actively adopt consultation bargaining process in order to challenge prevailing strategic inclinations and generate information from other parts of the organisation. The solutions may also be referred to the senior level to seek authorisation.

David Hickson and his colleagues in their study identified three broad types of decision making processes. They are:

- **Sporadic processes** characterised by many delays and impediments, many sources of influence and information on decision, and therefore, protracted personal interactions and informal negotiation. This type of process exists mostly in public sector organisations
- **Fluid processes** in which there are fewer delays and sources of influence, and more formal channels of communication which takes rather less time and
- **Constricted processes** in which information sources are more readily available and decisions can be taken within groups or by individuals without extensive reference to others in the organisation. This might be the case in a business with a dominant chief executive or where there is an issue which relates primarily to one part of an organisation.

The managers should keep in mind the various processes discussed above while selecting the solution for implementation. If the managers fail to arrive at a consensus, the process may be recycled to search for new designs.

Step 6: Implementation of the Decision

Implementation of the selected solution is a part of the decision making process as the process may be required to be recycled due to impediments in the process of implementation. The managers should secure the support of the top management for allocation of resources, time etc. regarding the implementation of the decision.

A detailed programme of action should be formulated, specifying the minute details of action, people who will execute it, when it will be implemented, who will provide all necessary resources, how it will be implemented and who will coordinate the work. Employees concerned will be entrusted with the work and relevant information should be fed to them before hand. The managers should also ensure for getting the information back about the progress of implementation. If the decision cannot be implemented due to major hurdles in the implementation process, the process may be recycled for possible modification.

Example

Process of Decision Making

A garments manufacturing company was originally buying cloth to manufacture garments. It exports 100% of the production to the UK, the USA, France and Italy.

The company received a number of complaints from the customers regarding smoothness of the cloth. This was a threat to their highly competitive business.

The management discussed this problem and they provided following alternatives to the Managing Director:

- Outsourcing the production of cloth.
- Production of the cloth by the company itself by establishing a new production plant.

The Managing Director studied these two alternatives under the circumstances of economic liberalisation regarding establishing a plant and global competition.

The objective in taking a decision was to get high quality of cloth at relatively low price. He analysed these two alternatives as indicated below:

Alternative I: Company can reduce its work but quality cannot be guaranteed.

Alternative II: Company has to take responsibility of procuring qualitative raw material and maintenance of quality in production. But the Company can ensure the quality of production in accordance with predetermined standards and also minimise cost through cost control. Company can acquire competitive advantage by producing quality products which is the basis for its survival and development in the global market.

Based on this analysis, he has chosen the second alternative. Thus decision-making should be made based on systematic and thorough analysis.

4.11 Summary

Every organisation has certain objectives. These objectives are achieved only when the plans are properly implemented. If it is not done so, objectives cannot be achieved. Control provides a clue

to find whether the plans are properly implemented to achieve the objectives. The deviations from standards are corrected immediately. Control consists in verifying whether everything occurs in conformity with the plan adopted, the instructions issued and principles established. Control function includes measuring actual performance, comparing actual performance with standards, and taking connective action to ensure planned results. The management can exercise control over several areas such as expenditure, production, salaries, research and development, usage of assets. Decision making is the process of choosing the best from among the alternative solutions under a given set of circumstances. Right decisions at right time contribute to the effective working of an organisation. There are five steps in decision making i.e.,: (a) Problem awareness, (b) Problem diagnosis, (c) Development of alternative solutions, (d) Evaluation of alternative solutions, (e) Selection of the best solution, (f) Implementation of the decision.

4.12 Key Words/Abbreviations

- **Control:** Control consists of making something happen the way it was planned to happen. Control consists in verifying whether everything occurs in conformity with the plan adopted, the instructions issued and principles established.
- **Budgetary Control:** Budgets are plans for a specific period in numerical terms. They are statements of expected outcome in financial terms, physical terms, human resources terms etc. Budgets would be the basis for delegation of authority and responsibility without loss of control. The budgets would provide orderliness in controlling.
- **Operational Audit:** Operational audit is also known as internal audit. Internal audit specifies the results of financial operations of the company including the company sales, profits, cost of salary etc. Operational audit compares the results of one year with those of another year and helps as a control technique.
- **Decision Making:** Decision making is the process of choosing the best among the available alternatives with a purpose under a given set of circumstances. It is the selection of a course of action from among alternatives.

- **Capital Expenditure Budgets:** Capital expenditure budgets specify the estimates of the amount of capital required for land, buildings, plant, equipment, machinery, technology, minimum level of materials etc.
- **Zero-Based Budgeting:** The recent budgeting technique is the zero-based budgeting. Organisational programmes for all the departments are divided into packages. Each package focuses on its own goals, activities and resources. Though the different departments are in various levels of development, the starting of the budgets of all packages would start at a base of zero. All cost or expenditures are calculated a fresh for each budget period avoiding the past changes. Zero-based budget is useful for starting the programmes or activities afresh, ignoring the different stages of the packages.
- **Sporadic processes** characterised by many delays and impediments, many sources of influence and information on decision, and therefore, protracted personal interactions and informal negotiation. This type of process exists mostly in public sector organisations
- **Standards:** Organisational standards are yardsticks and benchmarks that place organisational performance in perspective. Standards are set to achieve the already formulated organisational goals and plans.
- **Corrective Action:** Corrective action may be defined as change in a company's operations to ensure that it can more effectively and efficiently reach its goals and perform its established standards.
- **Problem Diagnosis:** It involves investigation or analysis of the cause or nature of a condition, situation on problem.

4.13 Learning Activity

1. The Performance of a sales person can be measured through quantitative performance standards. State three performance standards to assess the performance of a sales person working for a fast moving consumer goods company.

2. Decision making involves selection of course of action from the alternatives. After completing management course, how will you go about taking a decision regarding your career choice.

4.14 Unit End Questions (MCQ and Descriptive)

A. Descriptive Question

1. Define the term control. Discuss the importance managerial control.
2. Discuss in detail the process of managerial control.
3. Explain different types of control.
4. What is decision making? Explain the importance of decision making in an organisation.
5. Write a note on Non-Budgetary control Techniques.
6. Discuss in detail the process of decision making.

B. Multiple Choice Questions

1. Control function consists of
 - (a) Measuring actual performance against targets
 - (b) Preparing plan for achievement of targets
 - (c) Training of employees for improving performance
 - (d) All the above
2. Process of decision making consists of
 - (a) Identification of the problem
 - (b) Developing solutions
 - (c) Implementation
 - (d) All the above
3. Control techniques include
 - (a) Statistical data
 - (b) Personal observations
 - (c) Zero based budgeting
 - (d) All the above

4. Areas of control include
 - (a) Control over production
 - (b) Control over employees
 - (c) Control over research and development
 - (d) All the above
5. The following personnel are responsible for taking decisions in day to day working
 - (a) Managers
 - (b) Workers
 - (c) Clerical staff
 - (d) All the above
6. Performance standards include
 - (a) Profitability target of business
 - (b) Following company's policies and procedures
 - (c) Hard working nature of employees
 - (d) All the above

Answers

1. (d), 2. (d), 3. (d), 4. (d), 5. (d), 6. (d).

4.15 References

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UNIT 5 ORGANISATIONAL BEHAVIOUR AND ITS DISCIPLINES

Structure:

- 5.0 Learning Objectives
- 5.1 Introduction
- 5.2 Meaning and Definitions of Organisational Behaviour
- 5.3 Features of Organisational Behaviour
- 5.4 Nature of Organisational Behaviour
- 5.5 Significance of Organisational Behaviour
- 5.6 Disciplines Contributing to Organisation Behaviour
- 5.7 Challenges to Organisational Behaviour
- 5.8 Summary
- 5.9 Key Words/Abbreviations
- 5.10 Learning Activity
- 5.11 Unit End Questions (MCQ and Descriptive)
- 5.12 References

5.0 Learning Objectives

After studying this unit, you will be able to:

- Describe the meaning and features of organisational behaviour
- Explain the nature of organisational behaviour



- Elaborate the contributions of various disciplines to organisational behaviour
- Analyse the challenges of organisational behaviour.

5.1 Introduction

We often come across with a number and variety of people in different situations, organisations and societal set-ups. These people may be similar or dissimilar with each other in: (i) physical features like height, weight, body structure, facial dimensions, etc., (ii) psychological factors like attitudes, values, opinions, perception, leadership, etc., (iii) social factors like activeness, shyness, interactive, etc. and (iv) in human resources like skills, knowledge, abilities, commitment, values, beliefs, etc. People are also similar as well as dissimilar in professions or occupations, interests, likes, dislikes, etc. There are scientists, technical experts, management experts, engineers, politicians, business people, etc. We come across with great personalities in different fields and also mentally instable personalities. Some people like musicians, painters and dancers have in-born talents whereas other people like scientists and engineers have the acquired skills. It is clear that the cognitive abilities of the people viz., aptitudes, attitudes, intellectual abilities, interests, etc., physical traits, social interactive skills, religious beliefs do not exist in the same extent in all the people. As such, it can be said that no two individuals are alike and each individual is unique in himself or herself.

Most of the organisations have realised that people with diversified skills, behaviour, etc., are the major strength and strategies can be formulated from these assets. Further, these diversified people with their innovative skills, smart working and commitment to the business are useful as a major competitive advantage to those firms which possess them. Further, it is found by the research studies that the efficient human resource management has positive impact on productivity and financial performance of the companies. Thus, understanding diversified human behaviour, unify it in accordance with organisational requirements and direct it towards organisational strategies are necessary not only for efficient human resources management but also for the success of organisations. The study of behaviour of human beings as individuals, members of groups and organisation is referred to as organisational behaviour.

5.2 Meaning and Definitions of Organisational Behaviour

Individuals and groups have limited financial and intellectual abilities to achieve broader strategies. Therefore individuals and groups join together to form organisations. Thus organisations are formed to achieve greater things that cannot be achieved by individuals and groups.

Today's organisations face the challenges of understanding, predicting and managing the employee behaviour due to the consequences of diversity. In fact, human behaviour is complex and dynamic. The study of human behaviour helps to understand varied behaviour of diversified groups and take steps to unify the diversified behaviour and channelise these unified behavioural aspects towards the organisational strategies and goals.

Definitions of Organisational Behaviour

1. John W. Newstrom and Keith Davis define the term organisational behaviour as, “the study and application of knowledge about how people as individuals and as groups – act within organisations. It strives to identify ways in which people can act more effectively.”

This definition deals with the behaviour of the people as individuals and as members of groups within the organisations. It also deals with diverting the human behaviour towards organisational requirements.

2. Stephen P. Robbins defines organisational behaviour as “a field of study that investigates the impact that individuals, groups and structures have on behaviour within organisations for the purpose of applying such knowledge toward improving an organisation's effectiveness.”

This definition deals with the development of knowledge regarding the behaviour induced by individuals, groups and structures in an organisation. It also deals with utilization of such knowledge for enhancing organisational effectiveness.

3. Steven L. McShane and Mary Ann Von Glinow define organisational behaviour as “the study of what people think, feel and do in and around organisations.” The authors view that organisational behaviour includes the study of the impact of individual, team and structural characteristics on behaviour in organisations and understanding and predicting the impact of these behaviours on organisational success.

4. Fred Luthans defines organisational behaviour as “the understanding, prediction and management of human behaviour in organisations.”

This definition seems to be simple and comprehensive. But further analysis is necessary to understand it thoroughly.

5. Organisational behaviour can be defined as studying, predicting and managing human behaviour caused by individuals, groups and structures towards the requirements of organisational strategies.

Analysis of these definitions indicates the following features of organisational behaviour.

5.3 Features of Organisational Behaviour

Behaviour of people in organisations can't be judged exclusively based on individual behaviour of employees. Human behaviour is caused by individuals, groups and structures of the organisations. For example, the tall structures make the individuals to be rule minded and behave mechanically. The flat structures modify the individual to be innovative, creative, challenging and committed and ultimately persuade them to be result – oriented:

- Human behaviour can be predicted, studied, transformed and managed. This can be done to some extent but not completely as required or anticipated.
- Understand the organisational strategies, type of human behaviour necessary for their implementation and manage the people to exert the behaviour necessary for effecting strategy implementation to the maximum extent possible.
- The purpose of organisational behaviour is to enhance organisational efficiency and effectiveness.
- Organisational behaviour is a multidisciplinary subject, that involves various disciplines.

5.4 Nature of Organisational Behaviour

We in our daily activities come across with various types of organisations like public sector, private sector, manufacturing, service, economic, social, and religious organisations. Organisations are economic and social entities in which a number of individuals and groups perform multifarious

tasks in order to attain common goals. Thus, organisations are structured social systems consisting of groups and individuals working together to achieve common goals. People work as individuals as well as members of groups based on the pre-determined goals. Organisational behaviour is concerned with the behavioural aspects of individuals, groups and total organisation. In fact organisation mainly consists of people whether it is a manufacturing or service, profit-oriented or non-profit oriented, organisation.

Now we study the different aspects of nature of organisational behaviour.

Multidisciplinary Course

As discussed earlier, organisational behaviour draws knowledge and concepts from various disciplines like psychology, sociology, psychology, economics, commerce, management, medicine and anthropology. Thus, organisational behaviour systematically crafts various behavioural concepts by integrating the knowledge drawn from various disciplines.

Application of Scientific Methods to Practical Managerial Problems

Organisational behaviour draws knowledge from various disciplines using various scientific methods. The scientific methods used by organisational behaviour may not be as scientific, sophisticated and mature as the pure science disciplines like Mathematics, Physics and Chemistry. However, Organisational Behaviour's approach is scientific in nature as it seeks to develop knowledge by using empirical and research approach. Thus organisational behaviour observes the behaviour systematically and measures the behaviour using scientific instruments. The results of these instruments are used for managing employee behaviour and in general human resources. Thus, organisational behaviour concepts are used in human resource management as in case of using the properties of Physics by engineers and use of engineering data for testing the theories of Physics.

Interactive Analysis of Three Levels

Organisational behaviour deals with the human behaviour at three levels, viz., individual level, group level and organisational level. In addition, it also deals with the influence of each level of behaviour on other levels. In other words it deals with the influence of individual behaviour on group behaviour and vice-versa. It also deals with individual behaviour on organisational behaviour and vice-versa in addition to influencing group behaviour on organisational behaviour and vice-versa.



Individuals can't act on their own as human beings are social animals and interact with others in the society. In addition, they behave according to the social norms, values and ethics. For example, if the norm of a society is to follow the elders, though they are incompetent or wrong, employees of such societies prefer to follow the instructions of the superior even though superior is incompetent or wrong. Similarly, groups take care of individual values and norms of their members into consideration, before shaping the group values and norms as well as group behaviour.

Groups' and individuals' behaviour influences the behaviour of the individuals in the organisation. In other words, organisation's values and norms are determined by the norms of various groups and individuals operating in it. In addition, organisations also influence the groups' and individuals' norms and values. For example, the same individual behaves differently in a public sector organisation and in a private sector organisation. Employees in public sector organisation do not exert all their resources for the contribution of organisational goals whereas the same employees, if join a private sector organisation, exert their resources for the organisation's performance.

Thus, organisational behaviour analyses human behaviour in an integrated, unified and comprehensive manner of the three levels as presented in Fig. 5.2

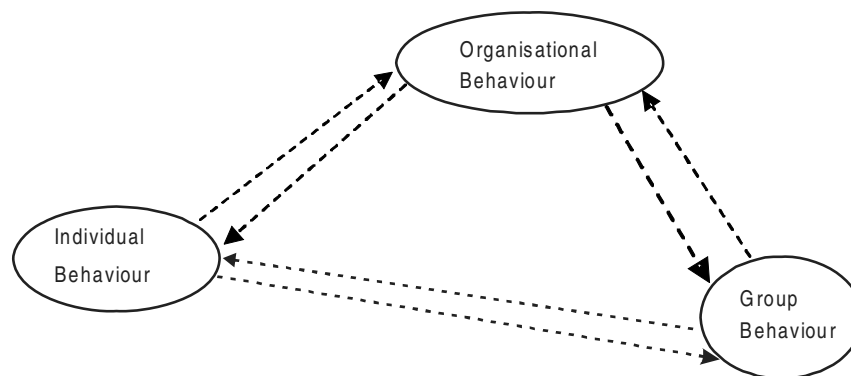


Fig. 5.2: Integrated Approach to Organisational Behaviour

Quality of Work Life and Organisational Behaviour

Employees at the grass roots level experience a sense of frustration because of low level of wages, poor working conditions, unfavourable terms of employment, inhuman treatment by their superiors and the like whereas managerial personnel feel frustrated because of alienation over their

conditions of employment, interpersonal conflicts, role conflicts, job pressures, lack of freedom in work, absence of challenging work, etc.

Certain values were attributed to work in the past. Work was worship and people had sincerity and commitment to work. But today's employee would not believe in such values of work. He works for his salary, he works hard if the conditions of work are conducive and congenial and terms of employment are favourable to him. As such, the work norms have been changing from time-to-time.

Work norms in modern industrial society indicate that (i) employee's role in industry is different from his role in the family (ii) superior knows the best and he has the right to impose on the subordinates (iii) rules are for employees and they have to follow them and (iv) employer has the right to layoff the workers due to marketing and technological factors.

Employees also experience alienation which may result from poor design of socio-technical systems. Alienation is a feeling of powerlessness, lack of meaning, loneliness, boredom, lack of ego, involvement and lack of attachment to job. The workers at the lower level are not happy with their work due to tight schedule, speed of machine, close watch and supervision and less social interaction. Even the ministerial staff complain that they are unhappy with the job due to routine nature of work and fixation of schedules, standards and targets. Thus, job discontent is due to the limited scope of the job, short cycle of operations, lack of opportunity to exercise discretion, initiative, existence of bureaucratic controls, oppressive supervision, low wages, poor working conditions, etc.

Job discontent and job pressures have their substantial effect on employees' health in the form of reduction in general happiness, increase in smoking, drinking, putting on excess body weight, etc. Frustration would further cause heart disease, joint pain, etc. Frustration might also be due to absence of recognition, tedious work, unsound relations with co-workers, poor working conditions, low self-esteem, occupational stress, work overload, monotony, fatigue, time pressures, lack of stability, security, etc. In view of the contemporary managerial problems, the present day employees are much concerned about high wages, better benefits, challenging job, etc.

Quality of work life improvements are defined as any activity which takes place at every level of an organisation, which seeks greater organisational effectiveness through the enhancement of human dignity and growth. It is a process through which the stockholders in the organisation – management, unions and employees learn how to work together, what actions, changes and

improvements are desirable and workable in order to achieve the twin goals of an improved quality of life at work for all members and greater effectiveness of the organisation.

Organisational behaviour deals with various aspects of quality of work life like frustration, alienation, employee relations, self-esteem and the like.

Organisational Behaviour and Organisational Effectiveness

Though we use the term ‘organisational effectiveness’ more often, it is rather difficult to define the term precisely. This is because; the finance manager equates effectiveness with return on investment or market capitalization while the marketing manager equates effectiveness with increase in sales. The human resources managers prefer to mean effectiveness with employee satisfaction while Research and Development Managers mean effectiveness to innovations. However, there are certain comprehensive definitions on effectiveness.

According to Amitai Etzioni, effectiveness is “the degree to which an organisation realizes its goals.” Paul E. Mott defines effectiveness as, “the ability of an organisation to mobilize its centres of power for action — production and adaptation.” Thus, organisational effectiveness is more concerned with the achievement of organisational objectives. The term efficiency is used quite closely to project effectiveness.

Organisational behaviour helps to understanding, predicting and managing human behaviour, in such a way that such managed behaviour contributes to the achievement of organisational goals. Thus, organisational behaviour contributes to the organisational effectiveness.

Individual Behaviour

Behaviour of an individual employee is influenced by several factors like the individual’s mental make-up, family background, educational background, social and cultural background, geographical region, personality traits, values, attitudes, opinions, etc. Individual behaviour is studied through perception, personality, values, attitudes, job satisfaction and motivation:

- **Perception** refers to a complex cognitive process that yields a unique picture of the world that may be quite different from reality. Individuals behave in accordance with their perceptual world or impressions.

- **Personality** is the sum total of ways in which an individual reacts and interacts with others. Hereditary factors, environmental factors and situational factors determine personality.
- **Values** are the basic convictions that a “specific mode of conduct or end-state of existence is personally or socially preferable to an opposite or converse mode of conduct or end-state of existence.”
- **Attitudes** are evaluative statements – either favourable or unfavourable — concerning objects, people or events.
- **Job satisfaction** refers to a person’s feeling of satisfaction on the job, which acts as a motivation to work.
- **Motivation** is the process that account for an individual’s intensity, direction and “persistence of effort toward attaining a goal”.
- **Learning** is relatively a process of effecting permanent change in behaviour that occurs as a result of experience.

Group Behaviour

An integrated and comprehensive behaviour of people in a group is referred to as *group behaviour*. Group behaviour is studied through group dynamics, teams, communication, power and politics, leadership and decision-making:

- **Group Dynamics:** Groups are formed with a specific purpose. They exist for some time until the purpose is achieved and then disband or adjourn. Groups are both formal and informal. Other types of groups include: command groups, task groups, interest groups and friendship groups. Groups behave and function based on its norms.
- **Teamwork:** Teamwork is a group whose individual efforts result in a performance that is greater than the sum of the individual inputs. Different types of teams include: problem solving teams, self-managed work teams, cross-functional teams and virtual teams.
- **Power and Politics:** Power refers to the ability of the people to acquire resources and award them to various people in organisations.

- **Communication:** Communication is transferring of information and understanding the meaning of it. Communication may be formal or informal, downward, upward, horizontal and cross-wise.
- **Leadership:** Leadership is the ability to influence and guide a group towards achieving the preset goals. Leadership styles include autocratic, benevolent autocratic, participative and democratic style.
- **Leadership:** Leadership is the ability to influence and guide a group towards achieving the preset goals. Leadership styles include autocratic, benevolent autocratic, participative and democratic style.
- **Decision-making:** Decision-making is developing alternative solutions to a problem and selecting the best solution from among the alternatives available.

Organisational Factors

Organisational structure is dividing, grouping and coordinating the job tasks. Job tasks may be structured with respect to departments, functions, geographical areas, products or services:

- **Organisational Theory:** Organisational theory refers to various models of structuring various activities in relation to work and jobs in order to build relationships among people, goals, etc.
- **Organisational Design:** Organisational design is formulating the philosophy for coordinating the job tasks. One philosophy is narrow bandwidth which results in narrow and specialised jobs. Narrow bandwidth is a common characteristic of tall organisations. Another philosophy is wider bandwidth which leads to flat structures.
- **Organisational Culture:** Organisational culture is a “pattern of basic assumption —invented, discovered or deployed by a given group as it learns to cope with its problems of external adaptation and internal integration — that has worked well enough to be considered valuable and, therefore, to be taught to new members as the correct way to perceive, think and feel in relation to those problems.”

- **Organisational Effectiveness:** Organisational effectiveness refers to selecting the right objectives and goals depending upon the environment and social goals of the country in which the company is operating.

Organisational Behaviour

Organisational behaviour is studying the behaviour of individuals and groups. Organisational behaviour studies the behaviour systematically, how people behave under a variety of situations and conditions. It also studies why people behave as they do. Thus, it identifies the reasons for the behaviour.

Organisational behaviour predicts the future behaviour of employees. Managers predict the future behaviour of employees as per the past behaviour of the employees, employee traits, values and future situations.

If the predicted behaviour is not in accordance with the requirements of organisational strategies, managers mould the employee behaviour towards organisational requirements by changing the reward system, organisational structure, leadership pattern and styles, group norms, etc. Thus, managers manage the overall behaviour of the employees in an organisation.

5.5 Significance of Organisational Behaviour

The difference between two organisations is attributed to the commitment, attitude, aptitude, values, norms and performance of employees. These factors along with other factors determine the human behaviour. The other factors include social, cultural, political, economic and structural. All these factors influence the behaviour of human resources.

Human Behaviour and Human Resources

Human resources play a crucial role in the development process of modern economics. Arthur Lewis observed “there are great differences in development between countries which seem to have roughly equal resources, so it is necessary to enquire into the difference in human behaviour.” It is often felt that, though the exploitation of natural resources, availability of physical and financial resources and international aid play prominent roles in the growth of modern economies, none of

these factors is more significant than efficient and committed human resource. It is in fact, said that all development comes from the human behaviour.

Human Behaviour in the Nation's Well-being

A nation with abundance of physical resources will not benefit itself unless human resources make use of them. In fact human resources are solely responsible for making use of national resources and for the transformation of traditional economies into the modern and industrial economies. Lack of organisation of human resources is largely responsible for the backwardness of the nation. Countries are underdeveloped because their people's behaviours are inappropriate for economic development. In essence, "the difference in the level of economic development of the countries is largely a reflection of the differences in the types of their behaviour..." The key element in this proposition is that the values, attitudes, commitment, aptitude, general orientation and quality of the people of a country determine its economic development. The shift from manufacturing to service and from service to knowledge and the increasing pace of technological upgradation are making human behaviour the ingredient of the nation's well-being and growth.

Human Behaviour and Organisational Performance

Organisational performance can be measured against organisational objectives like market share, rate of profit, product innovation, customer satisfaction and employee satisfaction. Appropriate human behaviour contributes to the employees' commitment towards organisational goals. In effect, employee values, attitude and other behavioural issues shape the employee behaviour that would be appropriate for achieving organisational performance. Thus, appropriate human behaviour contributes for the organisational performance.

Strategy is a unified, comprehensive and integrated course of plan/action. Crafting and implementing strategy depend on employee commitment to organisational strategies. Employee commitment in its turn depends on appropriate leadership style, human values, self-motivation, appropriate perception and learning. Thus, behavioural issues of employees determine the level of success in crafting and achieving organisational strategies.

Appropriate and adaptable human behaviour enables the organisation to develop employee commitment to the organisational strategies. In addition, appropriate behaviour encourages the employees to acquire and develop required hard skills like technical skills, knowledge and competency. Organisations

do also invest in the development of technical skills and knowledge of those employees whose behaviour is quite appropriate for the achievement of organisational strategies. Thus, appropriate behaviour provides an opportunity for the development of distinctive competence of employees that enable them to craft and achieve distinctive strategies.

Human Behaviour and Strategic Advantages

Strategic advantages include achieving low cost advantage, high quality, superior customer service, innovations and superior speed in producing and delivering a product/ service. Committed employees with appropriate technical skills contribute to achieve highest human efficiency, which in turn makes the operations at the lowest cost. In addition, the committed minds contribute to innovation. and other strategic advantages like superior customer service and superior speed. Thus, appropriate human behaviour contributes for building up of strategic advantages of the firms.

Human Behaviour and Efficient Human Resource Management

Appropriate human behaviour helps for positive and efficient human resource management in terms employee satisfaction, fair treatment of employees, training and continuous learning, performance management, employee counselling, mentoring, building teams, congenial superior-subordinate relations as well as human relations, sound salary and benefits. Thus, appropriate behaviour brings about efficient management of human resources.

Thus, appropriate human behaviour helps not only efficient human resource management but also envisages strategic management which ultimately leads to achieving high level of organisational performance.

5.6 Disciplines Contributing to Organisation Behaviour

Psychology

Psychology developed into a number of fields like clinical, experimental, military, organisational, industrial, and social psychology. Organisational psychology deals with various areas like perception and work motivation that are the integral parts of organisational behaviour. Psychology developed various tests for selection of employees. The psychological concepts relevant to organisational behaviour include:



- Perception
- Personality
- Motivation
- Learning
- Job Satisfaction
- Training
- Communication
- Emotions
- Leadership
- Values
- Attitudes
- Selection
- Risk-taking

Psychology helps to understand and ameliorate individual behaviour and interpersonal behaviour.

Sociology

Sociology — the science of society — deals with the society as a whole rather than individuals. Sociology also made significant contributions to organisational behaviour. Sociology studies the human beings in groups, formal and informal organisations. In addition, Sociology contributes to the social and cultural environment. Sociologists contributed to organisational culture, formal organisations, informal organisations, communication, leadership and power and politics. The contributions of sociology to organisational behaviour include:

- Group Dynamics
- Teamwork
- Communication
- Power and Politics
- Organisation Theory
- Organisation Design
- Organisation Change
- Intergroup Conflict and Behaviour

Social Psychology

Social psychology is the blend of psychology and certain sociology concepts. Social-psychology deals with the influence of one individual on others and vice versa. The major contribution of social psychology is understanding the need for change, designing change process, predicting the possible resistance and developing strategies to avoid such resistances. Further it contributes to shifts in attitudes, communication patterns, group patterns, group conflicts and power politics. Contributions of social psychology to organisational behaviour include:

- Attitude Change
- Group Process
- Group Interaction
- Communication
- Change Management
- Group Decision-making

Anthropology

Anthropology is the science of human behaviour. Anthropology studies the societies in order to understand the human beings and their activities. Anthropologists contributed to the work culture, human environment, values, attitudes and beliefs of different organisations in different countries. Anthropologists' contributions to organisational behaviour includes organisational culture, organisational environment, cultural differences among various countries. Cultural anthropology deals with the origin of culture and pattern of human behaviour particularly organisational behaviour. The contributions of Anthropology to organisational behaviour include:

- Cross Culture
- Comparative Attitudes
- Organisational Environment
- Comparative Values
- Organisational Culture

Political Science

Political Science predicts studies and manages the behaviour of individuals and groups in the political environment. The contributions of political scientists to organisational behaviour include organisational power and politics, conflicts due to organisational structures and group conflicts. The contributions of political science to organisational behaviour include:

- Structuring Conflict
- Political Behaviour
- Allocation of Power
- Decision-making

Engineering and Technology

Engineering — the applied science of energy and matter — has contributed significantly to the organisational behaviour. Engineering contributes to the work design and thereby job design. In fact F.W. Taylor, the Father of Scientific Management, has designed time study and motion study that has significant contributions to organisational behaviour. Taylor has developed performance appraisal,

piece-rate system and human productivity. Technology is application of knowledge. Technology influences the human behaviour directly and significantly by influencing job designs, relationship between employees, machinery, organisational structure, working styles of employees, etc. The contributions of technology to organisational behaviour include:

- Perception
- Work Environment
- Communication
- Teamwork

Information technology still makes phenomenal contributions to organisational behaviour. They include:

- Team Dynamics
- Decision-making
- Communication
- Knowledge Management

Management

Management is getting things done by the people. Management deals with supervising people in their activities to contribute to organisational goals. In other words, people are directed and motivated to get the things done. Thus, management contributes to organisational behaviour in building decision-making models, communication patterns, leadership styles, etc. Management after psychology makes significant contributions to organisational behaviour. Its contributions include people management, decision-making, communication, leadership, motivation, job design, organisational structure, job satisfaction, group management and change management. Management contributions to organisational behaviour include:

- Decision-making
- Communication
- Leadership
- Organisational Structure
- Motivation

- Predict the Behavioural Requirements of Organisational Strategies and
- Manage the Behaviour towards the Strategic Requirements.

Economics

Economics is the science which studies human behaviour as a relationship between ends and scarce means which have alternative uses. The major contribution of Economics to organisational behaviour is treating human being as an economic man. Therefore, Economics contributes to motivational theories and practices. The contributions of Economics to organisational behaviour include:

- Motivation
- Learning
- Decision-making

Medicine

Medicine is the applied science of healing or treatment of diseases to enhance an individual's health and lifespan. Thus, medicine has concerns for physical as well as psychological health of a human being. Medicine of late deals with psycho-physical diseases like hypertension, occupational health hazards as well as health problems related to industrial nature, environments, etc.

The significant contributions of medicine to organisational behaviour include:

- Organisational Stressors | Hypertension
- Frustration

Thus, various disciplines contribute to the development of organisational behaviour as a multi-disciplinary characteristic.

Human behaviour in organisations is caused by individuals as individuals, as member of groups and structures of the organisations. Fig.5.3 presents the model of organisational behaviour.

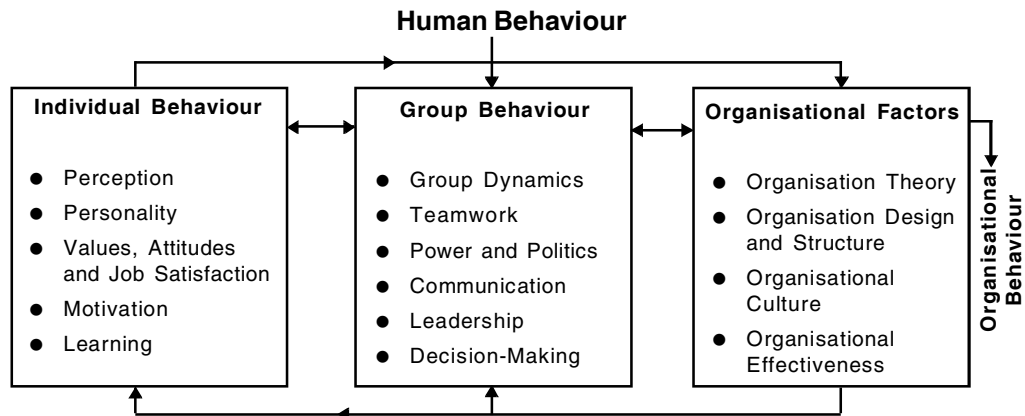


Fig. 5.3: Model of Organisational Behaviour

5.7 Challenges to Organisational Behaviour

There are a lot of challenges and opportunities today for managers to use OB concepts. In this section, we review some of the more critical issues confronting managers for which OB offers solutions.

(a) Improving Quality and Productivity

Managers have to improve their organisation's productivity and the quality of the products and services they offer. Towards improving quality and productivity, they are implementing programs like total quality management and reengineering – programs that require extensive employee involvement.

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

Table 5.1: What is Total Quality Management?

1. Intense focus on the customer. The customer includes not only outsiders who buy the organisation's products or services, but also internal customers (such as shipping or accounts payable personnel) who interact with and serve others in the organisation.
2. Concern for continual improvement. TQM is a commitment to never being satisfied. "Very good" is not good enough. Quality can always be improved.

3. Improvement in the quality of everything the organisation does. TQM uses a very broad definition of quality. It relates not only to the final product but how the organisation handles deliveries, how rapidly it responds to complaints, how politely the phones are answered, and the like.
4. Accurate measurement. TQM uses statistical techniques to measure every critical performance variable in the organisation's operations. These performance variables are then compared against standards or benchmarks to identify problems, the problems are traced to their roots, and the causes are eliminated.
5. Empowerment of employee. TQM involves the people on the line in the improvement process. Teams are widely used in TQM programs as empowerment vehicles for finding and solving problems.

In times of rapid and dramatic change, it's sometimes necessary to approach improving quality and productivity from the perspective of "How would we do things around here if we were starting over from scratch?" That, in essence, is the approach of reengineering. It asks managers to reconsider how work would be done and their organisation structured if they were starting over. Our point is that today's contemporary managers understand the success of any efforts at improving quality and productivity must include their employees. These employees will not only be a major force in carrying out changes but increasingly will participate actively in planning those changes. OB offers important insights into helping managers work through these changes. The skills include how to be an effective listener and communicator the proper way to give performance feedback, how to delegate authority, and how to create effective teams.

Work Force diversity Work Force diversity means that organisations are becoming more heterogeneous in terms of gender, race, and ethnicity. But the term encompasses anyone who varies from the so-called norm.

The employees don't set aside their cultural values and lifestyle preferences when they come to work. The challenge for organisations, therefore, is to make themselves more accommodating to diverse groups of people by addressing their different lifestyles, family needs, and work styles.

(b) Managing Work Force Diversity

Work Force diversity means that organisations are becoming more heterogeneous in terms of gender, race, and ethnicity. But the term encompasses anyone who varies from the so-called norm.

The employees don't set aside their cultural values and lifestyle preferences when they come to work. The challenge for organisations, therefore, is to make themselves more accommodating to diverse group of people by addressing their different lifestyles, family needs, and work styles.

Work force diversity has important implications for management practice. Managers will need to shift their philosophy from treating everyone alike to recognising difference and responding to those differences in ways that will ensure employee retention and greater productivity – while, at the same time, not discriminating. Diversity, if positively managed, can increase creativity and innovation in organisations as well as improve decision making by providing different perspectives on problems. When diversity is not managed properly, there is potential for higher turnover, more difficult communication, and more interpersonal conflicts.

(c) Responding to Globalization

Globalization affects a manager's people skills in at least two ways. First, if you're a manager you're increasingly likely to find yourself in a foreign assignment. You'll be transferred to your employer's operating division or subsidiary in another country. Once there, you'll have to manage a work force that is likely to be very different in needs, aspirations, and attitudes from the ones you were used to back home. Second, even in your own country, you're going to find yourself working with bosses, peers and subordinates who were born and raised in different cultures. What motivates you may not motivate them. While your style of communication may be straightforward and open, they may find this style uncomfortable and threatening. This suggests that if you're going to be able to work effectively with these people, you'll need to understand their culture, how it has shaped them, and learn to adapt your management style to these differences. In the next chapter, we provide some frameworks for understanding differences between national cultures. Further, as we discuss OB concepts throughout this book, we focus on how cultural differences might require managers to modify their practices.

(d) Empowering People

The latest trend in management is that decision making is being pushed down to the operating level, where, workers are being given the freedom to make choices about schedules, procedures and solving work-related problems. What's going on is that managers are empowering employees. They are putting employees in charge of what they do. In doing so, managers have to learn how to

give up control and employees are have to learn how to take responsibility for their work and make appropriate decisions.

(e) Stimulating Innovation and Change

Whatever happened to W.T. Grant, Gimbel's, and Eastern Airlines? All these giants went bust! Why have other giants like General Motors, Sears, Westing-house, Boeing, and AT&T implemented huge cost-cutting programs and eliminated thousands of jobs? To avoid bust!

Today's successful organisations must foster innovation and master the art of change or they will become candidates for extinction. Victory will go to those organisation that maintain their flexibility, continually improve their quality, and beat their competition to the marketplace with a constant stream of innovative products and services.

An organisation's employees can be the impetus for innovation and change, or they can be a major stumbling block. The challenge for managers is to stimulate employee creativity and tolerance for change. The field of organisational behavior provides a wealth of ideas and techniques to aid in realizing these goals.

(f) Coping with "Temporariness"

Managers have always been concerned with change. What's different nowadays is the length of time between change implementations. It used to be that managers needed to introduce major change programs once or twice a decade. Today, change is an ongoing activity for most managers. The concept of continuous improvement, for instance, implies constant change.

In the past, employees were assigned to a specific work group and that assignment was relatively permanent. There was a considerable amount of security in working with the same people day in and day out. That predictability has been replaced by temporary work group, teams that include members from different departments and whose members changes all the time, and the increased use of employee rotation to fill constantly changing work assignments. Finally, organisations themselves are in a state of flux. They continually, reorganise their various divisions, sell off poor-performing businesses, downsize operations, and replace permanent employees with temporaries.

Today's managers and employees must learn to cope with temporariness. They have to learn to live with flexibility, spontaneity, and unpredictability. The study of OB can provide important insights

into helping you better understand a work of continual change, how to overcome resistance to change, and how best to create an organisational culture that thrives on change.

(g) Declining Employee Loyalty

Corporate employees used to believe their employers would reward their loyalty and good work with job security, generous benefits, and pay increases. But beginning in the mid 1990 in response to global competition, unfriendly takeovers, leveraged buyouts, and the like, corporations began to discard traditional policies on job security, seniority and compensation. They sought to become, “lean and mean” by closing factories, moving operations to lower cost countries selling off or closing down less profitable business, eliminating entire levels of management, and replacing permanent employees with temporaries.

These changes have resulted in a sharp decline in employee loyalty. Employees perceive that their employers are less committed to them and, as a result employees respond by being less committed to their companies. An important OB challenge will be for managers to devise ways to motivate workers who feel less committed to their employers while maintaining their organisations global competitiveness.

(h) Improving Ethical Behaviour

In an organisational world characterized by cutbacks, expectations of increasing worker productivity, and tough competition in the marketplace, it's not altogether surprising that many employees feel pressured to cut corners, break rules, and engage in other forms of questionable practices.

Members of organisations are increasingly finding themselves facing ethical dilemmas, situations where they are required to define right and wrong conduct. For example, should they blow the whistle if they uncover illegal activities taking place in their company? Should they follow orders they don't personally agree with? Do they give an inflated performance evaluation to an employee they like, knowing that such an evaluation could save that employee's job? Do they allow themselves to play politics in the organisation if it will help their career advancement?

What constitutes good ethical behaviour has never been clearly defined. And in recent years the line differentiating right from wrong has become even more blurred. Employees see people all around

them engaging in unethical practices officials taking bribes; high powered people who know the rules, are found to be avoiding payment of taxes successful executives who use insider information for personal financial gain etc. When caught, they hear these people giving excuses like, “Everyone does it,” or “You have to seize every advantage nowadays,” or “I never thought I’d get caught.”

Managers and their organisations are responding to this problem from a number of directions. They’re writing and distributing codes of ethics to guide employees through ethical dilemmas. They’re offering seminars, workshops, and similar training programs to try to improve ethical behaviour. They’re providing in-house advisers who can be contacted, in many cases anonymously, for assistance in dealing with ethical issues. And they’re creating protection mechanism for employees who reveal internal unethical practices.

Today’s manager needs to create an ethically healthy climate for his or her employees, where they can do their work productively and confront a minimal degree of ambiguity regarding what constitutes right and wrong behaviour. We discuss ethics in several places in this book – for example, as it relates to decision making and politics in organisations. To help you define and establish your personal ethical standards, you’ll find ethical dilemma exercises at the conclusion of each chapter. By confronting ethical issues you might not have thought about before, and sharing your ideas with classmates, you can gain insights into your own ethical viewpoints, those of others, and the implications of various choices.

5.8 Summary

The study of behaviour of human beings as individuals, members of groups and organisation is referred to as organisational behaviour. Human behaviour is caused by individuals, group and structure of the organisation. Human behaviour is caused by individuals, groups and structure of the organisation. A tall structure makes the individuals to be rule minded and behave mechanically whereas a flat structure enables the individuals to be innovative, committed and result oriented. Organisational behaviour is a multi-disciplinary subject and involves disciplines such as psychology, sociology, political science, economics and technology. Organisational behaviour offer solutions to managers in dealing with critical issues such as work force diversity, responding to globalisation, empowering people, managing temporary workers, declining employee loyalty and improving ethical behaviour.

5.9 Key Words/Abbreviations

- **Quality of work-life:** It is a process through which the stockholders in the organisation – management, unions and employees learn how to work together, what actions, changes and improvements are desirable and workable in order to achieve the twin goals of an improved quality of life at work for all members and greater effectiveness of the organisation.
- **Individual Behaviour:** Behaviour of an individual employee is influenced by several factors like the individual's mental make-up, family background, educational background, social and cultural background, geographical region, personality traits, values, attitudes, opinions, etc. Individual behaviour is studied through perception, personality, values, attitudes, job satisfaction and motivation:
- **Work Force Diversity:** Work Force diversity means that organisations are becoming more heterogenous in terms of gender, race, and ethnicity. But the term encompasses anyone who varies from the so-called norm. The challenge for organisations, therefore, is to make themselves more accommodating to diverse group of people by addressing their different lifestyles, family needs, and work styles.
- **Anthropology:** Anthropology studies the societies in order to understand the human beings and their activities. Anthropologists contributed to the work culture, human environment, values, attitudes and beliefs of different organisations in different countries. Anthropologists' contributions to organisational behaviour includes organisational culture, organisational environment, cultural differences among various countries.
- **Leadership:** Leadership is the ability to influence and guide a group towards achieving the preset goals. Leadership styles include autocratic, benevolent autocratic, participative and democratic style.
- **Perception:** Perception refers to a complex cognitive process that yields a unique picture of the world that may be quite different from reality. Individuals behave in accordance with their perceptual world or impressions.
- **Attitude:** Attitudes are evaluative statements – either favourable or unfavourable — concerning objects, people or events.

- **Personality:** Personality is the sum total of ways in which an individual reacts and interacts with others. Hereditary factors, environmental factors and situational factors determine personality.
- **Organisational Behaviour:** It is the study and application of knowledge about how people as individuals and as groups – act within organisations. It strives to identify ways in which people can act more effectively.

Organisational Behaviour deals with the behaviour of the people as individuals and as members of groups within the organisations. It also deals with diverting the human behaviour towards organisational requirements.

- **Social Psychology:** Social psychology is the blend of psychology and certain sociology concepts. Social-psychology deals with the influence of one individual on others and vice versa. The major contribution of social psychology is understanding the need for change, designing change process, predicting the possible resistance and developing strategies to avoid such resistances.
- **Empowering People:** The latest trend in management is that decision making is being pushed down to the operating level, where, workers are being given the freedom to make choices about schedules, procedures and solving work-related problems.

5.10 Learning Activity

1. Give three examples each for physical and hereditary factors that influence individual differences.

2. Explain personality traits with examples.

3. Work force Diversity has implications for management practice. Explain with examples.

5.11 Unit End Questions (MCQ and Descriptive)

A. Descriptive Type: Short Answer Type Questions

1. Explain the meaning and the features of organisational behaviour.
2. Organisation behaviour deals with human behaviour at three levels. Explain.
3. Analyse the contributions of various disciplines to organisational behaviour.
4. Explain the significance of organisational behaviour.
5. What are the challenges to organisational behaviour.
6. Write a note on work force diversity.

B. Multiple Choice/Objective Type Questions

1. Organisational behaviour involves study of
 - (a) Psychology and sociology
 - (b) Medicine
 - (c) Anthropology
 - (d) All the above
2. People with diversified skills are
 - (a) Strength to the organisation
 - (b) Problem to the organisation
 - (c) All the above
3. Management contribution to organisation behaviour includes the following
 - (a) Decision making
 - (b) Favourable working conditions
 - (c) Employment opportunities
 - (d) All the above

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UNIT 6 PERSONALITY AND LEARNING

Structure:

- 6.0 Learning Objectives
- 6.1 Introduction
- 6.2 What is Personality
- 6.3 Factors Influencing Personality
- 6.4 Personality Traits – Big Five Model
- 6.5 Personality Theories
- 6.6 Meaning of Learning
- 6.7 Characteristics or Features of Learning Process
- 6.8 Learning Theories
- 6.9 Summary
- 6.10 Key Words/Abbreviations
- 6.11 Learning Activity
- 6.12 Unit End Questions (MCQ and Descriptive)
- 6.13 References

6.0 Learning Objectives

After studying this unit, you will be able to:

- Discuss the meaning and factors influencing personality
- Analyse the personality Traits and Personality Theories
- Learn the meaning and features of learning process
- Analyse the learning theories

6.1 Introduction

Until the liberalization of economies in various countries, environment was relatively static. Consequently, the jobs were secured. In other words, it was almost impossible for the companies to fire the employees.

But, privatisation, liberalization and globalisation changed this scenario. Competition caused by the economic liberalizations, led to the downsizing, de-layering, job sharing, talent management, retention, retrenchment and other massive layoffs. With this change losing a job has become a common feature in India as has been in the western world. Some public sector and private sector companies adapted the retrenchment strategies either voluntarily or compulsorily. However, the economic boom and particularly the boom in software industry, pharmaceutical and other sun-rising industries created a number of jobs. Added to this the man-made economic boom resulted in creation of a number of jobs. Thus, the economic boom opened up a number of jobs in various industries particularly in software industry during 1991 and 2007. Slowly, employees shifted to software industry by learning new skills.

The recent economic recession in various industries after 2007 resulted in loss of jobs and issue of pink slips to the employees in significant number of companies particularly in software and retail industries. The young male and female employees were shocked of this new culture of hiring and firing.

Thus, hiring, firing and rehiring culture entered in their minds. Similarly, learning continuously in order to acquire the status of employability from time to time has also entered the young minds. Indians today learnt that the days of 'lifetime employment' have gone. They also learnt that they will get jobs only, if they learn and acquire new and employable skills continuously.

Today, we need the people with versatile personality traits. The individuals should have and develop multiple traits and need to change them depending upon circumstances.

Mahatma Gandhi designed the non-violence strategy whereas Subash Chandra Bose designed the aggressive strategy for the attainment of Independence to India. Bin Laden diverted innocent Muslim youth towards violence and terrorism in the name of God whereas Nelson Mandela directed the South Africans towards a peaceful transformation based on Gandhian principles of non-violence (Ahimsa). Dhirubhai Ambani adopted aggressive expansion policy for Reliance whereas Ratan Tata followed the strategy of slow and steady growth for Tata. Narayana Murthy of Infosys followed a middle path silently. Even in the normal business activities, we come across several types of people. Some of them are competitive while others are contented. Some people are aggressive whereas others are quiet. Why do people vary so widely? To answer this question, we should know the concept of personality.

6.2 What is Personality?

What does personality mean? People use different terms like good, popular, strong, honest, weak, polite, etc., to denote personality. Behavioural scientists and common people define personality from different perspectives.

The word personality can be traced to the Latin words ‘per sona’ which are translated as “to speak through.” According to Gordon Allport, personality is “the dynamic organisation within the individual of those psychological systems that determine his unique adjustments to his environment.”

Fred Luthans defines the term personality as, “how people affect others and how they understand and view themselves, as well as their pattern of inner and outer measurable traits and the person-situation intervention.”

Robbins defines personality as, “Personality is the sum total of ways in which an individual reacts to and interacts with others.”

Thus, personality deals with the methods of affecting others, reacting to others’ actions and interacting with others. These methods are chosen by individuals based on several factors. Important one among these are their traits.

6.3 Factors Influencing Personality

There has been a debate whether the leaders are born or made? It has been viewed after a long debate that leaders are both born and made, i.e., heredity. Similarly, there has been an argument as to whether personality is determined at birth or is the result of individual's interaction with the environment. Added to this, it is also argued that situation is another factor that determines personality. Now, we shall discuss these three broad determinants of personality.

According to the heredity approach, the individual's personality is influenced by the molecular structure of the genes located in the chromosomes.

Heredity

Certain physical and psychological characteristics like facial attractiveness, temperament, gender, muscle composition, energy level, biological rhythms, etc., either substantially or partly are inherited from one's parents. They are inherited by the parents' biological, physiological and psychological make-up.

Research studies show that traits like shyness, fear, height distress are mostly caused by inherited genetic characteristics.¹⁰ They also show that genetics accounts for around 50 per cent of personality differences and more than 30 per cent of the variation in occupational and leisure interests. However, it is strongly argued that personality factors are not completely dictated by heredity, but they are also determined by the environment.

Now, we shall study another determinant factor of personality, i.e., Environment.

Environment

Environmental factors are those factors which encircle us and which influence our behaviour. Culture is the most important factor among the environmental factors that influence personality. Most of the Indians are humble, obedient, tolerant, non-violent, non-materialistic, non-competitive and tend to sacrifice. Hindu religious texts, saints, parents and elders teach these cultural values.

Japanese are industrious, obedient, dependent and non-violent. Buddhist religious texts and monks and elders taught these values. While the westerners are independent, competitive, industrious,

ambitious and aggressive as the independent western society/culture, parents and teachers in the schools infused these cultural values in them.

Culture is the complex of beliefs, values, norms, opinions and attitudes which are shared by individuals of contemporary period and transmitted from generation to generation. Culture is learnt from the family members, friends, peers, social groups, teachers, etc.

Thus, culture is considered as the major determinant of the personality as it determines what and how an individual learns. For example, a young boy of a family with docile nature was adopted by another family with aggressive nature. The boy turned into an aggressive guy when he grew up.

Many Indians who normally avoid the work, come late to the workplaces and are less quality conscious in Indian organisations behave quite differently in western organisations. They respond and adjust to the demands of the work environment of the companies in the west.

Thus, culture shapes the personality of an individual, in addition to heredity. Stephen

P. Robbins views that heredity sets the parameters or outer limits while culture makes the individual to adjust himself/herself to the demands and requirements of the environment.

Now, we shall discuss the third factor, i.e., situation.

Situation

Situations change based on the shifts in environmental factors. The stable economic environment before 1990s has turned into a more dynamic and volatile environment due to globalization of world economies and information technology innovations. These shifts led to more competitive and challenging situations during 1991 and 2007. These situations changed into recessionary and shirking situations consequent upon economic meltdown throughout the globe after 2007. Managers changed their managing styles in crafting and implementing strategies based on these shifts in situations. Job demands vary depending upon situations and employees change their traits depending up on situational demands. Women managers have started to grow to the levels of chief executive officers of the companies and accept challenges along with men. Managers adapt creative and growth strategies during economic boom periods and adapt retrenchment and conservative strategies during economic recession. Thus, exhibit personality traits change based on situational demands.

6.4 Personality Traits – Big Five Model

Personality traits of an executive/supervisor influence the behaviour of the employees in an organisation. Personality traits like talkative, smiling, exhibitiveness in facial expressions and assertiveness are highly appropriate for executives to inspire, motivate and lead the subordinates. Similarly, traits like openness and frankness of the managers reduce dysfunctional activities and conflicts and enable the subordinates to concentrate on work-related activities and increase productivity. Mr. Jayasankaran of Delta Airlines attracts and impresses his subordinates due to his impressive height. Mr. Vasanta Rao of L&T is highly sociable. His subordinates are impressed with the way he conducts the meetings and directs his juniors.

The major personality traits which influence the job behaviour and job performance are labelled as the 'Big-Five Personality Traits.' These traits have emerged from the Research Studies. They are:

1. **Extroversion:** Sociable, talkative and assertive.
2. **Agreeableness:** Good natured, cooperative and trusting.
3. **Conscientiousness:** Responsible, dependable, persistent and achievement-oriented.
4. **Emotional Stability:** Calm, self-confident, secure, tense, insecure and nervous.
5. **Openness to Experience:** Imaginative and artistically sensitive.

Extreme traits of the 'Big Five' intellectual6 are presented in Exhibit 6.1.

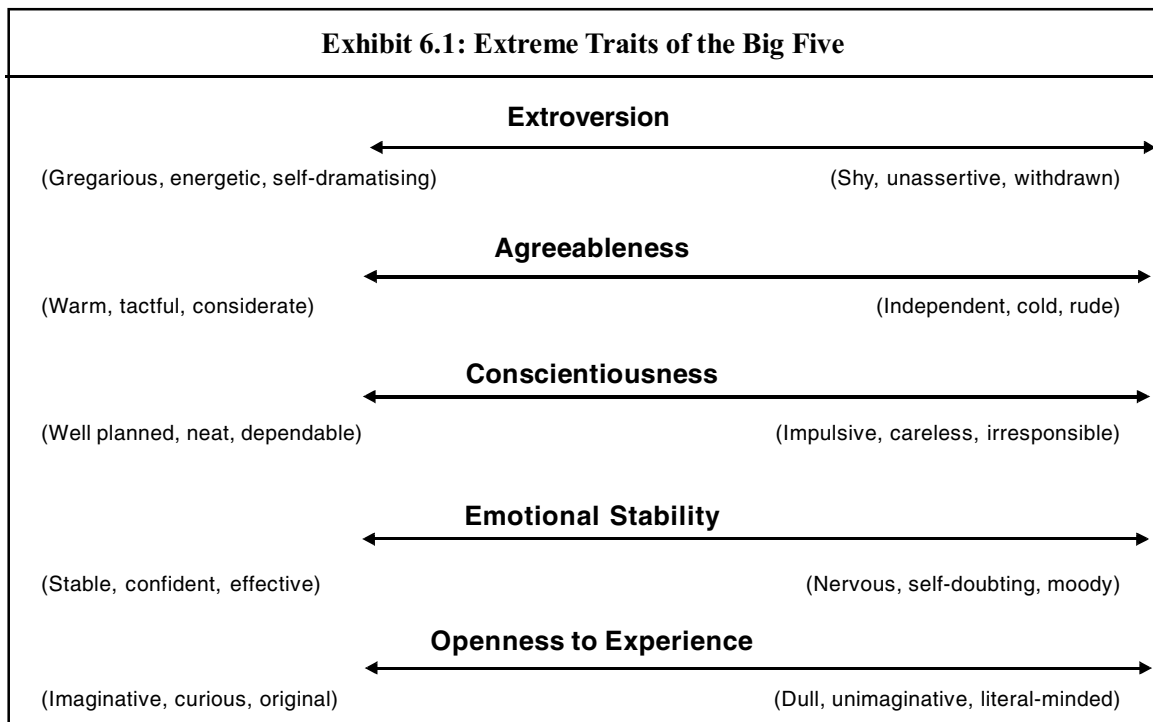
Now, we discuss these big-five personality traits in detail.

1. Extroversion:

People get the energy from their preference of extroversion or introversion. The people who prefer extroversion get the energy from their interactions with other people. The people who prefer introversion get energy by spending time or doing the activities by themselves. Extroversion type people develop and maintain wide-range of social network while the introversion type people narrow down their relationships to a few people.

According to Jung, even the introverts possess social skills, but prefer internal world of ideas, thoughts and concepts. In fact certain societies encourage and reward extroverts. Extroverts at workplace, prefer variety and they don't mind the interruptions at workplace by people/ coworkers. They prefer relationships over quality and quantity of output. In contrast, the introverts prefer complete concentration and least disturbances at workplace by people/coworkers and telephone calls. They prefer quality and quantity of output over relationships. Introverts prefer to work in isolation and concentrate on performance.

Extroversion represents a person's interest in the external world. Person's interest in the external world can be exhibited through sociability, talkativeness/gregariousness and assertiveness. Thus, this dimension deals with relationships with others. Extroverts are assertive, sociable, talkative, gregarious people and introverts are reserved, timid and quiet.



Source: Modified version from Don Hellriegel, John W.Slocum Jr. and Richard W.Woodman, "Organisational Behaviour", Southwestern, Singapore, 2001, p. 41).

(a) Sociability: Sociability is the ability of a person in maintaining interrelationship within a social group. Some executives possess the trait of maintaining social relations with their subordinates. They visit the subordinate's houses, enquire about the subordinates' health, financial, family, children's educational and marriage issues. They participate in various social functions organised by the subordinates.

The employees with high social skills create, nurture and develop social networks. Such employees never feel the social relations as disturbance even at the workplace. Sociability of executives and superiors tend to result in positive job behaviour and improved job performance of subordinates.

Mr. Ravi, Human Resources Manager of Nutrine Confectionary Ltd., has been highly sociable, visits the employees' families and monitors their welfare. During one summer when there was heavy demand for chocolates, employees refused to work beyond the scheduled hours despite his repeated requests. Then Mr. Ravi arranged for a social get-together of the employees' family members and explained to them the demands of the company regarding overtime work. The convinced family

members influenced the employees to concede to the demand of the HR Manager. Thus, the sociability trait of Mr. Ravi resulted in positive job behaviour and enhanced the production of the company.

(b) Talkative: People with talkative skills are with open-mind and speak their mind to others. They disseminate and share information with others without any hesitation. They also voice various issues, ventilate employee grievances and proact on various organisational and employee issues. Many executives, with their speaking skills attract and influence the subordinates regarding their job behaviour and performance. Mr. Mahajan of Grindwell Norton is a skilled speaker. He is good at making presentations. He talks on various issues and attracts the employees and major customers. He makes enquiries with the employees regarding their family issues, welfare, etc. His subordinates are influenced by his abilities of voicing on various issues of the company, jobs, their personal issues, etc.

(c) Assertive: Assertiveness is confirming one's own ideas or actions confidently or defending oneself and/or others through positive arguments, declaring strongly or laying claims. Subordinates like the assertive character of their boss and mould their job behaviour and performance to his

expectations. Mr. Rajiv of Mukand Industries never counts down on his employees though they commit mistakes. In fact, he appreciates and defends them publicly. He calls them for discussions privately and makes them realize their mistakes. Similarly, he also defends himself through arguments, systematic analysis backed up with reasoning and cause-effect presentations. He attracts and influences his subordinates through his assertiveness.

2. Agreeableness

Highly agreeable people are cooperative, warm and trusting, whereas less agreeable people are cold, disagreeable and antagonistic. Individuals with agreeable traits think from the view- point of their employees or clients, accept the proposals, needs or requests of the employees. Employees' job behaviour and job performance is influenced with such a trait. Individuals with such a trait are good natured, cooperative and trusting.

Mr. Uday of Kotak Mahindra enters into the shoes of his employees and customers and analyses the issues and problems from their point of view. Added to this, his positive attitude towards others makes him to exhibit his trait of accepting the proposals or requests or needs of his subordinates. His subordinates are influenced positively by his trait of agreeableness:

(a) Good Natured: Good nature includes respecting the employees' ideas, views, opinions, values and considering them in decision-making. Further, it includes involving the employees in decision-making, helping and guiding them in their work. Good nature of the superiors influence the job behaviour and performance of the subordinates positively.

Mr. Chowdary of Voltas respects the ideas, values and opinion of each of his subordinates. He encourages their participation in various activities and involvement in decision-making. They visit the workplace of his subordinates, offers suggestions, guide them and help them in their work. Employees in Voltas are influenced by the good nature and treatment given by Mr. Chowdary.

(b) Cooperative: Cooperative traits regarding attitude and practice of superiors of an organisation help the company in moulding the job behaviour and increasing the job performance.

Mr. Singh of Max India works jointly with his colleagues and subordinates, though, he has an independent work and independent office. Further, he shares his resources, time and expertise for the efficient performance of his subordinates and colleagues. Singh's cooperation in attitude and

practice influenced the job behaviour and performance of Max India to a greater extent through positive reciprocation of employees.

(c) Trusting: Trust is worthiness of being relied upon or confidence in the truth of anything. It is resting on the integrity. Executives with the trait of trusting provide autonomy to the people, enable them to realize their potentialities and rise to the expectations of their boss. Executives can concentrate on strategic and policy issues.

Mr. Premji of WIPRO entrusts the work, broadly fixes the targets and gives freedom to the employees to achieve the targets. He proudly says that his employees achieve targets beyond his expectations. His employees happily reciprocate that their boss trusts them, which changed their behaviour and enhanced their performance.

3. Conscientiousness

Conscientiousness refers to governing or regulating the work activity by conscience. Conscientiousness is a measure of reliability. Persons with a high level of conscientiousness are reliable, organised, dependable and persistent; while persons with a low level are easily distracted, disorganised and unreliable. The conscientiousness trait of the executive changes the job behaviour and enhances the job performance of the subordinates. The conscientiousness trait includes responsibility, dependability, persistency and achievement-oriented.

Mr. Rajesh Chowdary, an executive of Bharat Heavy Plates and Vessels Limited (BHPVL) had no real pressure of work and responsibility to spend longer hours in the company, take risks, exert his energies, etc. But he worked sincerely beyond the expectations of the organisational culture and his colleagues. The responsive trait of Mr. Chowdary changed the work culture of his department to a considerable extent.

(a) Responsible: Responsible trait is responding readily to discharge one's own obligations towards others and the organisation. The responsible trait of the individuals enables them to take up the work activities with or without delegation, and makes the superiors to concentrate on policy issues. This process improves the job performance of the employees and moulds the employee behaviour towards organisational requirements.

(b) Dependable: Subordinates commit themselves to organisational goals, take up the responsibility and carry out the organisational activities that contribute to the strategy even they are not assigned to them. Such subordinates are dependable. Employees with dependable traits maximize organisational performance. Thus, the dependable trait of the employees improves their job performance.

Mr. Prakash Singhal of Escorts frequently takes up the work activities of the company depending upon the situation, without being assigned to him by his boss. His boss feels that Mr. Prakash is dependable and the work he takes up or which is assigned to him need not be followed up.

(c) Persistent: Persistent trait refers to the behaviour of rendering the services or doing the work continuously at a steady pace without any opposition. The persistent trait influences job behaviour and performance.

Mr. John of Dr. Reddy's Lab reacts to the needs of his subordinates and organisational requirements continuously, steadily at a fast rate without any opposition. This persistent trait of Mr. John influenced the behaviour of his subordinates significantly.

(d) Achievement-oriented: Employees translate the objectives into achievable goals based on ground realities and conditions and achieve the goals to a large extent. The achievement oriented trait of employees improves their job performance and moulds the job behaviour of others and shapes work culture.

4. Emotional Stability

Some executives absorb the actions, reactions, views, feelings, attitudes, outcome of activities, etc., and maintain stability of their emotions. Consequently, they tend to be calm, self-confident and secure. People with negative scores tend to be nervous, anxious, depressed and insecure.

5. Openness to Experience

Executives are expected to be open to new job experiences, learn, absorb and integrate them with their previous experiences and knowledge. This trait includes imaginative, artistically sensitive, intellectual, creative and curious people. Those with low level of openness are conventional and go along with the familiar:

(a) Imaginative: All the business ventures come into existence only after they cross the stage of imaginative or projective. In fact all the business activities also cross this stage and as such, all the employees are expected to possess the imaginative trait. In fact, those who imagine much, achieve much.

(b) Artistically Sensitive: Employees should be sensitive to all types of changes in the environment and imagination. Employees with this trait learn much from the environment and use such knowledge for the improvement of the job performance.

(c) Intellectual: The intellectual trait enables the individuals to think and analyse rationally and understand systematically. This trait helps the employee to make efficient decisions and enhance the job behaviour.

Big Five Traits and Job Performance

The research studies conclude that:

- Individuals who are dependable, reliable, careful, thorough, able to plan, organised, hardworking, persistent and achievement-oriented tend to have high job performance in most occupations.
- Individuals with high conscientiousness develop higher levels of job knowledge as they exert great levels of effort on their job. This, in turn results in higher levels of job performance.
- There is a positive relationship between Personality Traits and Job Satisfaction.

The Self-concept

Almost all the people try to understand themselves by virtue of their qualities, characters, actions, reactions, responses, etc. This process in personality theory is called the self-concept. This process involves the interaction of the background, one's own psychology, values, social, economic, religious and other internal factors of oneself. The concepts of self-esteem and self-efficacy are concerned with self-concept.

Mr. Michael of Human Resources Department of Lipton perceived in 1992 that he has the skills and competence of solving issues of the proposed corporate merger with Brooke Bond. This perception is referred to as self-esteem.

People's self-esteem is concerned with their self-perceived competence and self-image.⁸ When Lipton merged with Brooke-Bond, Mr. Michael perceived that he could counsel and train the employees regarding the cultural diversity issues of the former Brooke Bond employees. This is called self-efficacy. Self-efficacy has to do with self-perceptions of how well a person can cope with situations as they arise.

Thus, self-esteem is concerned with the perceived competence while self-efficacy deals with the perceived performance based on the situation.

6.5 Personality Theories

Psychologists and other human behaviour theorists developed personality theories based on research studies. These personality theories are grouped into psychoanalytic theories, socio-psychological theories, trait theories and holistic theories. Now, we shall discuss the psychoanalytic theories.

Psychoanalytical Theory

Various psychologists contributed to the development of psychoanalytic theory. These psychologists include: Sigmund Freud, Carl Jung, Alfred Adler, Karen Horney and Eric Fromm. Sigmund Freud made significant contributions to the theory compared to other psychologists. On the basis of his research, Freud concluded that unconscious framework motivates the man mostly. There are three aspects in the unconscious framework, viz., The Id, the Ego and the Super ego. These three aspects are interrelated with each other.

The Id

The Id is the primary principle of all human life. It is the mental agency containing everything inherited. It seeks gratification for biological needs. It is the unconscious part of human personality. The biological needs include: hunger, thirst and sexual needs. These needs would be the driving force for thinking and behaving throughout the life. According to the Id, the man removes the tension of unsatisfied biological needs by forming a mental image of the object which would satisfy the needs. Thus, the Id concept is related to the imaginary and illusionary world.

The Ego

The ego is related to the reality principle. It is the conscious and logical part of human personality. Ego is based on the realities of the external environment through intellect and reason. The Id wants immediate pleasure through imagination while the ego wants a real pleasure. For example, a fresh management graduate develops a mental image of a General Manager's position in a multinational company. This is the essence of the Id concept. The job market, competition from other candidates like CAs, ICWAs, MHRM, CFAs, etc., and recession in the industry make him to realize the reality and aspire for a junior management position. This is the essence of the ego concept. The interactive functioning between the Id and the Ego results in many conflicting situations like the fresh management graduate aspiring for a General Manager's position and forced to accept a junior management's position by the environment. Super ego provides necessary support to the ego in resolving the conflict.

Super Ego

Super ego represents a system of personal and societal values, norms, ethics and attitudes. It acts as an ethical constraint on behaviour. This can be treated as conscience. Super ego acts as a norm to the ego in order to determine which behaviour is right and which behaviour is wrong. For example, expressing the individual employee's opinions and ideas is wrong in the public sector while the same behaviour is right in the private sector based on their respective norms and culture.

Thus, the super ego judges whether the behaviour/action is correct or incorrect based on the culture, norms and values of the society concerned.

Though this theory makes significant contributions, it is criticised as:

- It suffers from scientific verification;
- It does not give total picture of the behaviour emerging from personality; and
- It does not take the social factors into consideration.

The personality theory which is developed by taking the social factors into consideration is the socio-psychological theory of personality.

Socio-Psychological Theory

The personality of Late Dhirubhai Ambani of Reliance Industries had been shaped by the society's needs for petroleum products at competitive prices, telecommunications needs for fast communications at the lowest prices and his psychological needs like achievement, involvement etc. Similarly, the personality of Dr. Anji Reddy of Dr. Reddy's Laboratories is shaped by the society's need for qualitative medicines at the affordable price by the people of third world countries and his psychological need for achieving something different from others. Thus, the society's needs and psychological factors of the individual shape the personality. The individual and the society cannot live in isolation. These two interact with and are interdependent on each other. The individual contributes to the achievement of society's needs. Similarly, society assists the individual in fulfilling his needs.

The psychological factors of the individual and the sociological factors of the society interact with each other. Thus, this theory is inclusive of social factors and psychological factors. Contributors to this theory include: Adler, Fromm, Horney and Sullivan. Social variables are significant factors in this theory while biological factors are significant in psychoanalytical theory. Behavioural motivation is conscious according to socio-psychological theory.

The contributions of the socio-psychologists are as follows:

- **Fromm** stressed on the importance of social context. These contributions include: building social relations, making the work more social relevance, making the employee to have the feel of social sets in his work and output.
- **Sullivan and Horney** stressed on interpersonal behaviour. These contributions include: developing transactional abilities, viewing the people positively, developing positive attitude, etc.
- **Adler** emphasised on different variables. These contributions include: career, networking, religious beliefs, balancing family and work requirements, etc.
- **Horney** stressed on predominant interpersonal behaviours like being compliant, aggressive and detached. Compliant people are dependent on others, aggressive people are motivated by the need for power and detached people are self-sufficient.

Managers have to shape the personality of their employees through the interaction and interrelation of social and psychological needs. Now, we shall study the trait factor theory.

Trait Factor Theory

Allport and Cattell contributed to the development of trait factor theory. Allport differentiated common traits from personal dispositions. Common traits are used to compare people. He identified six types of values, viz., religious, social, economic, political, aesthetic and theoretical. Personal dispositions are completely unique from individual to individual. This uniqueness emphasises the psychology of the individual. Cattell developed similar set of traits, viz., surface traits and source traits.

Surface and Source Traits

Surface traits include wise-foolish, affectionate-cold, sociable-seclusive, honest-dishonest, etc. Individuals keep their actual feelings inside and exhibit the traits desirable by the situation. Individuals would like to be good to others at their own cost. Similarly, individuals maintain social relations, develop friendship and networks.

Source traits include Maturity-realism, good nature and trustworthiness, critical-suspicious, etc. Individuals with source traits possess characteristics like maturity of mind, judgmental, analysing and understanding people and situations more accurately.

Trait theory helps to find out relationship between traits and behaviour. This theory recognises continuity of behaviour.

Now, we shall study the holistic or self-theory of personality.

Holistic/Self-Theory of Personality

The personality theories discussed earlier, deal with the personality from one or the other aspect only. Self-theory deals with the personality from all aspects and as such it provides the holistic approach. It emphasises on the totality of the human behaviour. This theory is also known as *organismic theory*. This theory treats the organism as a whole. The contributors to this theory include Alfred Maslow, Herzberg and Lewin. Carl Rogers is the major contributor to this theory. According to him, there are four factors in self-concept, viz., self-image, ideal self, looking glass-self and real self.



Self-Image

Self-image is the way one sees himself/herself. Self-image is the set of beliefs of oneself who or what he is. Mr. Vijay K. Rekhi, CEO of Spirits Division of UB Group sees himself as a leader who brings the skills of each individual member of his team to the forefront.

Ideal Self

Ideal self denotes the way one would like to be. The self-image is the reality of a person while the ideal self is the ideal position as expected/perceived by him. The ideal self motivates the person. Mr. Vijay of UB Group would like to be the leader who manages the overall environment of his company. This view of Mr. Vijay is called the ideal self.

Looking Glass-self

Looking glass-self is the perception of an individual about how others perceive his/her characteristics and qualities. Looking glass-self is perception of others' perception and is the outcome of face-to-face interaction with others from the very beginning of life. Ms. Kalpana, Executive Director of ICICI, perceives that her followers perceive her as intellectual and has the ability to satisfy the customers. This act is called 'looking glass-self.'

Real Life

The real life is what one actually is. In other words, real life is the real characteristics, values and attitudes of one self. The person adjusts and readjusts himself based on the responses of others and the environmental influences.

Self-concept helps the person in perceiving others, other things and himself. The person cautiously behaves as the average person is not particularly well acquainted with himself. Self-concept helps in perception and overall behaviour.

Thus, personality influences behaviour of the people in organisations. Now, we shall study the influence of personality on organisational behaviour.

6.6 Meaning of Learning

Human resources play a critical role in implementing organisational strategies and achieving goals. Different strategies need different kinds of employee behaviour. For example, the growth strategies need transformational leadership styles, employee empowerment and adult-adult ego states. Retrenchment strategies need parent-child ego states and autocratic leadership style. Thus, efficient achievement of different strategies desire different behaviours. Employees are expected to acquire the desirable work behaviour based on strategies to achieve organisational goals. In other words, employees change their behaviours depending up on shifts in strategies. Employees change their behaviours by learning new competencies, knowledge, beliefs, values and the like.

Learning is a relatively permanent change in knowledge or observable behaviour that results from practice or experience. People acquire new competencies, skills, knowledge, values, beliefs, norms, cause and effect relationships, and the like based on either one's own experience or others' experience or research output. This learning influences the individuals to change their knowledge or wisdom and/or observable behaviour. All learning may not result in observable behaviour as all learning may not result in performance. Performance need motivation and commitment to use the learned knowledge and acquired competency on to the job for the benefit of the organisation.

6.7 Characteristics/Features of Learning Process

1. Learning is a continuous process.
2. People learn through their actual personal experience, simulated experience and from other's experience (by using the knowledge which represents experience of others).
3. People learn step by step, from known to unknown and simple to complex.
4. There is a need for repetition in teaching to improve skill and to learn perfectly.
5. Practice makes a man perfect. Hence, opportunity should be created to use, transfer the skills, knowledge and abilities acquired through learning. It gives satisfaction to the learner.
6. Conflicts in learning: Conflict in learning arises when the trainer knows or has developed some habits which are incorrect in terms of the method being learned.

6.8 Learning Theories

There are three theories of learning, viz.:

- Behaviouralistic Theories
- Cognitive Theories
- Social Learning Theory

Behaviouralistic Theories

Behaviouralistic theories of learning are developed by the traditional behaviourists like Ivan Pavlov, and John B. Watson. These classical behaviourists attributed learning to the connection between Stimulus and Response ($S \rightarrow R$). Whereas, the operant behaviourists particularly B.F. Skinner attributed learning to the consequence, i.e., Response-Stimulus ($R \rightarrow S$) connection. The Stimulus Response connection deals with classical or respondent connection while the Response Stimulus connection deals with the instrumental or operant conditioning.

Classical Conditioning

The Russian Pioneering behaviourist Ivan Pavlov conducted classical conditioning experiment using dogs as subjects. Classical conditioning came out of experiments to teach dogs to salivate in response to the ringing of a bell. Pavlov measured the amount of Saliva secreted by a dog. Pavlov presented meat powder to the dog (unconditioned stimulus), then he noticed a great deal of salivation (unconditioned response). When he merely rang a bell (neutral stimulus) the dog had no salivation. Next Pavlov presented the meat powder along with ringing the bell. After doing this several times, he rang the bell without presenting the meat. This time the dog salivated to the bell alone. The dog had become classically conditioned to salivate (conditioned response) to the sound of the bell (conditioned stimulus).

The classical conditioning reveals that the stimulus elicits response, i.e., $S \rightarrow R$.

Examples of classical conditioning

	Stimulus (S)		Response (R)
	Sees a snake	→	Runs away
The Individual	is ordered by an autocratic manner	→	Says 'Yes' boss
	Sees a good book	→	reads it

Skinner felt that classical conditioning cannot explain the more complex human behaviours. He felt that human behaviour affects or is affected by the environment. This behaviour is explained by operant conditioning.

Operant Conditioning

Operant conditioning emphasises that learning occurs as a consequence of behaviour, i.e., R S. Employees work for more hours to get more salary or not to be fired. If the management pays more salary to those employees who work for more hours, then the employees repeat their behaviour of working for more hours. Paying more salary is called reinforcement. Reinforcement strengthens a behaviour and increases the likelihood of repeating that behaviour. Example of operant conditioning:

	Response (R)	→	Stimulus (S)
The student	Studies hard		Gets first class
The employee	Commits to the company		Is promoted
The businessman	Is ethical		Maximises wealth
The student	Enters the classroom		Listens to the lecture

Operant conditioning is more relevant to human learning than classical conditioning. It also explains most of the organisational behaviour aspects. Operant conditioning is used by organisational behaviour researchers to explain the effectiveness of managers.

Cognitive Theories

Cognitive theories emphasise on the cognitive process. Cognitive learning theories establish the relationship between cognitive environmental cues and expectations.

Edward Tolman is a widely recognised cognitive theorist. He conducted an experiment using white rats as subjects. He found that a rat could learn to run through an intricate maze with purpose and direction toward a goal (food). The rat learned to expect that certain cognitive cues associated with the choice point might eventually led to food. Tolman's approach is depicted as S-S (Stimulus-Stimulus). In other words learning is the association between the cue and expectancy.

Employees expect higher salaries, promotions, and high quality of work life. Employees learn that they can achieve their expectations by working productively. The realisation of working productively is the result of cognitive environmental cues. Organisational behaviour researchers are currently concerned about the relationship between cognitions and organisational behaviour.

Now, we shall discuss the social learning theory.

Social Learning Theory

People learn through different means like observation of others, direct experiences and indirect experiences. Learning through these various means is called social learning. Social learning theory integrates behavioural concepts, cognitive concepts and environmental determinants. (See Fig. 6.1). Social learning takes place through reciprocal interactions among people, behaviour and environment. Reciprocal interactions take place by integrating operant and cognitive learning approaches. This theory draws the inputs from the principles of classical and operant conditioning. It also recognises that learning takes place through various means like vicarious, modelling and self controlling processes.

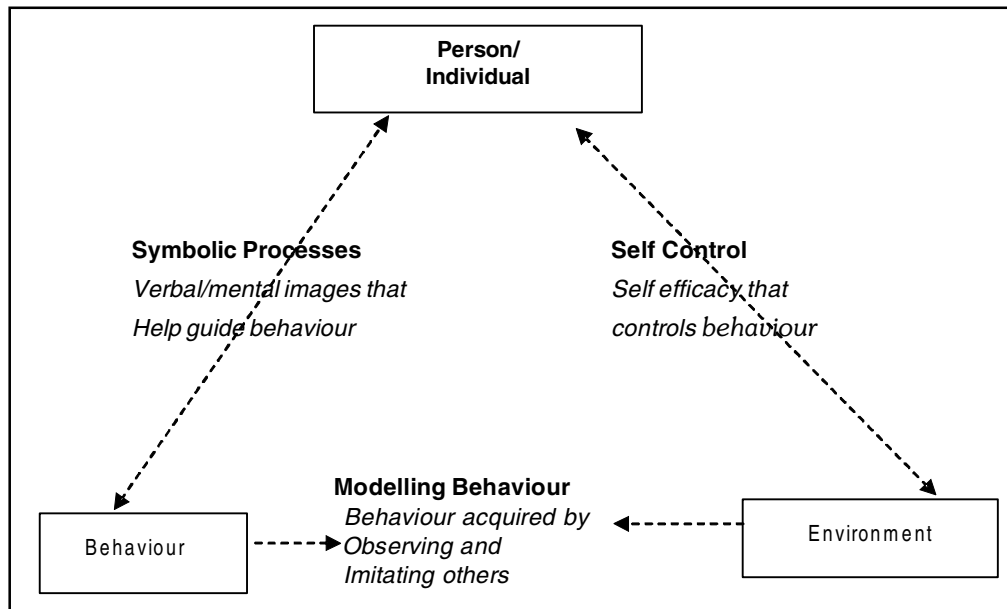


Fig. 6.1: Social Learning Model

Source: Adapted from R. Kreitner and Fred Luthans, "A Social Learning Approach to Behavioural Management", *Organisational Dynamics*, Autumn, 1984, p. 55.

It is observed from the figure that individuals learn by observing others, imitate them and modelling them through practice. Employees model their superiors or other managers. Tutors in the university model their lecturers/mentors. Kids model and imitate their big brothers/sisters/parents/ other family members. However, the entire behaviour of individuals is not acquired through imitations. However, the individuals learn through their own verbal and mental images as well as their own self efficacy that controls behaviour. These approaches shape the leaning through imitating the models.

People learn from various role models like parents, teachers, peers, leaders, etc. The influence of models is significant in social learning theory. There are four processes through which the model influences the individuals. These four processes include:

- **Attention Processes:** People learn from the critical features of the models like leadership skills, attractiveness, timely decision-making, etc.
- **Retention Proccss:** The level of influence of the model depends on the level to what extent the individual remembers the model.

- **Motor Reproduction Processes:** People may at times imitate the models. Children imitate their parents and teachers. This is because, observation is converted into action.
- **Reinforcement Processes:** Individuals prefer to exhibit the behaviour of the model, if such behaviour results in rewards. People pay more attention to and learn the positively reinforced behaviours from the models.

6.9 Summary

In simple terms, personality is the sum total of ways in which an individual reacts to and interacts with others. The personality of an individual is influenced by heredity (facial attractiveness height, temperament) and environmental factors (culture and changes in business environment). Learning is a relatively permanent change in knowledge or observable behaviour that results from practice or experience. Learning is a continuous process and people learn from actual personal experience and from others experience. Practice makes a man perfect. Therefore, opportunity should be created to use, transfer the skills, knowledge and abilities acquired through learning.

6.10 Key Words/Abbreviations

- **Personality:** Personality is the sum total of ways in which an individual reacts to and interacts with others. The personality of an individual is influenced by heredity (facial attractiveness height, temperament) and environmental factors (culture and changes in business environment).
- **Learning:** Learning is a relatively permanent change in knowledge or observable behaviour that results from practice or experience. People acquire new competencies, skills, knowledge, values, beliefs, norms, cause and effect relationships, and the like based on either one's own experience or others' experience or research output. This learning influences the individuals to change their knowledge or wisdom and/or observable behaviour.
- **Looking Glass-self:** Looking glass-self is the perception of an individual about how others perceive his/her characteristics and qualities. Looking glass-self is perception of others' perception and is the outcome of face-to-face interaction with others from the very beginning of life.

- **Social Learning:** People learn through different means like observation of others, direct experiences and indirect experiences. Learning through these various means is called social learning.
- **Sociability:** Sociability is the ability of a person in maintaining interrelationship within a social group. Some executives possess the trait of maintaining social relations with their subordinates. They visit the subordinate’s houses, enquire about the subordinates’ health, financial, family, children’s educational and marriage issues. They participate in various social functions organised by the subordinates.
- **Conscientiousness:** Conscientiousness refers to governing or regulating the work activity by conscience. Conscientiousness is a measure of reliability. Persons with a high level of conscientiousness are reliable, organised, dependable and persistent;
- **Extroversion:** Extroversion represents a person’s interest in the external world. Person’s interest in the external world can be exhibited through sociability, talkativeness/gregariousness and assertiveness. Thus, this dimension deals with relationships with others. Extroverts are assertive, sociable, talkative, gregarious people and introverts are reserved, timid and quiet.
- **Self Concept:** Almost all the people try to understand themselves by virtue of their qualities, characters, actions, reactions, responses, etc. This process in personality theory is called the self-concept.

6.11 Learning Activity

1. State three of your personality traits.

2. Explain the knowledge and skills developed by you after taking up the management course.



3. Name three industrialists who have demonstrated versatile personality traits

6.12 Unit End Questions (MCQ and Descriptive)

A. Descriptive Type: Short Answer Type Questions

1. What is Personality? Explain the factors influencing personality
2. Explain the personality traits. State in detail the big five personality traits.
3. Analyse various personality development theories.
4. Explain the meaning and features of learning.
5. Explain the three learning theories.
6. Explain classical conditioning theory with example.

B. Multiple Choice/Objective Type Questions

1. The term personality denotes
 - (a) Honesty and integrity
 - (b) Listening skills
 - (c) Inner and outer traits
 - (b) Courtesy and politeness
2. Personality theories include
 - (a) Psycholo analytical theory
 - (b) Socio-psychological theory
 - (c) Trait theory
 - (d) All the above
3. Leaders are
 - (a) Born
 - (b) Made
 - (c) Born and made
 - (d) All the above

4. Learning varies
 - (a) According to the difficulty of task
 - (b) Ability of the individual
 - (c) As per the physical environment
 - (d) All the above
5. Learning theories consist of
 - (a) Cognitive theory
 - (b) Trait theory
 - (c) Psychological theory
 - (d) All the above
6. According to psychoanalytical theory 'unconscious framework motivates the man mostly.'
The unconscious framework includes
 - (a) The id
 - (b) Ego
 - (c) super ego
 - (d) All the above

Answers

1. (c), 2. (d), 3. (c), 4. (d), 5. (a), 6. (d).

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UNIT 7 PERCEPTION AND MOTIVATION

Structure:

- 7.0 Learning Objectives
- 7.1 Introduction
- 7.2 What is Perception?
- 7.3 Perceptual Process
- 7.4 Perceptual Inputs
- 7.5 Perceptual Selection
- 7.6 External Factors Influencing Perceptual Selection
- 7.7 Internal Factors Influencing Perceptual Selection
- 7.8 Introduction to Motivation
- 7.9 Types of Motives
- 7.10 Meaning and Process of Motivation
- 7.11 Significance of Motivation
- 7.12 Nature of Motivation
- 7.13 Features of Motivation
- 7.14 Types of Motivation
- 7.15 Theories of Motivation
- 7.16 Theory X and Y
- 7.17 Maslow's Theory of Motivation

- 7.18 Herzberg's two Factor Theory
- 7.19 Equity Theory
- 7.20 Summary
- 7.21 Key Words/Abbreviations
- 7.22 Learning Activity
- 7.23 Unit End Questions (MCQ and Descriptive)
- 7.24 References

7.0 Learning Objectives

After studying this chapter, you will be able to:

- Explain the meaning of perception;
- Discuss the perceptual process, viz., perceptual inputs, perceptual throughputs and perceptual output;
- Describe the perceptual throughputs like external and internal environmental factors;
- Elaborate the relationship between personality and perception;
- Analyse the meaning and features of motivation
- Discuss the types of motivation
- Explain the theories of motivation

7.1 Introduction

The study of Cognition and cognitive process makes the understanding of perception ease and systematic. Therefore, we discuss the two terms viz., cognition and cognitive process before we study the meaning of perception.

Cognition is the act of knowing an item of information. Cognition precedes behaviour. It provides input into a person's thinking and perception. Information can be known from the stimulus like overt

and covert physical factors, social and cultural factors, technological and mechanical factors, environmental factors and the international factors. Information can be known through the sensory organs like eyes, ears, nose, mouth and skin.

7.2 What is Perception?

Cognitive process is a complex one as it involves the collection of information from many sources and through different sensory organs, supply this information to the cognitive mediators, arranging the information in a sequential order. (See Fig 7.1).

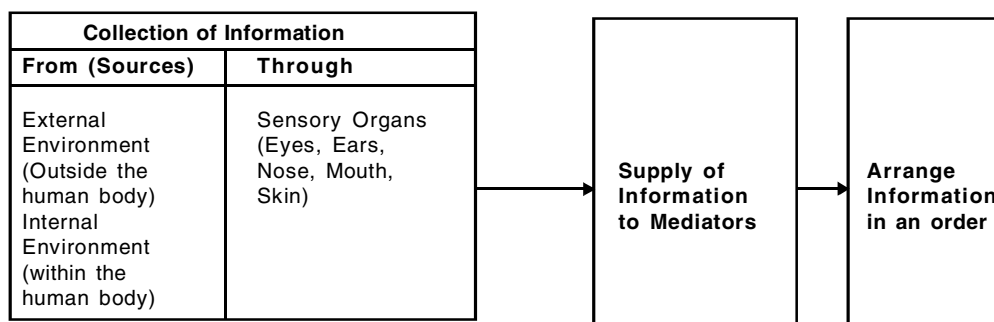


Fig. 7.1: Cognitive Process

Perception is not necessarily just what one sees with his own eyes or what one listens with his own ears. Perception is a unique interpretation of the situation, not an exact recording of it. Fred Luthans defines the term perception as a very complex cognitive process that yields a unique picture of the world, a picture that may be quite different from reality.

Having discussed the definition on perception provided by Fred Luthans, we shall now discuss other definitions for further clarity.

Uma Sekharan defines perception as, “the process through which people select, organise and interpret or attach meaning to events happening in the environment.”

Stephen P. Robbins defines perception as “a process by which individuals organise and interpret their sensory impressions in order to give meaning to their environments.”

Udai Pareek *et al* define perception as, “the process of receiving, selecting, organising, interpreting, checking and reacting to sensory stimuli or data.”

We will further discuss the meaning of perception with the help of a case example for further clarity. Mr. Prakash is Personal Assistant of the General Manager of Federal Express. It was 4th August 2009 and Mr. Prakash attended the office at 9.45 a.m. and he went directly to the production department to get the production records to place it before the meeting scheduled to be held at 10.30 a.m. on the same day at the General Manager's Chamber. He completed his business in the production department by 10.20 a.m. and returned to the General Manager's chambers.

The General Manager came to his office at 10 a.m. He wanted to have a discussion with Mr. Prakash regarding the arrangements for the day's meeting. He was thinking that Mr. Prakash has not yet (i.e., 10.25 a.m. of 4th August, 2009) come to the office.

The General Manager was very much angry with Mr. Prakash and scolded him for being late to office and he immediately went to the meeting without giving any scope to Mr. Prakash to answer. What is your view in this case? Your view is your perception. The General Manager did not see Mr. Prakash in his office or he did not hear from anybody that Mr. Prakash has come to the office before 10.25 a.m. Therefore, his cognitive process provided him the picture that Mr. Prakash was not available in the office on time. Thus, it yielded this unique picture to the General Manager. In fact, the reality was that Mr. Prakash had come to the office even before 10.00 a.m. and he had been on duty up to 10.20 a.m. in the production department. Therefore, the unique picture that the General Manager's cognitive process yielded is quite different from the reality. Thus, perception is the picture, yielded by the cognitive process which need not be the reality or the correct one.

7.3 Perceptual Process

The information we receive from the environment like objects, events and people are the perceptual inputs. These inputs are transformed through the perceptual mechanism like selection, organisation and interpretation as the output. The transformation mechanism is called *throughput*. The output is the perception. The perception may be the opinions, feelings, values, attitudes, conclusions, etc. These influence the decisions and behaviours. Fig. 7.2 presents the perceptual process model.

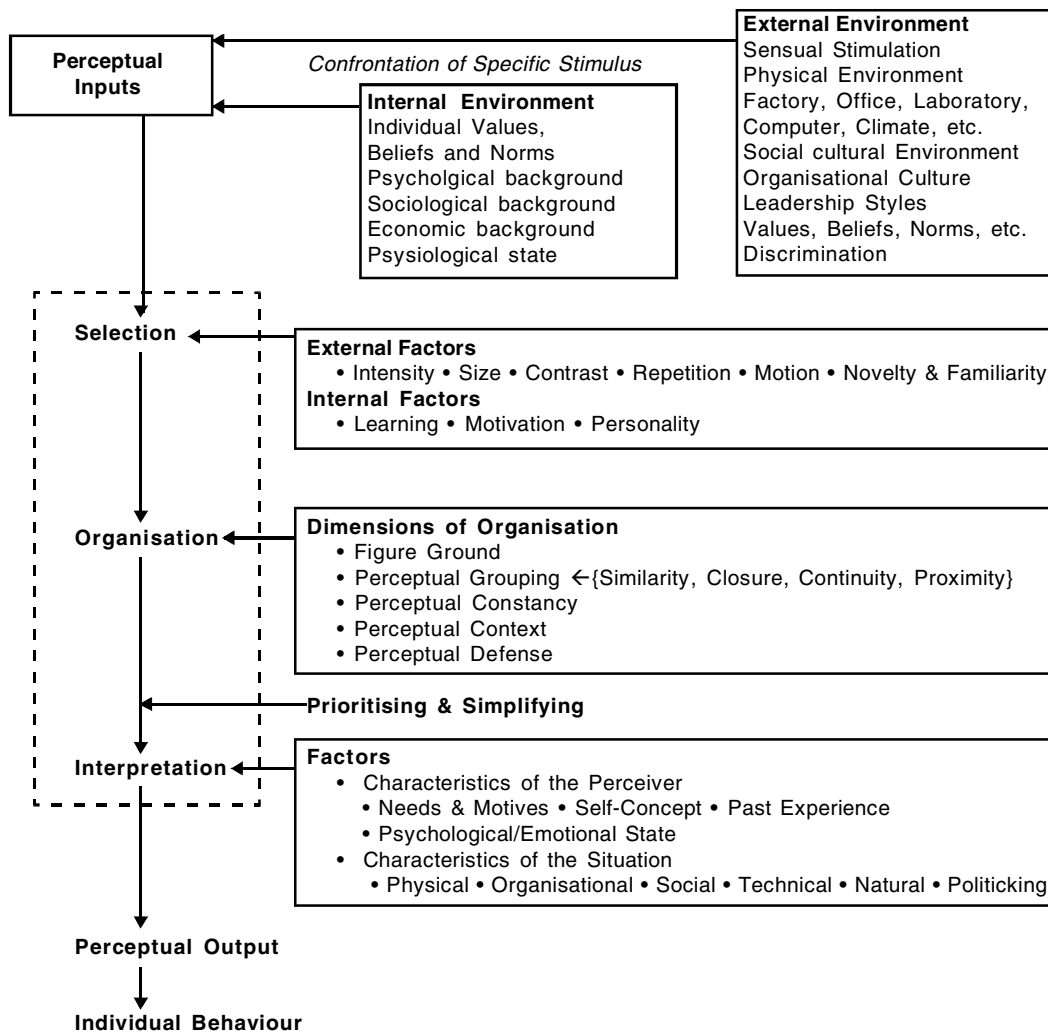


Fig. 7.2: Perceptual Process

7.4 Perceptual Inputs

Perceptual inputs include all stimuli that exist in the external environment like classroom, laboratory, Socio-cultural environment, Technological environment, Economic environment, Political/Physical environment, International environment and Natural environment (STEPIN). We might have learned (or will learn) these environmental factors in the course on “Business Environment.” Business environment provides inputs for the perceptions regarding business/organisational decisions and behaviours.

7.5 Perceptual Selection

Mr. Prakash — the dynamic executive under the competitive environment is always bombarded by numerous stimuli like factory noise, conversations of his subordinates, movement of a number of people, outside noises from cars, trains, planes and his internal initiative to outperform his competitors, etc. Yet, he selects his computer to know the strategies of his competitors through the internet.

Similarly, we are also confronted by numerous stimuli every time. The stimuli below our conscious threshold is called ‘subliminal perception.’ Though numerous stimuli affect us, some of us select the food based on the smell, some select summer due to heat, and so on. Why do people select different stimuli. The answer for this is found in perceptual selectivity.

The perceptual selectivity is based on the external and internal environment factors. Now, we shall study the influence of external environmental factors on selectivity.

7.6 External Factors Influencing Perceptual Selection

The external environmental factors influencing selectivity are discussed below:

(i) Intensity: We select the stimuli from the numerous environmental stimuli based on the intensity. The intensities include loud noise, bright light, strong odour over the soft noise, dim light and weak odour.

The audio advertisers use intensity to gain the attention of the prospective customers. The superiors use loud voice to caution/warn the subordinates. Sometimes the teachers raise the pitch of their voice to make the students attentive during the post-lunch sessions. The principle of intensity, though a small one, plays significant role in perceptual selectivity. Mr. Kiran – a supervisor was walking around the factory. He was bombarded by the machine’s sound, the discussions of the workers in the factory, etc. But he was attracted by the huge cry made by the workers who were demanding six hours of work rather than the present eight hours of work a day. This was due to intensity of the sound.

(ii) Size: The perceptual selectivity principle here is that, “the larger the object, the more likely it will be perceived.” We normally see and get attracted by the large size objects rather than smaller objects. Normally, the human resource manager perceives a 6 foot and 90 kgs trade union leader

over the 5 foot and 50 kgs trade union leader. A large size bus rather than a bicycle is perceived by a traffic policeman or a striker. Larger companies prefer to issue full-page advertisement rather than a few lines in the classified category as the large sized advertisements are more perceived by the customers than those in the classified category.

(iii) Contrast: Recently we watch the advertisements like the following on TV:

“Are you tired due to heavy mental work?” Yes!

“Do not use the foods like these as they are not enough for your child. Our food is complete and planned. Therefore, use our food for your child.”

“You are not expected to see, taste and use this product....”

Companies present this type of advertisement as the people perceive external stimuli which they do not expect.

Companies present this type of advertisement because customers select the stimuli of the product against the background of other products.

Thus, the contrast principle states that, “external stimuli which stand out against the background or which are not what people are expecting will receive their attention.”⁶

(iv) Repetition: The repetition principle is that a repeated external stimulus is more attention-getting than a single one. Trade unions include the significant demands in the agendas of the collective bargaining meetings frequently to draw the attention of the top management and the human resources manager. Similar examples include frequent instructions by the superiors to the poor performers and frequent advertisements by the fast moving consumer goods manufacturing/marketing companies.

(v) Motion: During the periods of strikes and agitations, agitators mostly destroy the moving buses and vehicles as moving objects draw the attention rather than stationery objects like parked vehicles and houses. Similarly, the moving production processes, conveyer belts, moving trucks in the factory receive the workers’ attention very much rather than the stationary equipment and its maintenance. The principle here is that, moving objects receive more attention of the people in the field of vision than the stationary objects do.

The companies follow this principle in their advertisements and incorporate mostly moving parts and objects in the advertisements.

(vi) Novelty and Familiarity: Novelty and familiarity principle is that either a novel or a familiar external situation can serve as an attention drawer. Both novelty and unfamiliarity would fail to draw the attention as nothing can be drawn out of it. It is said that the efficient managers do the same thing differently. Example for novelty and familiarity is the job rotation. Here, employee is familiar one whereas the new job is the novel one. Computerisation of many jobs in commercial banks resulted in novelty in doing the familiar job. Talapatra Paper Mills Employees' Union had been demanding the management for the payment of dearness allowance due to increase in cost of living since 2007. Management did not concede to this demand of workers despite the frequent demands until 2009. The Union resorted to a novel technique of representing the problem by the employees' wives in September 2009. Then this issue had drawn the attention of the top management when their wives explained their problems in managing the family budgets. The management immediately accepted the demand and paid the dearness allowance. In this example, the demand of dearness allowance was familiar but representation of the demand by the employees' wives was novel which had drawn the attention of the management.

Computer aided teaching also brings the novelty in teaching and learning the familiar courses and topics/subjects.

7.7 Internal Factors Influencing Perceptual Selection

So far we have discussed various external factors which influence perceptual selectivity. Now shall we discuss the internal factors influencing the perceptual selectivity. Individual's physiological and psychological makeup influence their learning, motivation and personality. Learning, personality and motivation of an individual, in turn, influence the perceptual selectivity. Internal factors include:

(a) Learning and Perception

Dr. P. S. Rao had been teaching the course on 'Organisational Behaviour.'

He used to write the following on the board:

“which bind them to get her as a social entity.”

Nearly 80 per cent of the students used to read the sentence as

“which bind them **to get her** as a social entity.”

While remaining 20 per cent of the students used to read the sentence correctly as

“which bind them **together** as a social entity.”

It took a few seconds for the 80 per cent of the students to realize that there are two unnecessary gaps (in fact, it is something wrong).

The 20 per cent of the students who got it right used to read it correctly as ‘together’ due to their familiarity with the sentence from prior learning. Thus, these students are perceptually set to read the three independent words as a single word as: ‘Together.’

Let us pronounce the following word slowly.

M-A-T-H-E-M-A-T-I-C-S

If we pronounce this word as ‘**Mat-He-Mat-Ics**’ we are caught in a verbal response set. A number of similar examples are as follows:

O-F-F-I-C-E

If we pronounce the word as ‘**Off-Ice**’ we are caught in a verbal response set.

M-A-N-A-G-E-M-E-N-T

Similarly, if we pronounce the word as ‘**Man-Age-Ment**’ we are caught in a verbal response set.

The most classical example for explaining the impact of learning on development of perceptual set is ‘young lady-old lady experiment’ as presented in Fig. 7.3.



Fig. 7.3(a): Ambiguous Picture of an Young Woman

Observations from figure 7.4(a), (b), (c):

1. If we see only Fig. 7.4(a), we perceive that it is a figure of a young lady.
2. If we compare figure (a) with (b), we perceive that lady in figure (a) is young and the lady in figure (b) is old.
3. If we compare figure (a) with figure (c), we perceive that lady in figure (a) is old and the lady in figure (c) is young.
4. If we compare figure (c) with (b), we perceive that lady in figure (c) is young and the lady in figure (b) is old.
5. If we compare all the three, then we perceive that lady in figure (a) is a mix figure of young and old ladies; lady in figure (b) is old lady and lady in figure (c) is young lady.

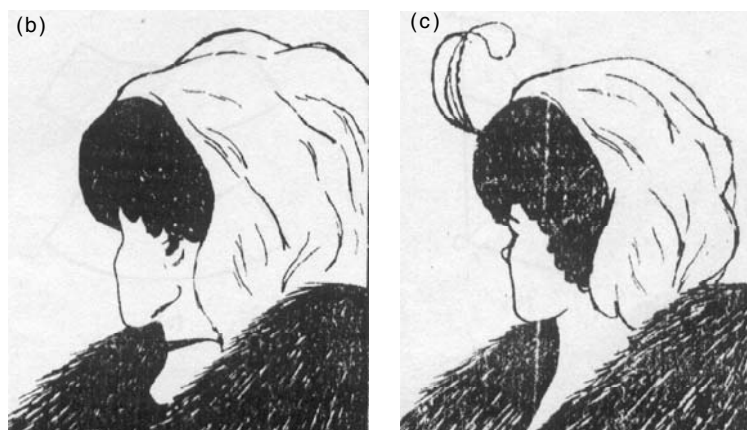


Fig. 7.4 (b) (c): The Management Process

If we see the figures independently, we cannot make the distinction as stated earlier. Therefore, it is clear that perceptual set, *i.e.*, comparing one against another gives us a picture close to reality. Thus, learning plays a significant role in developing perceptual set.

Now, we present other varieties of commonly used illusions to present the impact of the learned set on perception. Fig. 7.5 presents the two-three-pronged objects.

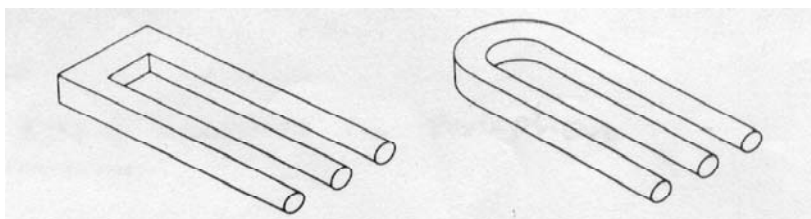


Fig. 7.5: The Two-Three-Pronged Objects

Our perception:

1. If we see the above figures spontaneously, we perceive that there are three pronged objects.
2. If we see the above figures closely and calmly, we observe that there are only two pronged circles, which is correct.

These objects are drawn in contrary to common perceptions of such objects.

Fig. 7.6 also presents common perceptual illusions. Illusion may be a form of perception that badly distorts reality.

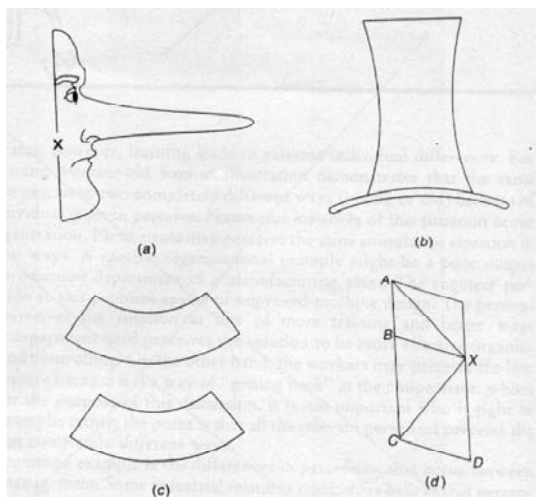


Fig. 7.6: Common Perceptual Illusion

On observing the Fig.7.6(a)

1. We perceive from the figure(a) that the length of nose is larger than the height of the face.
2. But, when these dimensions are measured with the scale, you will find that length of nose is equal to the height of the face.

On observing the Fig. 7.6(b)

1. Most of us feel that the height of the hat is more than the width of the brim.
2. But, when these dimensions are measured you will find that both the dimensions are the same.

On observing the Fig. 7.6(c)

1. Most of us feel that the dimensions of the upper figure are larger than the lower figure.
2. But, when these dimensions are measured with the measures of scale, you will find that both the dimensions are the same.

On observing the Fig. 7.6(d), we feel the following:

1. The length of line CX is more than that the line XD
2. The length of line XD is more than that the line AD
3. When these dimensions are measured, you will find that the dimensions of the lines CX, XD and AD are identically equal.

On Observing the Fig. 7.7, We Perceive the following:

1. Person (c) in the figure is the tallest
2. Person (b) in the figure is tall
3. Person (a) in the figure is short
4. When you measure the height of these three figures, you will find that the heights of all the three are same.

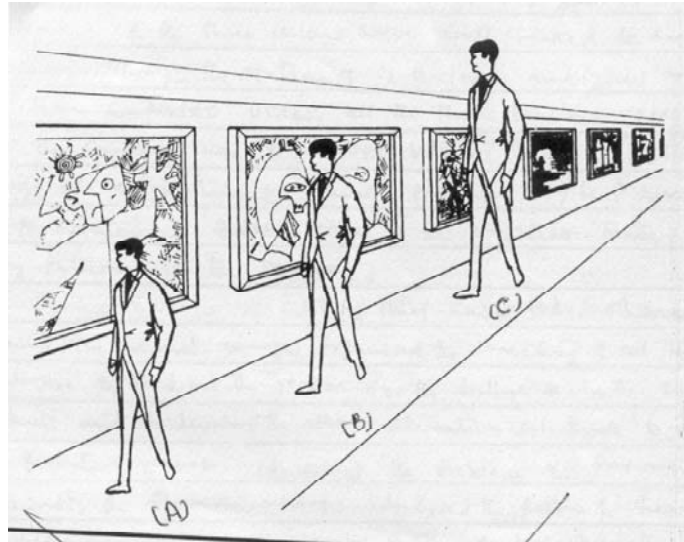


Fig. 7.7: Role of Learning in Perception

We perceived differently from the actual in the above figures due to the strong role played by the learned set in perception process. This figure presents the role that the learned set plays a more stronger role in perception compared to the previous figures.

(b) Perceptual Set in the Workplace

Normally, different employees perceive either differently or on the same line from the same set of real things at the workplace. The chief executive officer of the newly established company told the leaders of the three unions, “The Company cannot pay the bonus to you.”

The leaders of the three unions were cross-checked to know their perception. Though the statement is unclear, ambiguous and indicating negative view, all the three leaders expressed positively that the company now pays good salaries though it cannot pay bonus as it is in the initial stage of establishment. Thus, perception may be favourable and positive but the statement seems to be negative. Further, all the people may perceive in the same way.

Strong Brief Cases Ltd. observed the decline in sales. The General Manager organised the meeting of all the functional managers to find out the reason for the decline in the sales of their products and to develop the alternative strategies to improve the sales. The production manager identified the problem of poor maintenance of machines, the finance manager identified the problem of heavy working capital, marketing manager identified the problem of less promotional efforts and

the human resources manager identified the problem of obsolete skills of the employees. Thus, the different managers perceive the same situation/problem in completely different ways at the workplace.

(c) Motivation and Perception

Similarly, workers and management perceive the company's financial position quite differently in collective bargaining meetings while meeting the workers' demands.

The concept of motivation is explained in the chapter on 'Motivation.' Maslow's hierarchy of needs include: physiological needs, security needs, social needs, esteem needs and self-actualisation needs. The motives play a significant role in perception.

The physiological needs like sex, food and shelter play a dominant role in perception. The Indian culture suppresses sex and hence, sex is the unfulfilled need for many teenagers in this society. As such, visual/audio deal with sex acts as an attention-drawer. This is more so in eastern countries compared to the western countries. Food and consumer goods were a major attention drawer in India before the 1970s. But, food and consumer goods lost appeal as an attention getter after 1990s in our country due to increase in incomes and living standard.

The Indian culture of living together in a social set-up satisfies the social needs of the people even in business and industrial organisations. Therefore, this is a fulfilled need for many people at the workplace in India unlike in the western countries. As such, this need does not have any appeal as an attention-getter.

The preachers of Hindu religion reduce the desires/needs of esteem like high need for power, achievement and recognition. But, modern Indian culture is slowly tending towards the departure from the Hindu religion dominated Indian culture. Therefore, the mention about esteem needs started acting as an attention-getter.

(d) Personality and Perception

Information technology, computerization, officeless offices, home-cum-offices, paperless offices and business process reengineering and enterprise resource planning brought radical changes in the line of thinking and personalities between the young managers and the senior managers.

The senior managers view that the young managers change at a fast rate unnecessarily resulting in wastage in resources and methods. Whilst the young managers perceive that the old managers resist change, if not, move very slowly resulting in becoming the back number in these days of severe competition.

Similar personality differences can also be perceived between male executives and female executives and between the old generation and the younger generation people. Thus, the people of different age groups, sex, backgrounds and values perceive the world around them quite differently.

Professional Experience and Knowledge: Professional/occupational experience and knowledge also play a vital role in developing perceptual set. Further, they also help in attracting the attention of the perceiver. For example, the chief medical officer of a chemical company went to the production department to see the production manager who is a friend of the former. The personal assistant of the production manager informed him that his boss is in the factory. He went into the factory and met the production manager. Later, the production manager was explaining the new technology that the company adopted recently to the Chief medical officer. He identified the areas in the new technology that would cause lung disease to the operators out of his professional knowledge. All the other employees could not identify this.

Paranoid Perception: The person who is the victim of a situation or an event cannot perceive the events like most others who are not the parties to it. For example, the one who is denied promotion can perceive that injustice was done to him and his cognition won't select any other factor which would give him the indication that he is less qualified or less experienced or less efficient than the one who was promoted. Thus, the perceptual field of the emotionally disturbed person differs from that of the others. The disturbed person suffers from excessive repression, projection, distortion of reality and highly individual based interpretation such persons behave in an inflexible manner due to the feeling of insecurity.

7.8 Introduction to Motivation

Every human action is the result of a need or desire. One experiences a sort of mental discomfort as long as that need remains unsatisfied in him/her. The moment the action is initiated he/she makes an attempt to get over the discomfort. What causes an action is the need or desire? What causes a

need is called the *stimulus*. Therefore, the manager's duty is to create the stimulus that causes a need which initiates action leading to satisfaction. This should be a repetitive process for the action to continue. All this is called 'motivation' in management. Now we shall discuss motives, motivating and motivation.

Motives

The term motive is derived from the Latin word 'movere.' It means 'to move.' 'Motive' is defined as an inner state that energises, activates (or moves) and directs (or channels) the behaviour of individuals towards certain goals. Motives are certain important needs of human beings. These needs have different degrees of potency or strength.

The strong need or motive creates high tension or disequilibrium in a person and makes him restless until the need is fulfilled. For example, the need for professional recognition makes the doctor restless until the co-doctors and patients recognize him as an efficient doctor. In order to reduce the tension, the doctor treats the critical cases. Motives induce the individuals to channel their behaviour towards those actions which would reduce the disequilibrium. Thus, motives are drives which energises individuals to an action with a direction. For example, the strong motive of earning large sums of money directs the students to take up the action of studying course which have fast earnings.

7.9 Types of Motives

Motives are classified into three categories, viz., *primary motives*, *general motives* and *secondary motives*.

Primary Motives

Psychologists say some motives are unlearned and they are called physiological, biological, unlearned or primary motives. Like, fasting before prayer and fasting during religiously auspicious days. These motives include: hunger, sleep, avoidance of pain, sex and material concern. These motives are both unlearned and physiologically based. These motives always do not take precedence over general or secondary motives. General and secondary motives take precedence over primary motives in some situations.

General Motives

The motives which can't be classified either as primary motives or as secondary motives are categorized into general motives. These motives are unlearned but not physiologically based.

Primary motives tend to reduce the tension or stimulation. In contrast, general motives encourage a person to increase the stimulation. Therefore, these needs are also called, 'stimulus motives.' General motives play a significant role in organisational behaviour than primary motives.

General motives include: curiosity, manipulation, activity motives and affection motive. Human curiosity, manipulation and activity drives are quite intense. *The teacher or examiner tries to confuse the student in order to create curiosity to learn deeper or exhibit the potentialities. Similarly, superiors allocate complex work to the subordinates in order to explore the employees' curiosity, manipulation and activity drives. Similarly, employees should also be allowed to exhibit their curiosity, manipulation and activity motives, in order to motivate them.*

Affection motive is closely associated with the sex motive or primary motive and also affiliation motive or secondary motive. Hence, affection motive sometimes is classified as primary motive and sometimes as secondary motive. Affection motive plays a vital role in the organisations as most of the employees, in these days, are deprived of love and affection at home. Further, it plays a vital role in the general society also, due to the adages of, 'Love makes the world go round' and 'Love conquers all.'

Secondary Motives

General motives play a significant role in organisational behaviour compared to primary motives. But secondary motives play further pivotal role in organisational behaviour. Primary motives do not play a significant role in the developed countries. However, it is not true in case of developing countries like ours. Secondary motives are closely related to learning concepts. Important secondary motives are power, achievement and affiliation. Examples of key secondary needs are presented in Exhibit 7.1.

Exhibit 7.1: Examples of Key Secondary Needs

Need for Achievement

- Doing better than competitors
- Attaining or surpassing a difficult goal
- Solving a complex problem
- Carrying out a challenging assignment successfully
- Developing a better way to do something

Need for Security

- Having a secure job
- Being protected against loss of income or economic disaster
- Having protection against illness and disability
- Being protected against physical harm or hazardous conditions
- Avoiding tasks or decisions with a risk of failure and blame

Need for Power

- Influencing people to change their attitudes or behaviour
- Controlling people and activities
- Being in a position of authority over others
- Gaining control over information and resources
- Defeating an opponent or enemy

Need for Status

- Having the right car and wearing the right clothes
- Working for the right company in the right job
- Having a degree from the right university
- Living in the right neighbourhood and belonging to the country club
- Having executive privileges

Need for Affiliation

- Being liked by many people
- Being accepted as part of a group or team
- Working with people who are friendly and cooperative
- Maintaining harmonious relationships and avoiding conflicts
- Participating in pleasant social activities

Source: Adapted from Gary Yukl, *Skills for Managers and Leaders*, Prentice Hall, Englewood Cliffs, N.J., 1990, p. 41. The examples of need for status are developed by Fred Luthans, *op.cit.*, p. 144.

Motives are also classified as: (i) power motive, (ii) achievement motive, (iii) affiliation motive, (iv) security motive, and (v) status motive. Now, we discuss these motives in detail.

Power Motive

Alfred Adler – a pioneering psychologist advocated the power motive. He submitted a person's overwhelming drive for superiority or power. He developed the concept of 'inferiority complex' and compensation to explain the power need. The power need implies the need to manipulate others or the drive for superiority over other people. According to him, every child experiences a sense of inferiority. People strive for power or superiority in order to overcome the inferiority complex.

The quest for power is quite prominent in almost all areas. The quest for power is more prominent in political fields. Normally, those who are inferior in their profession or occupation in terms of ability, skill and knowledge have more quests for power in order to compensate their feelings of inferiority. (See Box 7.1).

Box 7.1: Helping People to Motivate Themselves

A major function of leaders is to motivate other individuals and groups. (Note that leaders can also focus on motivating themselves when their focus is on self-leadership.) There are approaches to motivating people that are destructive, eg, fear, intimidation, etc. While these approaches can seem very effective in promptly motivating people, the approaches are hurtful, and in addition, they usually only motivate for the short-term. There are also approaches that are constructive, eg, effective delegation, coaching, etc. These approaches can be very effective in motivating others and for long periods of time.

Note that different people can have quite different motivators. For example, some people are motivated by more money, others by more recognition, time off from work, promotions, opportunities for learning, opportunities for socializing and relationships, etc. Therefore, when attempting to motivate people, it's important to identify what motivates them. Ultimately, though, long-term motivation comes from people motivating themselves.

Source: <http://managementhelp.org/guiding/motivate/motivate.htm>

Persons in different administrative positions in business, industry, trade unions, government, public service, education, etc., strive for power.

Achievement Motive

David C. McClelland, a Harvard psychologist has been studying on 'achievement motive.' McClelland has written about all aspects of achievement. Characteristics of a high achiever have

emerged out of his research. The achievement motive is expressed as a desire to perform in terms of a standard of excellence or to be successful in competitive situations.³ The prominent characteristics of a high achiever are discussed hereunder:

- **Moderate risk taking:** Common sense tells that high achievers take the risk of higher order. But the research studies conclude that high achievers take moderate risk. Low achievers take either low risk or high risk.
- **Need for immediate feedback:** High achievers need immediate feedback. These people need immediate and clear-cut information about their activities, level and rate of progress. They also need information regarding the contribution of their efforts in achieving organisational goals. The likes of the high achievers include: woodwork and mechanics which provide immediate feedback. Their dislikes include: coin-collection which takes years to develop. High challenging jobs like sales and managerial jobs which are challenging and are evaluated frequently. They dislike teaching, research and development jobs.
- **Satisfaction with accomplishments:** High achievers do not want materialistic rewards. They want intrinsically satisfying rewards. High achievers prefer a complicated and challenging job though it offers less salary compared to a simple job even if it offers higher salary.
- **Preoccupation with the task/activity:** The high achievers, once they select a task completely concentrate on it until it is accomplished. They cannot do two jobs simultaneously or take up another job leaving one job half done. High achievers are quiet and do not boast about themselves or about their accomplishments. They tend to be realistic. They cannot maintain sound human relations with others as they do not allow others to come in their way in achieving their goals and targets. High achievers are more of individualistic nature and may fail to work in a team environment.

Affiliation Motive

Affiliation is a social need and members prefer to join groups in order to satisfy their need of belongingness/affiliation. Lower level employees have higher intense need to belong to a group. Affiliation motive plays a significant role in human resources management particularly in the area of commitment. Employees' commitment level is enhanced by satisfying their social needs of belonging.

Security Motive

The post-privatisation and globalisation era brought significant changes in the Indian business. The pre-liberalisation period (i.e., before 1991) provided job security to the employees particularly to those in the public sector. Added to this, the fast technological advancement brought significant changes in the structure of employment.

Now, the Indian industry needs less number of people and as such, many industries started retrenching the employees through voluntary retirement scheme. Therefore, security of employment has become a complicated issue. Further, most of the employees have a fear of losing their jobs. Thus, the employees are deprived of the security need.

Status Motive

The capitalistic economic system along with the advanced technology created dynamic organisations. These dynamic organisations created challenging jobs. The candidates with the skills and knowledge suitable to the dynamic jobs are given quite attractive salary, lucrative perks like free house, free car, telephone, club membership, credit card, computer, internet connection and the like. Thus, the status and prestige motive of these dynamic employees is satisfied even though their need for job security is uncared for.

Motivating

Marketing Manager of ABC Pharma Ltd. tells the sales force as: Those who achieve 200% targets will receive 200% of monthly salary as commission and will be promoted as Area Sales Managers. Thus, the marketing manager induced the sales force to engage in extensive sales through the motives of commission and promotion.

Motivating implies that one person induces another person to engage in action or desired work behaviour by ensuring that a channel to direct the motive of the person becomes available and accessible to the person.

Managers play a significant role in motivating the subordinates. They identify employees' talents, skills, creativity and innovative ideas and energise them to put these into action. Thus, the managers motivate their subordinates. Through this action, the managers help convert the innovative and creative ideas of their subordinates into worthwhile actions. Managers play a significant role in

motivating their subordinates by channelling the employee's potentialities and work behaviour towards the organisational goals.

Further, the managers also convert a weak desire into a strong desire and motive. This, in turn helps the employee to make use of his potentialities for his benefit and also for the organisation.

The relationship among motive, motivating and motivation is presented in Fig. 7.8.

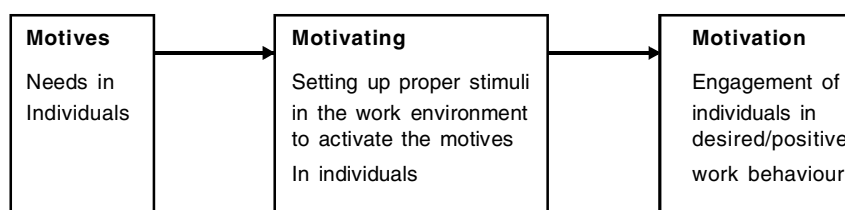


Fig. 7.8: Relationship among Motive, Motivating and Motivation

7.10 Meaning and Process of Motivation

Motivation is derived from the word motive. "A motive is an inner state that energises, activates or moves and directs or channels behaviour towards goals."

"Motivation represents an unsatisfied need which creates a state of tension or disequilibrium, causing the individual to move in a goal directed pattern towards restoring a state of equilibrium by satisfying the need." According to the Encyclopedia of Management, "motivation refers to the degree of readiness of an organization to pursue some designated goal and implies the determination of the nature and locus of the forces, including the degree of readiness."

Motivation is a process that starts with a physiological or psychological deficiency or need that activates behaviour or a drive that is aimed at a goal or 'incentive.' Thus, the process of motivation lies in the meaning of and relationship among needs, drives and incentives (Fig. 7.9).

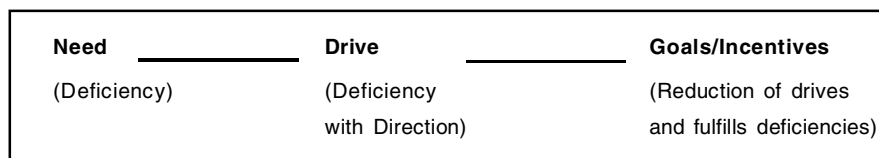


Fig. 7.9: The Basic Motivation Process

Need: Need is deficiency. Needs are created whenever there is a physiological or psychological imbalance.

Drive: Drive is a deficiency with direction. They are action-oriented and provide an emerging thrust towards goal accomplishment.

Incentives: Incentive is anything that will alleviate a need to reduce a drive.

Constant state of tension is the nature of motivated people. The drives towards an activity relieve the tension. The outcome or the result also reduces the tension. Greater activity is needed to reduce the greater tension. The greater activity increases the level of motivation. Thus, greater tension needs greater activity which results in higher motivation. The basic motivation process is presented in Fig. 7.10. This process shows that there are three phases in motivation.

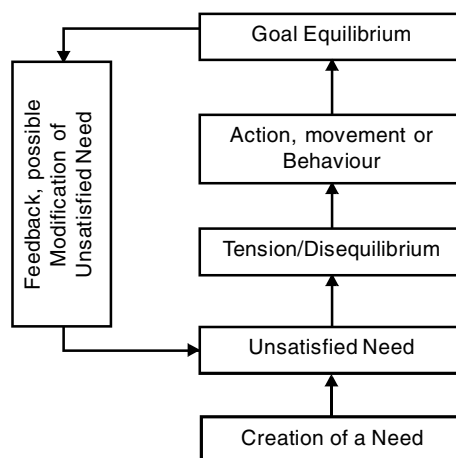


Fig. 7.10: Basic Motivation Process

There are three areas in motivation, *viz.*, motives, motivation and motivating. Let us look at each of them.

The three basic phases of motivation include: Effort, Persistence and Direction.

Effort: The strength of a person's work related behaviour is determined by the amount of effort devoted for the activity. *For example, the salesman of an insurance company can sell more number of insurance policies and of higher value, by devoting a lot of time for and effort in meeting and convincing the prospective customers.*

Persistence: Motivation should be a permanent and an integral part of human beings.⁷ Motivation should also be persistence in the efforts. Therefore, individuals put their efforts continuously until the goal is achieved. Once the predetermined goal is achieved, the individual selects or chooses further higher goal. Then the individual puts further additional effort and strives continuously and persistently to achieve the higher goal. *For example, an MBA student has a goal of securing 'A' grade in MBA and puts all the efforts to achieve the goal. Once this goal is achieved, he/she selects another goal of becoming an ERP Consultant and puts an additional effort to achieve this goal.* Thus, high motivation needs higher level of persistent efforts.

Direction: The goal achievement requires a clear direction in addition to persistent hard work. Direction enhances the level and quality of output. The efforts should be directed towards organisational goals. Clear direction ensures that the persistent efforts are put for the right purpose in the right level and in the right time. The candidate who earned MBA degree and would like to become an ERP consultant, directs all his/her time, money, mental and physical inputs to learn necessary skills and become an ERP consultant.

7.11 Significance of Motivation

The word 'motivation' is used frequently and prominently by the people of different occupations and professions. *A student says, "Mathematics teacher motivated me a lot positively during my school days and hence, I am very much interested in Mathematics." A salesman says, "the new marketing manager does not motivate the sales force and hence the sales of our company are dwindling these days."*

Further, scientists, researchers, politicians, managers and the like refer to the term 'motivation' quite often. Even, we come across the word, 'motivation' in the Ramayana when Lord Anjaneya was encouraged/motivated by Jambava to fly over the sea by identifying the potentialities of Lord Anjaneya. This is a positive effort of motivation. This simple example tells us what could motivation do. In other words, motivation makes the impossible things possible. Thus, motivation plays an important role in converting the human potentialities into performance that lead to high level achievements.

Further, the importance of motivation can be explained as indicated hereunder:

- Motivation identifies employee potentialities and makes the employee to know his potentialities.
- Motivation converts the potentialities into performance.
- Motivation converts motivated employees into committed and loyal employees.
- Motivated employees explore the alternative methods of performing a task and they select a better method than the existing method. Motivated employees use their *innovative and creative skills, talents, etc.*, and offer creative ideas to the management. This factor, in turn results in the upgradation of technology and technical know-how.
- If the employee has a positive attitude towards quality and has also been motivated by the production manager, his concern towards quality increases. The increased concern towards quality results in high quality in production/operations.
- **Increase in productivity:** Motivated workers exert all their energies towards the job. This would in turn result in increase in employee efficiency and thereby productivity. Added to this, the committed employees do the work in a better way, and also reduce the wastage, which, in turn, contributes to higher productivity.
- **Human resources development:** Motivation results in exploring potentialities, development of skills, knowledge and abilities. This, in turn, leads to the development of human resources.
- Motivated employees behave positively, maintain sound human relations, congenial superior-subordinate relations.
- Motivated employees formulate *efficient strategies* in order to achieve the corporate objectives and compete with the competitors.
- The present day high-technology and software industries depend upon highly self-motivated employees.

- **Proper utilisation of human resources:** As indicated earlier, motivation identifies human potentialities and channel them towards organisational objectives. This results in increased efficiency and productivity due to utilisation of human resources where they are appropriately fit.
- **Optimum utilisation of other resources:** All other resources without human resources can produce nothing. Human resources make use of all other resources like material and finance and produce products or services. The motivated human resources utilise all other resources to the optimum extent and maximise productivity.
- **Builds congenial industrial relations:** Motivation maintains discipline, sound superior-subordinate relations and sound relations among colleagues. This, in turn, leads to congenial industrial relations.
- **Basis for cooperation:** Motivation makes the people understand each other completely, leads to group work and team spirit. These, in turn, lead to unreserved cooperation and collaboration among members of a department and organisation.

7.12 Nature of Motivation

Motivation is mainly concerned with the directing of employees towards organisational objectives and mission. The nature of motivation is discussed as follows:

- (i) Motivation is a continuous process:** As we have studied in economics, human wants are unlimited. It is said that, 'Even God cannot satisfy all human wants.' With the satisfaction of one want, another want preferably of the higher order crops up and this process goes on and on. Thus, new wants emerge when the present wants are satisfied. Further, all the wants cannot be satisfied at the same time. Wants are to be satisfied one after another continuously. Hence, motivation is also a continuous and an unending process.
- (ii) Motivation is a psychological concept:** Motivation is concerned with the psychological aspects of the human being. The level of satisfaction, contentment, etc., by using the same reward/incentive varies from person to person. This is due to variations in aspirations, attitudes, feelings and perceptions of the individuals. Thus, motivation is reaction of the organs of the human body to the inducements/incentives offered.

- (iii) **The entire individual is motivated:** As stated earlier, motivation is a psychological concept interacting with the total organs of an individual. Further, each individual is an integrated and comprehensive system. The entire system of an individual reacts to the motivation. Thus, the entire individual is motivated.
- (iv) **Frustrated individual fails to be motivated:** Some individuals are frustrated despite the rewards due to the wide gap between his/her aspirations and rewards. Some of the frustrated persons become mentally ill and these persons cannot be motivated.
- (v) **Goals lead to motivation:** Goals form a part of the motivational process. Goal achievement results in the satisfaction of want. Goal fulfilment leads to reduction of drives and fulfils deficiencies. Thus, goal achievement ends the motivation process.
- (vi) **The self-concept as a unifying force:** Self concept is the life position of a person that he formulates about himself during his childhood. He thinks himself in the same way during his life time until and unless a major change takes place in the rest of the life time. Therefore, those who formulated a positive view about themselves during the childhood, will be motivated by themselves in the rest of the life time. And the vice versa is true in case of negative self concept.

7.13 Features of Motivation

The analysis of definitions on motivation presents the following features:

1. Motivation is individual's internal feeling: Motivation is a psychological process within individuals. Individual needs/desires are the feelings in the mind of a person regarding the deficiencies. These deficiencies include physical, social and psychological.

2. Motivation is concerned with the total person: Individuals are total persons. They are self-contained. Each individual is an inseparable unit and all his needs are interrelated. The individual feelings in the social area affect his physical and psychological areas also. Individual feelings and motivation is continuous process. They result in continuous and interrelated human behaviour.

3. Motivation = Anticipated values × Perceived probability: Motivation is the product of anticipated values from an action and the perceived probability that these values would be attained

by the action. The anticipated value is called 'Valence' and the perceived probability is called 'Expectancy.' Thus, the

$$\text{Motivation} = \text{Valence} \times \text{Expectancy}$$

4. Motivation is the willingness to exert high levels of effort towards organisational goals, conditioned by the efforts and the ability to satisfy some individual need.

5. Motivation involves the arousal, direction and maintenance of behaviour towards a goal. It is presented in Fig. 7.11.

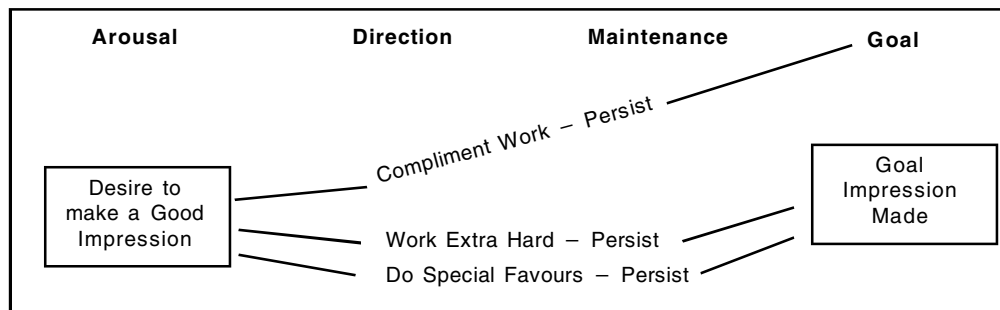


Fig. 7.11: Basic Components of Motivation

7.14 Types of Motivation

There are two ways by which people can be motivated. One is a positive approach or pull-mechanism and another is a negative approach or push-mechanism.

Positive Motivation or Pull-Mechanism

People are said to be motivated positively when they are shown a reward and the way to achieve it. Such reward may be financial or non-financial. Monetary motivation may include different incentives, wage plans, productive bonus schemes, etc. Non-monetary motivation may include praise for the work, participation in management, social recognition, etc. Monetary incentives provide the worker a better standard of life while non-monetary incentives satisfy the ego of a man. Positive motivation seeks to create an optimistic atmosphere in the enterprise. Positive motivation involves identifying employee potentialities and make him realise the possible result by achieving his potentialities. Positive motivation can be referred as 'Anjaneya type of motivation' in Ramayana.

Negative Motivation or Push-Mechanism

One can get the desired work done by installing a fear complex in the minds of people. In this method of motivation, fear of consequences of doing something or not doing something keeps the worker in the desired direction. This method has got several limitations. Fear creates frustration, a hostile state of mind and an unfavourable attitude towards the job which hinders efficiency and productivity. So the use of it should be kept to its minimum and should be practised discretely.

Steps in Motivation

According to Judicious, the following are the steps that should be adopted in motivation:

- (i) **Sizing up:** This step mainly involves understanding of different needs of people. Having assessed the needs, one can determine what motivates them.
- (ii) **Preparing a set of motivating tools:** This list of motivators should be prepared based on the revealed needs of the people.
- (iii) **Selecting and applying motivators:** Out of the list of motivators, few should be selected and applied wherever and whenever they are needed.
- (iv) **Feedback:** Having applied the motivators, it is important to find out how effective had a particular motivator been.

Now, we shall study the important aspect of this Chapter, i.e., Theories of Motivation.

7.15 Theories of Motivation

Let us now understand in detail the various types of content theories of motivation, viz., Carrot and Stick Approach Theory, Theory X, Theory Y.

Carrot and Stick Approach Theory

This theory advocates that people are motivated to work under two conditions, viz.:

- (i) When they are offered rewards and
- (ii) When they are penalised or punished.

The rewards are offered for efficient and high performance and punishments or penalties are imposed when the performance is lagging behind of a standard performance.

Vroom and Deci observe: “Organisation - mediated rewards and penalties most clear-cut motivational effects where the outcomes, on the basis of which rewards and penalties are allocated, are under the control of an individual. Where such control is weakened, the motivational advantages tend to break down.”

This theory is effective, if the employee’s basic needs are not satisfied. If the employee is satisfied with his needs up to a certain extent, he doesn’t care of the penalties.

According to Saul W. Gillerman, “The philosophy of management by direction and control is inadequate to motivate because human needs, on which this approach relies, are today unimportant motivators of behaviour. Direction and control are essentially useless in motivating people whose important needs are social and egoistic.”

McGregor is of the view that neither the ‘hard’ nor the soft approach can provide an effective motivation for human effort towards the achievement of organisational objectives.

The Carrot approach involves the offer of monetary rewards, non-monetary benefits, providing better working conditions and high quality of work life. The Stick approach supports the theory X assumptions and involves the use of coercion and threat, close supervision and tight control of employee behaviour.

This approach doesn’t work in many situations during the third millennium as people do not work for only money and other rewards. The other needs like sense of achievement, interesting work, recognition, involvement in decision-making, etc., play vital role in employee motivation.

7.16 Theory X and Y

Douglas McGregor proposed two altogether different views of human beings. One view is basically negative of human beings called Theory X and the other is basically positive of human beings called Theory Y.

Assumptions of Theory X: Theory X is a traditional set of assumptions about people. The assumptions held by managers under Theory X include:

- The typical person dislikes work and will avoid it, if possible;
- The typical person lacks responsibility, has little ambition and seeks security about all; and

- Most people must be coerced, controlled and threatened with punishment to get them to work.

Motivational Aspects of Theory X: Theory X assumes that people are relatively self-centred, indifferent to organisational needs and goals and resistant to change. Managers have to motivate their subordinates through negative motivational techniques like coercion, punishment, threatening and controlling.

Theory X assumptions are mostly applicable in government departmental and public sector organisational situations where people are not basically trusted. And these assumptions are not applicable in private sector organisations where freedom, autonomy and voluntarism are mostly trusted.

Assumptions of Theory Y: Theory Y implies a more positive, human and supportive approach to managing people. The assumptions of Theory Y include:

- People view work as being as natural as rest or play.
- People will exercise self-direction and self-control, if they are committed to the organisational objectives.
- The average person can learn to accept and/or seek responsibility.
- People are not inherently lazy. They have become that way as a consequence of their experience, and
- People have potential. Under proper conditions, they learn to accept and seek responsibility. They have imagination, ingenuity and creativity that can be applied to work.

Motivational Aspects of Theory Y: These assumptions motivated the managers to develop employee potential and help them release that potential towards the organisational objectives.

Theory Y assumptions are believed mostly by the private sector organisations, where the performance is most essential than the procedure. Private sector organisations motivate the employees by creating proper organisational structures like humanistic and flat structures. The believers of Theory Y design the jobs based on job enrichment techniques. Further the employees are given freedom and autonomy to decide their work, activities, take their own decisions with a view to

enhance the organisational performance. Empowerment of employees is a recent technique in this direction.

7.17 Maslow's Theory of Motivation

The most popular and important content theories of motivation is the Maslow's Theory. According to Maslow, human needs form a hierarchy, starting at the bottom with the physiological needs and ascending to the highest need of self-actualisation as shown in Fig. 7.12. He says when one set of needs are satisfied, they no longer work as motivators as a man seeks to satisfy the next higher level needs.



Fig. 7.12: Maslow's Hierarchy of Needs

The Need Hierarchy

- (i) **Physiological needs:** These are the basic necessities of human life — food, water, warmth, shelter, sleep and sexual satisfaction. Maslow says that until these needs are satisfied to the required level, man does not aim for the satisfaction of the next higher level needs. As far as work organisation is concerned, these needs include basic needs like *pay, allowance, incentives* and *benefits*.
- (ii) **Security/safety needs:** These refer to the need to be free of physical danger or the feeling of loss of food, job or shelter. When the physiological needs are satisfied, man starts thinking of the way by which he can continue to satisfy these physiological needs. Security needs spring up the moment he makes an effort in the direction of providing

himself the source of continuity of physiological needs. This is exactly the reason why attitude towards security is an important consideration in choosing the job. These needs as far as work organisation is concerned include: conformity, security plans, membership in unions, severance pay, etc.

- (iii) **Social needs (affiliation or acceptance needs):** When the physiological and security needs are satisfied, these social needs begin occupying the mind of a man. This is exactly why he looks for the association of other human beings and strives hard to be accepted by its group. Social needs at the workplace include: human relations, formal and informal work groups.
- (iv) **Esteem needs:** These needs are power, prestige, status and self-confidence. Every man has a feeling of importance and he wants others to regard him highly. These needs make people aim high and make them achieve something great. These needs for employees include status symbols, awards, promotions, titles, etc.
- (v) **Self-actualization needs:** This is the highest need in the hierarchy. This refers to the desire to become what one is capable of becoming. Man tries to maximize his potential and accomplish something, when this need is activated in him.

As indicated earlier, the individuals proceed from physiological needs to safety needs and so on and so forth only when each need is satisfied. If any need is not satisfied, the individual sticks to that need and strives to fulfill that need.

Critical Analysis of Malsow's Theory: The first question that arises is, "Do needs follow hierarchy?" Studies and surveys conducted by experts reveal that needs do follow hierarchy to some extent. But it should be remembered that it cannot be generalised in the sense that needs do not necessarily follow the same hierarchy among all people at all times. It also depends on the cultural values and personality of the individuals and their environment. But it is true that psychological needs would emerge only after the physiological needs are satisfied.

7.18 Herzberg's two Factor Theory

Maslow's theory has been modified by Herzberg and he called it two-factor theory of motivation. According to him, the first group of needs are things such as company policy and administration,



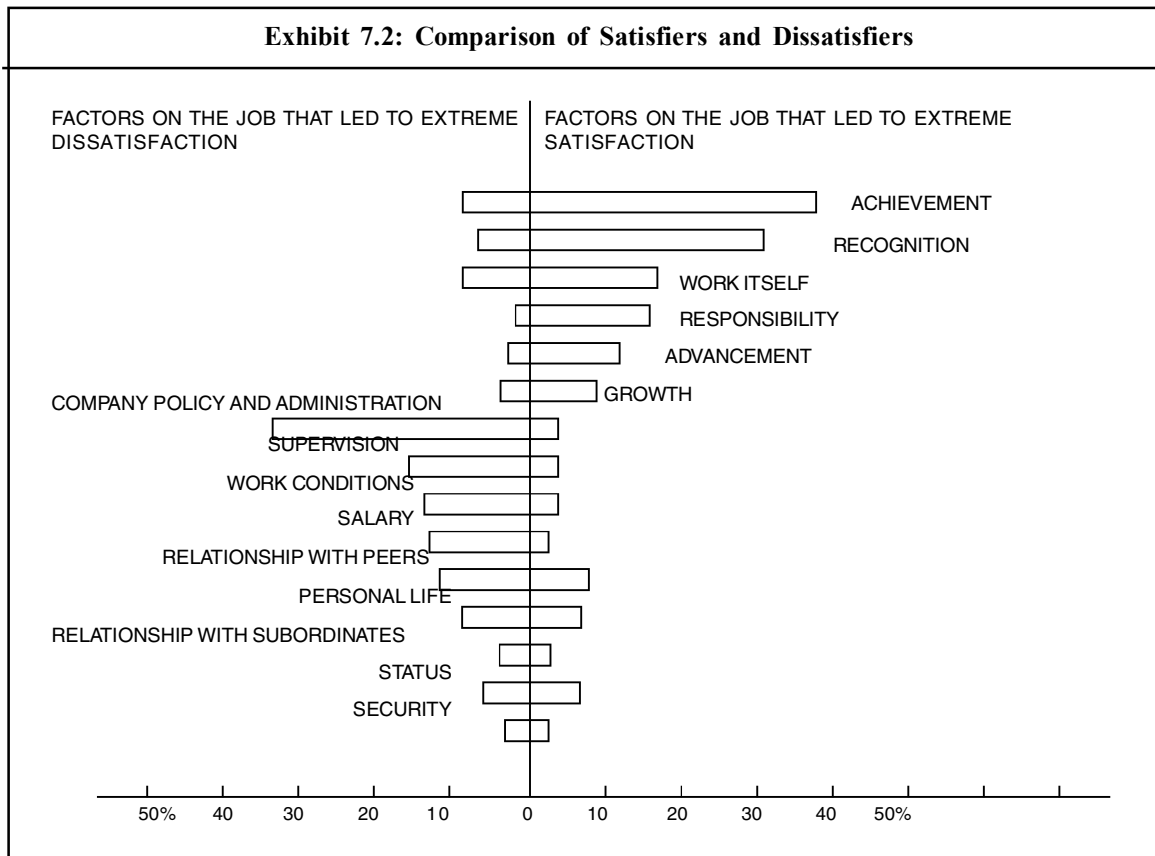
supervision, working conditions, interpersonal relations, salary, status, job security and personal life. Herzberg called these factors as ‘*dissatisfiers*’ and not motivators. By this, he means that their presence or existence does not motivate in the sense of yielding satisfaction, but their absence would result in dissatisfaction. These are also referred to as ‘hygiene’ factors (See Fig. 7.13).

<i>Maintenance Factors or Dissatisfiers or Hygiene Factors</i>	<i>Motivational Factors or Satisfiers</i>
<ul style="list-style-type: none"> • Job Context • Extrinsic Factor • Company Policy and Administration • Quality of Supervision • Relations with Supervisors • Work Conditions • Pay • Peer Relations • Personal Life • Relations with Subordinates • Status • Job Security 	<ul style="list-style-type: none"> • Job Content • Intrinsic Factors • Achievement • Recognition • Work Itself • Responsibility • Advancement • Possibility of Growth

Fig. 7.13: Herzberg’s Classification of Maintenance and Motivational Factors

In the second group are the satisfiers, in the sense that they are motivators. These factors are related to ‘job content.’ He included the factors like achievement, recognition, challenging work, advancement and growth in this category. Presence of these factors will yield feelings of satisfaction.

Frederick Herzberg’s theory is also called *motivation-hygiene theory*. Herzberg believed that individual’s relation to work is a basic one. Individual’s attitude towards work determines his/her success or failure on the job. Herzberg conducted a study by asking the question: What do people want from their jobs? He asked the respondents to describe situations or events when they felt exceptionally good and bad about their jobs. The responses of the respondents are tabulated as presented in Exhibit 7.2.



Herzberg concluded that the replies of the good feeling of the jobs of the respondents are significantly different from those of the bad feelings of the jobs of the respondents. Factors on the right side of the exhibit tend to be related to job satisfaction motivational factor and the factors on the left side of the exhibit tend to be related to job dissatisfaction maintenance factors.

Factors contributed to job satisfaction in the order of their significance include: achievement, recognition, work itself, responsibility, advancement and growth. Those respondents, when they felt good about their job, attributed to these factors. In contrast, when they felt bad about their jobs, they attributed the following factors for being bad on their jobs. These factors in the order of their significance include: company policy and administration, supervision, relationship with supervisor, work conditions, salary, relationship with peers, personal life, relationship with subordinates, status and security.

Criticisms: This theory suffers from the following criticisms:

- The procedure used by Herzberg is limited by its methodology;
- The reliability of the methodology used by Herzberg is questioned;
- The conclusions of this theory are related to job satisfaction and job dissatisfaction. Therefore, it is not a theory on motivation;
- This theory does not provide measurement to find out the total job satisfaction or job dissatisfaction;
- This theory ignores situational variables; and
- Herzberg did not cover the relationship between job satisfaction and productivity, though he assumed that there is a relationship between these two factors.

However, this theory significantly contributes to the literature on motivation and this theory is known by most of the practising managers. The practising managers practise this theory in motivating their subordinates.

Comparison of Maslow's and Herzberg's Models

If we compare Herzberg and Maslow's models, we can see that Herzberg's theory is not much different from that of Maslow. Most of the maintenance factors of Herzberg come under low level needs of Maslow. Maslow says when the lower level needs are satisfied, they stop being motivators and what Herzberg says is the same in the sense that they are maintenance factors (not motivators). But one particular difference that can be talked off here is that Maslow emphasizes that any unsatisfied need, whether of lower or higher level, will motivate people and Herzberg clearly identifies certain needs and calls them as maintenance factors which can never be motivators.

7.19 Equity Theory

Credit of developing this theory goes to J. Stacy Adams. This theory argues that a major input into job performance and satisfaction is the degree of equity (or inequity) that people perceive in their work situation. Inequality occurs when a person perceives that the ratio of his or her outcomes to inputs and the ratio of other's relevant outcome to inputs are unequal. Fig. 7.14 presents an overview of equity theory of work motivation.

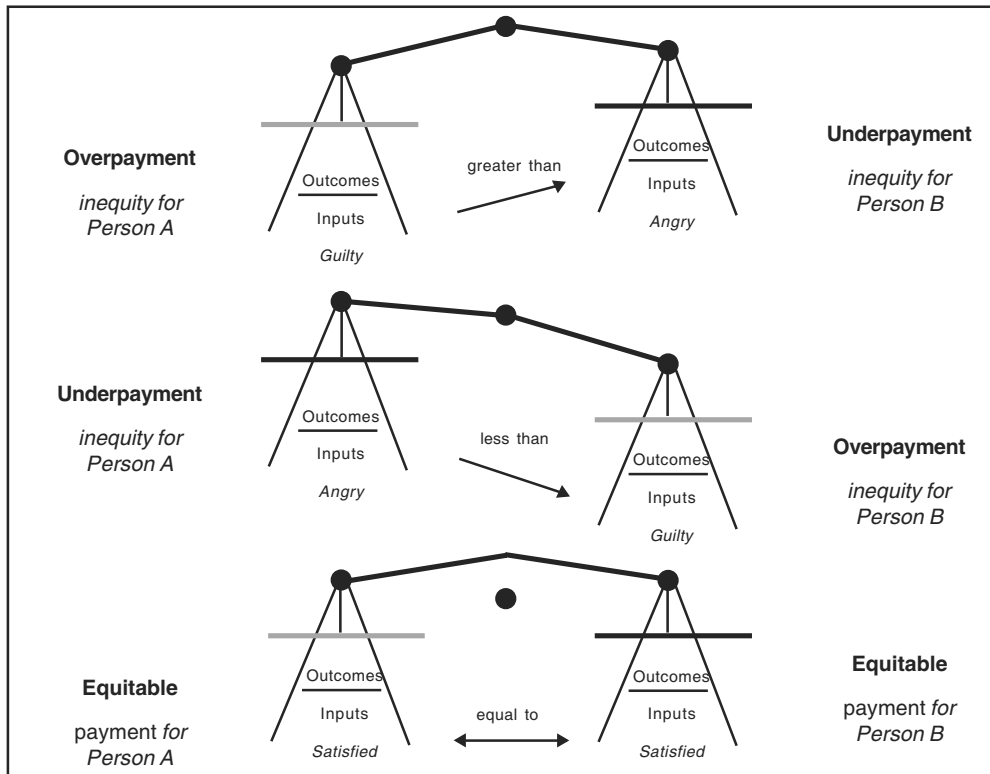


Fig. 7.14: An Overview of Equity Theory

(Source: Jerald Greenberg and Robert A. Baron, "Organisational Behaviour," Prentice-Hall of India (P) Ltd., 1999, New Delhi, p. 138.

Schematically this is represented as follows:

Inequity occurs when:

Person's outcomes		Other's outcomes
-----	<	-----
Person's inputs		Other's inputs
Person's outcomes		Other's outcomes
-----	>	-----
Person's inputs		Other's inputs

Equity occurs when:

$$\frac{\text{Person's outcomes}}{\text{Person's inputs}} = \frac{\text{Other's outcomes}}{\text{Other's inputs}}$$

Both the inputs and the outputs of persons and others are based upon the person's perceptions. Age, sex, education, economic and social status, skill, experience, training, effort, education, past performance, present performance, level of difficulty, position in the organisation etc., are examples of perceived input variables. Outcomes consist of rewards like pay, status, promotion and intrinsic interest in the job.

If the person's perceived ratio is not equal to the other's, he or she will strive to restore the ratio to equity. Thus, the work motivation of oneself depends upon other's inputs, output and one's perceived output.¹²

7.20 Summary

Perception is the process through which people select, organise and interpret or attach meaning to events happening in the environment. Therefore, perception is not necessarily just what one sees with his own eyes. Perception is a unique interpretation of the situation. Perception selectivity is based on external factors (intensity of stimuli, size of the object, moving objects and internal factors (individuals physiological and psychological make-up))

Management is the art and science of getting things done through people and therefore it is related to human behaviour. Motivation is the process of stimulating people for performing tasks with commitment to achieve the desired goals. The performance of an employee depends upon ability to work and willingness to work i.e. Motivation. There are several theories of motivation and include Maslow's theory of motivation, theory X and Y Herzberg's two factor theory and equity theory. Employees can be motivated through financial and non-financial benefits.

7.21 Key Words/Abbreviations

- **Motivation:** Motivation is derived from the word motive. A motive is an inner state that energises, activates or moves and directs or channels behaviour towards goals. Motivation represents an unsatisfied need which creates a state of tension or disequilibrium, causing the individual to move in a goal directed pattern towards restoring a state of equilibrium by satisfying the need.
- **Esteem Needs:** These needs are power, prestige, status and self-confidence. These needs for employees include status symbols, awards, promotions, titles, etc.
- **Motives:** The term motive is derived from the Latin word ‘movere.’ It means ‘to move.’ ‘Motive’ is defined as an inner state that energises, activates (or moves) and directs (or channels) the behaviour of individuals towards certain goals.
- **Self-Actualisation Needs:** This is the highest need in the hierarchy. This refers to the desire to become what one is capable of becoming. Man tries to maximize his potential and accomplish something, when this need is activated in him.
- **Perception:** Perception is the process through which people select, organise and interpret or attach meaning to events happening in the environment. Perception is not necessarily just what one sees with his own eyes or what one listens with his own ears. Perception is a unique interpretation of the situation, not an exact recording of it.
- **Primary Motives:** These motives include: hunger, sleep, avoidance of pain, sex and material concern. These motives are both unlearned and physiologically based.
- **Secondary Motives:** secondary motives are need for achievement, need for security, need for power and need for affiliation.
- **General Motives:** The motives which can't be classified either as primary motives or as secondary motives are categorized into general motives. General motives include: curiosity, manipulation, activity motives and affection motive.

- **Positive Motivation:** People are said to be motivated positively when they are shown a reward and the way to achieve it. Such reward may be financial or non-financial. Monetary motivation may include different incentives, wage plans, productive bonus schemes, etc.
- **Negative Motivation:** One can get the desired work done by installing a fear complex in the minds of people. In this method of motivation, fear of consequences of doing something or not doing something keeps the worker in the desired direction.
- **Achievement Motives:** The achievement motive is expressed as a desire to perform in terms of a standard of excellence or to be successful in competitive situations.
- **Physiological Needs:** These are the basic necessities of human life — food, water, warmth, shelter, sleep and sexual satisfaction.
- **Security Needs:** These refer to the need to be free of physical danger or the feeling of loss of food, job or shelter. These needs as far as work organisation is concerned include: conformity, security plans, membership in unions, severance pay, etc.
- **Social Needs:** When the physiological and security needs are satisfied, these social needs begin occupying the mind of a man.
- **Carrot and Stick Approach:** This theory advocates that people are motivated to work under two conditions, viz.: (i) When they are offered rewards and (ii) When they are penalised or punished. The rewards are offered for efficient and high performance and punishments or penalties are imposed when the performance is lagging behind of a standard performance.

7.22 Learning Activity

1. Give examples of Non-monetary method of motivation.

2. Is perfection a reality? Comment.

3. What motivates a person to enter politics?

7.23 Unit End Questions (MCQ and Descriptive)

A. Descriptive Questions

1. What is perception? Explain perceptual process.
2. Explain the factors that influence perceptual selection.
3. What are motives? Explain the types of motives?
4. What is motivation? Explain the nature of motivation
5. Compare and contrast Maslow's Theory of Motivation and Herzberg Two Factor Theory of Motivation.
6. Explain Maslow's need hierarchy Theory of motivation?"

B. Multiple Choice Questions

1. Perception is
 - (a) Unique interpretation of the situation
 - (b) A process through which people attach meaning to events
 - (c) A complex cognitive process
 - (d) All the above

2. Perceptual process consist of
- (a) Inputs
 - (b) Selection
 - (c) Output
 - (d) All the above
3. Internal factors that influence perceptual selectivity include
- (a) Learning
 - (b) Personality
 - (c) Motivation
 - (d) All the above
4. As per Carrot and Stick theory employees are motivated to work under the following condition
- (a) Reward for good performance
 - (b) Punishment for poor performance
 - (c) Sense of achievement recognition and involvement in decision making
 - (d) All the above
5. As per theory X of motivation
- (a) A typical person dislikes work
 - (b) A person will exercise self direction and self control
 - (c) All the above
 - (d) A person is motivated if he has an interesting work
6. Esteem needs include
- (a) Job security
 - (b) Status in the society
 - (c) Food and medicines
 - (a) All the above

Answers

1. (d), 2. (d), 3. (d), 4. (c), 5. (a), 6. (b).

7.24 References

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12. <http://managementhelp.org/guiding/motivate/motivate.htm>



UNIT 8 STRESS MANAGEMENT

Structure:

- 8.0 Learning Objectives
- 8.1 Introduction
- 8.2 Meaning of Stress
- 8.3 Causes of Stress
- 8.4 Consequences of Distress
- 8.5 Prevention and Management of Stress
- 8.6 Summary
- 8.7 Key Words/Abbreviations
- 8.8 Learning Activity
- 8.9 Unit End Questions (MCQ and Descriptive)
- 8.10 References

8.0 Learning Objectives

After studying this unit, you will be able to:

- Discuss the meaning of stress and differences among various terms like distress, eustress, anxiety and tension;
- Explain the causes and consequences of stress;
- Analyse the prevention and management of stress.



8.1 Introduction

We come across the word ‘Stress’ everyday. Managers, financiers, government officials, administrators, politicians, students and also housewives experience stress. Stress has its effects on all walks of life.

For example, when you take a test for admission in management institute or you undergo annual performance review at work, you feel stress because you confront opportunities, constraints and demands. A good performance review may lead to salary increase, higher responsibilities. But a poor performance review may prevent you from getting these benefits. It is important to understand the nature and effects of stress for effective stress management.

8.2 Meaning of stress

Stress can be explained *basically as pressure upon a person’s psychological system which arises out of complexity or intensity of one’s work life*. Though stress basically affect a person’s psychological set-up, it also, in turn, affects his/her physical and behavioural systems. The sources of stress can be individual, organisational and social.

According to Beehr and Newman, stress is *“a condition arising from the interaction of people and their jobs and characterised by changes within people that force them to deviate from their normal functioning.”*

Fred Luthans defines the stress as, *“ Stress is an adaptive response to an external situation that results in physical, psychological and/or behavioural deviations for organisational participants.”*

Distress vs Eu-stress

More than often stress is viewed in negative terms. In fact the negative aspect, i.e., distress is only one form of stress. But there is also positive aspect of stress which is called as **Eu-stress**. A minimum and desirable level of stress is called as **Mild stress**. Stress to the minimum extent helps the advancement and development of a person. Though severe stress causes many problems, a small amount of stress is always desirable for efficient and active work. With no stress, work life becomes a routine, a ritual without any enthusiasm on the part of employees. Stress is a natural

word which cannot be perceived only in negative terms. It can be interpreted in different ways depending upon the situation.

Fight vs. Flight Situation

Hans Selye, a Canadian psychologist, explains stress as a survival trait. He pioneered the concept 'fight or flight situation.' To explain this concept, any living creature, when faced with a threat, tends to react in two ways, either the person faces and fights or runs away or flees from that situation. This type of situation causes tremendous stress on a person's psychological self. In the organisational context, where an employee is given a very complex and critical task to be done within a very short span of time, he may try to escape from the situation and later when it becomes inevitable, he works towards completing the given task. This type of situation causes stress as explained by Hans Selye.

Stress, Anxiety and Tension

According to Fred Luthans, stress is neither anxiety nor nervous tension. He made a clear distinction between these concepts. Anxiety has its effect only on the psychological system, whereas stress affects a person's physical, psychological and behavioural system. Nervous tension is only one of the results of stress.

8.3 Causes of Stress

Performing almost all types of jobs inevitably causes stress, though the intensity may vary from job to job. As such, job performance depends upon effective management of stress in addition to the other factors which in turn depend upon identification of sources of stress. These sources are asunder:

Extra-organisational

These sources do not arise from work life but are from the outside world. Though they crop up from the outside world, they may not confine to an employee's social life. It may also tend to affect his work life. For example, an employee may not be able to cope up with the demands of the family with the limited finance that he earns. This causes stress to the employee. Consequently, he may not be able to concentrate on work. This may develop forgetfulness and fatigue. Sometimes, the employee may not be able to adjust with the change of place, culture, technology and social life as they may be

entirely different from what he was used to. As such, he takes time to adjust with these conditions and cannot substantiate any work for this period. Other extra-organisational stressors include:

- Changing societies in terms of culture and relationships;
- Globalization and competition;
- Changes in organisations, jobs, practices, and relationships;
- Changing organisation culture towards more commercialization and demand for efficiency from employees;
- Urbanisation and thereby complications in life;
- Burden of dependents;
- Increase in aging populations;
- Changing Gender Roles and increase in women employees; and
- Enhanced aspirations and demands of customers.

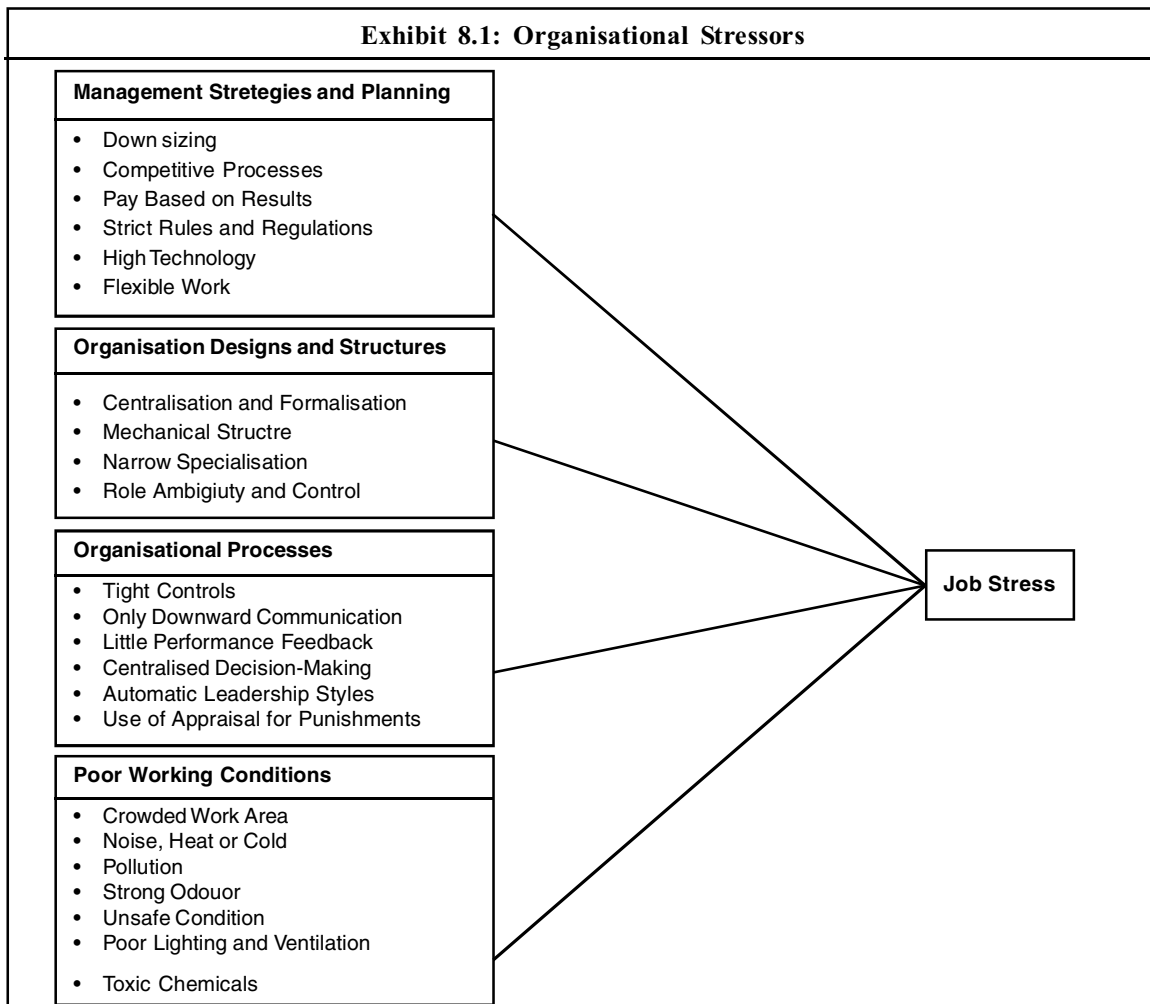
Organisational

Organisational stressors are presented in Exhibit 8.1.

Stress experienced in the work place may arise from role-related factors. A person in an organisation may have to play many roles, sometimes conflicting with each other. Thus, stress arises while dealing with these conflicting roles. Sometimes a person may be asked to perform many roles beyond his abilities due to absenteeism of other employees or understaffing. This type of situation mostly happens in the private sector. In such a condition, the stress arises and the person may not justify any one of the functions or roles assigned to him. Stress is also caused when a person is forced to take up a job which he does not like due to financial or other pressures. Employees also experience stress when they are forced to work in a place with poor physical conditions or with imperfect rules and regulations, pay structure and other policies and programmes. Other extra-organisational stressors include:

- Challenges of adjustments as well cultural fit at work places due to Acquisition, Amalgamation, Absorption, and Alliances (AAAA).

- Challenges of adjustments as well cultural fit at work places due to mergers;
- Coping up with the increased organisational demands due to expansion, diversification, and enhanced targets;
- Coping up with the increased organisational demands due to privatization, competition, and business-process reengineering, and structural changes;
- Need for utilization of higher order skills along with normal job skills consequent upon flat structures, job width and multi-skilling in organisations;
- People management has become more complex due to shifts in the demands and conveniences of employees;
- Understanding technology and operating it has become part of the job for all kinds of employees;
- Relocating offices, establishment of virtual offices/workplaces; and
- Increased career diversities.



Source: Modified Version from Fred Luthans, *op.cit.*, p. 333.

Work-family imbalances: One of the important reasons for stress is excessive organisational work by leaving less time and energy to employees to concentrate on family life. Some of the highly committed employees mostly fail to give due emphasis on family life. This situation causes disturbances in the employees' family life.

Group Dynamics

Everyone in an organisation identifies himself/herself with some group or the other. Poor or unpleasant relationships with other members of this group may cause stress. Poor work relations

with the superior, subordinates or peers cause stress to a person. Such relationships with the social groups outside the organisation also sometimes affect work life. Thus, group factors can be potential stressors.

Individual Factors

Individual factors like traits and characteristics widely differ from person to person. People with obesity may experience more stress than the lean persons due to its impact on brain.

Conflict may arise between different traits of the same person. Sudden changes may occur in one's life, leaving a tremendous impact, like death of a dear person, which makes that person ineffective temporarily. Stress arises while performing complex jobs during this period. Sometimes, an employee may realize after joining a job that his personal traits, aptitude and preferences may not suit the job requirements. In addition, food, drinking and smoking habits of individuals also cause stress. All these situations cause stress.

As indicated in personality, there are Type A and Type B personalities. Type A personality profile causes stress (See Exhibit 8.2).

Exhibit 8.2: Profile of Type A and Type B Personalities	
<p>Type A Profile</p> <ul style="list-style-type: none"> ● Moves always ● Walks rapidly ● Eats rapidly ● Talks rapidly ● Impatient ● Seeks results immediately ● Does two or more things at a time ● Things simultaneously ● Can't cope with leisure ● Is obsessed with numbers 	<p>Type B Profile</p> <ul style="list-style-type: none"> ● Never punctual ● Is patient ● Cool and calm ● Does not brag ● Plays for fun but not to win ● Relaxes without guilt ● No deadlines ● Things happen as they do ● Mild and ● Never in a hurry

- Measures success by quantity
- Is aggressive
- Is competitive
- Never accepts second position
- Constantly feels under time pressure

8.4 Consequences of Distress

Though mild stress makes a person attentive, active and performs better, distress always has an adverse effect on his physical, psychological and behavioural systems. Many resort to smoking, drinking, overeating and show withdrawal behaviour due to stress. As stress takes over, it begins to tell on one's age. Distress has great impact on the psychological system which in turn affects physical and behavioural systems. It is found that constant stress causes diseases like blood pressure, ulcer, heart problems, acidity and diabetes which negatively affects work performance. Distress has an impact on family, social and professional lives. Hence, there is greater need to reduce stress to the level of mild stress which is essential for effective job performance.

Thus, stress affects individual employee, employee's family and organisation. Stress affects individual's physiology, psychology and behaviour. Now we shall discuss these effects:

Consequences on Individual's Physiology

- Changes in metabolism,
- Increase in breathing rates,
- High blood pressure, and heart diseases,
- Insomnia, fatigue, headache, and skin rashes,
- Increase susceptibility to upper respiratory illness,
- Poor immune system functioning,
- Digestive disorders, and ulcer,

- Dry mouth, breathlessness,
- Eyes are bloodshot and puffy,
- Backache, and arthritis,
- Cancer,
- Diabetes,
- Cirrhosis of the liver, and
- Lung disease

Consequences on Individual's Psychology include

- Unnecessarily over-emotional,
- Loss in personal appearance,
- Poor concentration/ difficulty in remembering,
- Sadness, guilt, fatigue, and apathy,
- Loss of confidence in one's own ability,
- Lack of self worth,
- Perception far from reality,
- Negative attitude,
- Uncertain mindset,
- **Burnout:** A Syndrome of emotional, physical and mental exhaustion coupled with feelings of low self esteem/low self efficacy,
- **Depersonalization:** Becoming cynical towards others, treat others as objects, and hold negative attitudes towards others,
- **Feeling of low self accomplishment:** Low accomplishment, feel of won't succeed in future,

- Sexual dysfunction,
- Depression, and
- Sleep disturbances.

Consequences on Individual behaviour include

- Performance/Productivity: Low stress and high stress lead to low performance while mild stress to peak performance,
- High stress results in absence of the employee from work,
- High stress results in change of jobs,
- Distress leads to rude behaviour of the employee,
- Stressful employees resort to smoking, and consumption of alcohol/drugs,
- High stress may result in employee involvement in accidents,
- High stressful employees may resort to violence, and
- High stressful employees may lose appetite, and may resort to over eating/under-eating.

Consequences on Employee's Family include

- High stressful employees may show anger with spouse and children,
- High stress may result in family fights, and conflicts,
- High stressful employees may pass stress to spouse and children,
- High stressful employees may be sexually dysfunctional,
- High stressful employees may face health problems, and
- High stressful employees may even resort to divorce his/her spouse.

Consequences on Organisation include

- High stressful employees can't make decisions efficiently,

- High stressful employees would be highly emotional and sometimes burnout which would affect interpersonal relations at the workplace,
- High stressful employees may change the jobs and organisations frequently, and
- High stressful employees may remain absent from work frequently.

8.5 Prevention and Management Stress

Over the years, many techniques have been advocated by stress researchers to manage stress. Practising managers can use some of these techniques to prevent or reduce stress. Some of the important techniques used by individual managers are discussed hereunder:

I. Individual Techniques

1. Time management: Time management has gained momentum with industrial growth and the economy. It has become important to find ways of performing impending managerial functions efficiently within the limited time that is available. Here, time management is a useful device. All the functions are ranked according to their importance and maximum available time is divided to perform these functions, providing enough time for each function depending upon their importance. Thus, more time may be spent for important work and less time for routine and unimportant work. This predetermined schedule can reduce stress that the manager faces with the pile of work that awaits him when he enters into his office.

2. Work home transition: This is comparatively a new concept that advocates love and affection of family life as best medicine for stress. It is very relaxing to spend time with spouse and children after a day's long hectic work. Evenings should be reserved to spend at home. It is advised not to carry office work home. Nothing from office should be carried home, not even thoughts. A useful tip is to spend with light and routine work at the end of office hours and to prepare mind for total relaxation. Relaxing at home in the evening, playing favourite game at club or swimming can help in next day's work.

3. Work-life balance: Work-life balance is balancing the priorities of career goals and family goals. Career goals include ambitions, promotions, employment status, monetary earnings and the like. Family goals include spending more time with family members for spiritual activities, pleasure

leisure, health, education and careers of family members. This concept reduces the gap between work and family in the process of balancing the demands of both.

Need for Work-Life Balance

Work and life demands need to be balanced in view of the following reasons:

- Increased competition due to globalisation, liberalisation and privatisation enhanced work pressures on employees;
- Increase in stress levels of employees due to high demands of jobs in terms of targets, high productivity, high quality, customisation and better customer relationship management;
- Increase in personal ambitions for higher level salary, status and power;
- Increase in pressure of family obligations along with the accelerating pace of living standards;
- High performance culture eroded the long-term loyalty and a “sense of corporate community”;
- Managements expect more and more from their employees yet offers little job security in return;
- Job targets and attractive performance-based pay results spending more than 18 hours a day on the job and neglecting the normal family life including interpersonal and sexual relationships.

Impact on Women and Men Employees

The impact of work-life balance is relatively more on women employees compared to men employees. This is because; women employees are more responsible towards taking care of children, old parents in addition to home maintenance. However, it is felt that with the breaking down of joint families even male employees need to spend more time on family responsibilities and interests.

Why Employers are Interested?

Employers are interested in bringing balance between family and personal life and work life of employees as the imbalances affect workers' health, quality and productivity. In addition the long

run contribution of employees towards quality, quantity, innovation and customer care is severely affected.

In addition, the employees prefer to stay with those organisations which take care of their work and family life balance. Some organisations to be a model employer prefer to invest on work life – family life balance initiatives. Without any loss of performance, employers can introduce some initiatives like flexible working arrangements in the form of part time, casual and telecommuting work.

Methods of Balancing Work and Family Life

The methods of balancing work and family life include:

- Flexible working hours and flexible working place;
- Telecommuting;
- Introduction of stress releasing measures;
- On-the job training for imparting skills to do the job in a smart way;
- Introduction of employee-assistance programmes;
- Conducting frequent surveys to understand the work-balance issues and designing appropriate measures to reduce the imbalances;
- Introduction of job-sharing mechanisms;
- Providing benefits for additional time consumed by the job;
- Encourage the employees to avail recreational leave and sick leave by designing paid leave programmes;
- Introduction of special leave programmes for women like fully paid maternity leave that provide them job security while on leave also;
- Don't encourage employees to take work home often as well as large quantities;
- Allow employees to take leave for community service, legal issues and other specific issues of employee;

- Design the programme of getting the family members including the children to work place at least on Sundays.
- Organise social and community programmes like family oriented picnics, amusement parks, fishing, religious programmes, and birthday parties;
- Conducting the work-family balance programmes throughout the year as well as during the busy workschedule seasons.

4. Physical exercises: For those who do not have time or taste for outdoor games is physical exercises for a few minutes in the morning and evening help a lot. These exercises relax the body which becomes rigid due to the day long stress in the office and prepares the body for another day.

5. Yoga and meditation: Physical exercises can relax only the body but yoga and meditation help both body and mind. Both are used traditionally to keep body and mind fit. Some organisations have successfully introduced yoga and meditations as a technique of stress management.

6. Humour: Humour to a large extent contributes to relaxation, reducing mental stress and tension. Stress should not continue for long to affect the body. Those who are blessed with sense of humour and take issues in a positive sense, experience less stress. Reading humour stories or jokes and watching comedy shows also help to some extent in reducing stress.

7. Change in the food, drinking and smoking habits: Spicy food, junk food, fat foods and meat cause stress. Therefore, people experiencing stress should avoid these foods. A well balanced diet is crucial in preserving health and helping to reduce stress. Certain foods and drinks act as powerful stimulants to the body and hence are a direct cause of stress. This stimulation, although quite pleasurable in the short-term, may be quite harmful in the long run. Consuming too much of coffee, tea, coke and chocolates causes the release of adrenaline, thus increasing the level of stress. It is suggested that there is a link between caffeine intake and high blood pressure and high cholesterol levels. When taken in moderation, coffee can increase your alertness, increased activity in the muscles, nervous system and heart. Consume more stress-free foods as presented in Box 26.4.

Like caffeine, taken in moderation, alcohol is a very useful drug. It has been shown to benefit cardiovascular system. The irony of the situation is that most people take to drinking as way to combat stress. But, in actuality, they make it worse by consuming alcohol. Alcohol and stress, in

combination, are quite deadly. Alcohol stimulates the secretion of adrenaline resulting in the problems such as nervous tension, irritability and insomnia. Excess alcohol will increase the fat deposits in the heart and decrease the immune function. Alcohol also limits the ability of the liver to remove toxins from the body. During stress, the body produces several toxins such as hormones. In the absence of its filtering by the liver, these toxins continue to circulate through the body resulting in serious damage.

8. Playing with kids: Playing with kids is really a pleasant situation to those who experience stress. In fact, the former Prime Minister of India Mrs. Indira Gandhi used to play with her grand children Rahul and Priyanka when they were kids particularly when she faced critical situations during the emergency period. The Human Resources Manager of TELCO used to play with his grandsons when there were strikes during 1986-87 led by Mr. Nair. The pure and creative minds of kids work as a great stress reliever.

9. Hobbies: Practising favourite hobbies in leisure times help in relaxing the mind, which in turn reduces stress. Many forget their hobbies after joining their professional careers. Hobbies can pull us out from the materialistic world. A good painting or a beautiful handicraft can give a person great satisfaction and keeps his spirits high. Depression and frustration that result from stress can be reduced through hobbies.

10. Take measures to shift personality from 'A' to 'B': Individual employees possessing personality 'A' traits should shift to personality 'B' type in order to reduce the effects of stress.

11. Acquire emotional balance skills: Handling relationships effectively under awkward circumstances makes you emotionally intelligent. By delaying the gratification of reacting to the situation instantaneously, you may come out a winner.

12. Be philosophical: Listen to philosophical lectures and discourses.

II. Organisational Strategies

The organisations are in fact the worst affected, due to stress experienced by their employees. This realisation paved the way for organisations to take steps to prevent stress.

These measures include:

- Establishment of health clubs in the organisations itself, where all the employees are supposed to be checked up regularly. Different health plans are devised by experts for different people depending upon their needs which are to be followed strictly. The employees have to undergo light exercise everyday before actually entering into work as physical exercises are the best means of sweating out stress and prepare for day's work.
- Organisations are also taking steps to create supportive organisational climate so that employees can feel secure and show their abilities.
- Efforts are also being made to make working conditions pleasant, as bad physical conditions could be potential sources of stress.
- Many organisations are providing with counselling facilities to support its employees psychologically and morally.
- They also devise career plans to remove any ambiguity as to their career development.

Other organisational coping strategies include:

- Employee assistance programmes,
- Wellness programmes,
- Less controls,
- Flat structures,
- Employee empowerment, and
- Stress management training.

8.6 Summary

“Stress is an adaptive response to an external situation that results in physical, psychological and/or behavioural deviations for organisational participants.” Stress is basically pressure upon a person's psychological system which arises out of complexity or intensity of one's work life. Though stress basically affects a person's psychological set-up, it in turn affects his physical and behaviour

system. The causes of stress can be individual, organisational and social. Techniques of stress management includes individual techniques (Time management, work-life balance, physical exercises humors, change in food, drinking and smoking habits, hobbies) and organisational strategies (health club, counseling centre, pleasant working conditions, wellness programmes). However, mild stress is very essential for effective and efficient working. Otherwise, the employee becomes a lazy day dreamer.

8.7 Key Words/Abbreviations

- **Stress:** Stress is an adaptive response to an external situation that results in physical, psychological and/or behavioural deviations for organisational participants.
- **Eustress:** Eu-stress is a positive aspect of stress. A minimum and desirable level of stress is called as Mild stress. Stress to the minimum extent helps the advancement and development of a person.
- **Work-life balance:** Work-life balance is balancing the priorities of career goals and family goals. Career goals include ambitions, promotions, employment status, monetary earnings and the like. Family goals include spending more time with family members for spiritual activities, pleasure leisure, health, education and careers of family members.
- **Work Home Transition:** This is comparatively a new concept that advocates love and affection of family life as best medicine for stress. It is very relaxing to spend time with spouse and children after a day's long hectic work. Relaxing at home in the evening, playing favourite game at club or swimming can help in next day's work.
- **Type 'A' Profile:** As indicated in personality, there are Type A and Type B personalities. Type A personality profile causes stress. The person is aggressive, impatient, Obsession with numbers and seeks results immediately.
- **Distress:** Though mild stress makes a person attentive, active and performs better, distress always has an adverse effect on his physical, psychological and behavioural systems. It is found that constant stress causes diseases like blood pressure, ulcer, heart problems, acidity and diabetes which negatively affects work performance.

- **Organisational stressers:** Organisational stressers include unsafe working conditions, crowded work area, pollution, very strict rules and regulations etc.
- **Extra-organisational:** These sources do not arise from work life but are from the outside world. Though they crop up from the outside world, they may not confine to an employee's social life. It may also tend to affect his work life. For example, an employee may not be able to cope up with the demands of the family with the limited finance that he earns. This causes stress to the employee.

8.8 Learning Activity

1. Name three important methods for achieving work - life balance.

2. Are you a type A or type B personality? Explain with reasons?

3. As a student what causes stress in your day to day life. State three stress factors.

8.9 Unit End Questions (MCQ and Descriptive)

A. Descriptive Type: Short Answer Type Questions

1. Explain the meaning of the term 'Stress'.
2. Discuss the causes and consequences of stress.
3. What are the various individual and organisational strategies to manage stress?
4. What are organisational stressers? Explain with examples.

5. What is work-life balance? Explain the methods of balancing work-life.
6. Do you think Mild stress helps the development of a person? Explain?

B. Multiple Choice/Objective Type Questions

1. Mild stress in the work place
 - (a) Is required for effective and efficient working.
 - (b) Leads to psychological and health problems
 - (c) Affects family life
 - (d) All the above
2. Work-life balance means
 - (a) Balancing the priorities of career goals and family goals.
 - (b) Providing flexible working hours and flexible working place.
 - (c) Allowing employee to take leave
 - (d) All the above
3. Individual methods to management stress include
 - (a) Taking challenging job
 - (b) Physical exercises
 - (c) Reading job related books
 - (d) All the above
4. Organisational stressors include
 - (a) Pay based on results
 - (b) Crowded work area
 - (c) Very tight controls
 - (d) All the above
5. Consequences of stress on employee include
 - (a) Rude behaviour
 - (b) Low performance in the job
 - (c) Family fights and conflicts
 - (d) All the above

6. Stress affects individuals

- | | |
|----------------|-------------------|
| (a) Physiology | (b) psychology |
| (c) behaviour | (d) all the above |

Answers

1. (a), 2. (a), 3. (b), 4. (d), 5. (d). 6. (d).

8.10 References

1. T. A. Beehr and J.E. Newman, *Job Stress, Employee Health and Organisational Effectiveness*, Personnel Psychology, 1978, pp. 665-699.
2. Fred Luthans, *op.cit.*, p. 330.



UNIT 9 LEADERSHIP

Structure:

- 9.0 Learning Objectives
- 9.1 Introduction
- 9.2 Meaning of Leadership
- 9.3 Effectiveness of Leaders
- 9.4 Leader's Power
- 9.5 Leadership Theories
- 9.6 Leadership Styles
- 9.7 Leaders vs. Managers
- 9.8 Summary
- 9.9 Key Words/Abbreviations
- 9.10 Learning Activity
- 9.11 Unit End Questions (MCQ and Descriptive)
- 9.12 References

9.0 Learning Objectives

After studying this unit, you will be able to:

- Describe the meaning of leadership, power of the leader and difference between leader and manager



- Analyse different types of leadership theories, viz., traditional theories, behavioural theories, contingency/situational theories and modern theories
- Discuss various leadership styles and their effectiveness

9.1 Introduction

The concept of leadership has undergone a sea change from the concept of ‘born-leader’ to ‘situation-leader’ and to effective leader. Views, assumptions and theories of leadership have changed significantly in recent years. Business and industry have set managers more as leaders to achieve the challenges. The quality of leadership provided by the managers determines the degree of success of business. Some people are born leaders and need little training or development. But many managers are not born with qualitative leadership skills. Such managers need training and development to acquire and develop leadership skills.

9.2 Meaning of Leadership

Leadership involves the exercise of influence on the part of the leader over the perception, motivation, communication, personality and ultimately over the behaviour of other people (preferably followers). Leadership is, therefore, the study of leader’s influence over the thoughts, feelings, opinions, beliefs, attitudes and actions of followers:

- There is no single, universally accepted definition of a leader. At a broad level, the common characteristic of a leader is that he should be ahead of others and have the ability to articulate his thoughts clearly.
- A leader should also have the ability to effectively demonstrate confidence in his people. Respect, trust and acceptability should be gained, and not commanded. A good leader should master the art of listening to his team, being sensitive to his people’s needs, and above all, to lead by example. Of course, the styles will vary.
- Leaders are born, not made. Leadership cannot be taught in B-schools. Only the styles can be altered and refined. A leader moves ahead, trying new things, knowing that not all the loose ends are tied up, that not everyone is fully aboard, and that success is not assured. A

leader must follow the maxim “practise what you preach”. Leadership also means upholding, at all costs, the ideals, principles and credos that one considers sacrosanct.

- The process of influencing others is subject to interpretation and differs with culture, age and society. However, one attribute applies to all leadership: setting the right example. The only way leaders can utilise their ability to touch the lives of those around them is to become involved themselves.

Source: Adapted from Business Today, May 12, 2002.

Leadership is defined as “the process whereby one individual influences other group members towards the attainment of defined group or organizational goals.”

9.3 Effectiveness of Leaders

The effectiveness of leaders depend on their ability to influence and be influenced by the followers in the task accomplishment. In essence, leaders:

- Ensure that the necessary tasks are accomplished
- Build and reinforce the team and foster teamwork and team spirit and
- Develop each member of the team.

(a) Task Achievement

Leader’s ability to contribute to the accomplishment of the given task depends on:

- Clarity of purpose, formulating it with enthusiasm and reinforcing the followers of it quite often.
- Understanding clearly the long-run as well as the short duration plans of the company and know how the task fits in the overall plans.
- Planning in advance the process of task accomplishment.
- Determining all kinds of resources necessary to accomplish the task and provide them.
- Making the organizational structure as adaptable as possible to do the task efficiently.

- Pacing progress towards achievement of task.
- Feeding information forward and back to evaluate the results.

(b) Development of Individuals

Leaders should remember that their followers are human beings with their own values, aspirations, needs and attitudes. Therefore, the leader should respect his followers and create conducive work environment and culture so that the followers must

- have satisfaction from personal achievement in the job they do,
- have a feel that they make a worthwhile contribution to the objectives,
- have a feel that the job is challenging, demanding the best of them and give them higher responsibilities,
- be recognized adequately for their achievement,
- have control over the jobs/tasks delegated to their followers,
- have a feel that they grow, develop and advance as human beings.

(c) Building the Teams

Most of the organizational activities are done in teams. Therefore, the leader should build teams, and understand the needs of his team. Leader should respond to the team even by leading from behind. To achieve the team effectiveness, the leader should:

- Formulate and maintain team policies, objectives and standards.
- Involve all the team members in achievement of objectives.
- Communicate and brief the team members face-to-face regarding the matters affect them at work.
- Consult and involve the team members in decision-making which affect them.

(d) Make the Vision Tangible

Leaders have to formulate vision, mission and purpose. Followers commit to the achievement of the vision, if it is tangible and attainable. The leaders transform the vision into tangible reality, promote it and convince the followers regarding its significance. The leaders have to carry out the following steps in order to make the vision tangible and realize it.

- Formulation of vision and mission.
- Formulation of objectives and goals to be achieved for successful achievement of mission.
- Analysis of external environment for opportunities and threats.
- Appraise the organization to know the strengths, weaknesses, competitive advantages and core competencies of the company.
- Formulation of strategic alternatives to achieve the goals.
- Develop the organizational structure appropriate for the strategy.
- Create organizational climate necessary to achieve the strategy.
- Formulation of the tactics necessary to achieve the strategy.
- Development of feedforward and feedback systems to evaluate the strategic management process.
- Implement the strategy and modifying it, if necessary, based on the environmental changes.

9.4 Leader's Power

The leader's influence over followers depends on various factors like:

- The nature of the leader,
- The nature of the followers,
- The leader's behaviour,
- Organisational situation,

- Follower's behaviour, and
- Leader's capacity to influence followers.

Among these factors, the capacity of the leader to influence his/her followers plays a significant role. The leader's influence over his followers is derived from various sources of power. The important sources of power of the leader include:

Reward Power

The superior granting a salary rise to his subordinate in order to encourage him to work better is referred to as reward power of the superior. Reward power refers to offering monetary and non-monetary rewards by the leader to his followers. Leader has the formal and informal control over organizational resources, opportunities and decisions. Leader, rewards his followers, by exercising his control over these resources. These rewards include salary increase, promotions, transfers, providing fringe benefits and perquisites.

Other types of rewards are offered by the leader to his followers based on the former's personal power, motives, dynamism and communication and appreciation skills include: praise, recognition, granting autonomy, freedom, empowerment, etc. Leader's success depends on the nature and extent of valuing these rewards by the followers.

Coercive Power

Leader motivates his followers not only through rewarding but also through punishing. Coercive power is the opposite to reward power. Coercive power is the ability or the capacity of the leader to coerce or punish his followers for carrying out the assigned tasks.

The sources of coercive power include both personal and position. Leaders personally have coercive power or power to punish their followers. If the followers do not do the work on their own, then the leader influences and coerces them. Leaders also have coercive power which are derived from their superior positions in the organisation. This coercive power includes deferring promotions, salary reductions, demotion, transfer to an unpleasant place or job, retrenchment, and the like.

Legitimate Power

The job analysis consists of job description and job specification. Job description consists of the rights of the job incumbent. The job of the leader gives rights to the leader regarding issuing orders, work assignment, delegation of authority and responsibility to his subordinates in order to get the work done. This power of the leader to influence his followers through the rights of his job is referred to as legitimate power. Therefore, the orders, requests, direction issued by the leader based on his/her job rights are viewed by the followers as legitimate and valid.

Subordinates'/followers' job description indicate their duties and obligations. These obligations indicate that they have to comply with such requests and orders in order to carry out the organizational activities. Therefore, legitimate power is derived from the position and it has nothing to do with the leader's characteristics.

Expert Power

Expert power is derived from the expertise, knowledge, information, skills and abilities that the leader possesses over the jobs of his subordinates.

The subordinates expect the leader as a source of knowledge, information and skills in carrying out their duties. If the subordinates get continuous and timely support from their leader in the form of offering expertise that they do not have, then they respond very positively to their leader. Thus, the leader can influence the subordinates very much positively by possessing the expert knowledge, skills and abilities.

The leader should acquire knowledge, skill, abilities to become expert. He should also update them continuously in order to retain that expert position in order to influence the followers effectively and contribute to the organizational goals.

Referent Power

The leader should be resourceful in terms of knowledge and skill. He should be capable of rewarding the followers properly. Further, he should discriminate the followers who avoid the work and use his coercive power to make them work.

Subordinates would like to find extraordinary characters, abilities and qualities in the leader and see him as their role model. Further, the followers would like to identify with the leader and to

emulate the leader. If the followers admire the leader's abilities and qualities very much, they would like to be influenced by the leader to a greater extent. Then the leader has greater referent power over subordinates.

Leader gets the referent power to a greatest extent from his personal expertise, characteristics and knowledge rather than from his formal organizational position.

9.5 Leadership Theories

There is a lot of literature on leadership. Study of leadership theories is one of the best approaches to study leadership. Leadership theories are classified as shown in Fig. 9.1.

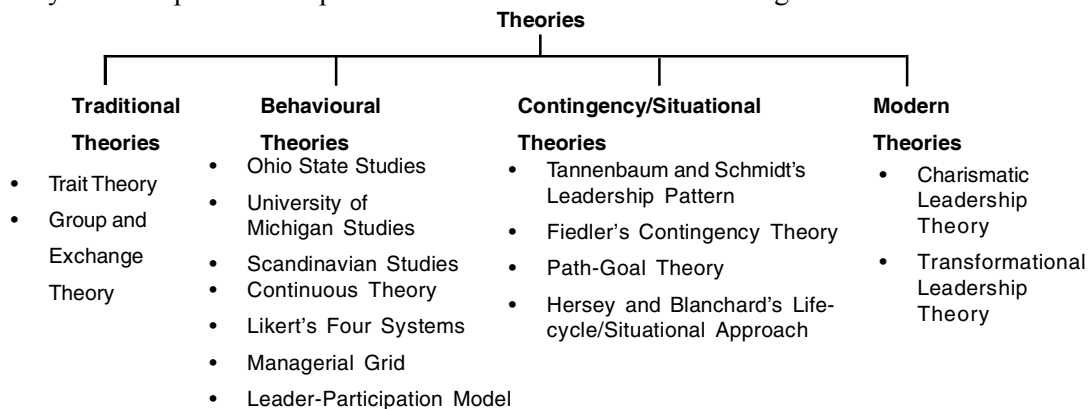


Fig. 9.1: Leadership Theories

I. Traditional Theories

Traditional theories of leadership include traits theory and Group and Exchange theories of leadership.

(a) Trait Theory

Trait theories of leadership sought personality, social, physical or intellectual traits that differentiated leaders from non-leaders. Trait theorists refer to people like Mahatma Gandhi, Indira Gandhi, Margaret Thatcher, Nelson Mandela, N.T.Rama Rao and describe them in terms of charismatic, enthusiastic and courageous traits.

Trait theories assume that leaders are born, not made. The research studies focus on personal traits or characteristics that distinguish the leaders from the followers and a successful leader from an unsuccessful leader. A number of research studies were conducted during the last 50 years. The cumulative findings of these studies conclude that some traits increase the likelihood of success as a leader, but more of the traits guarantee success.

Stodgill classified these traits into five categories, viz.:

- Intelligence and scholarship,
- Physical traits like age, height, weight, strength, etc.,
- Personality characterized by self-confidence, honesty, integrity, creativity and imitation,
- Social status and experience, and
- Task-orientation.

(b) Group and Exchange Theories of Leadership

Social Psychology is the basis for group theories of leadership. Social exchange view of leadership indicates that, “exchange theories propose that group members make contributions at a cost to themselves and receive benefits at a cost to the group or other members. Interaction continues because members find the social exchange mutually rewarding.”

Social exchange indicates that leadership is an exchange process between the leaders and followers. This theory indicates that there are three domains of leadership viz., leader-based domain, follower-based domain and relationship-based domain.

II. Behavioural Theories

Behavioural theories of leadership propose that specific behaviours differentiate leaders from non-leaders. These theories opine that leader’s style is oriented either an employee-centred or a job centred emphasis. These theories attempt to explain leadership in terms of the behaviour that the leader exhibits. These theories have modest success in building consistent relationship between patterns of leadership behaviour and group performance. However, consideration of situational factors is missing in these theories. Now, we discuss behavioural theories.

(a) Ohio State Studies

The research that was conducted at Ohio State University, USA in the late 1940s provides the basis for behavioural theories. These research studies concluded that a leader's behaviour can be categorised into two dimensions viz., initiating structure and consideration.

Initiating structure: Initiating structure refers to the extent to which a leader is likely to define and structure his/her role and those of subordinates in the search for goal attainment. The leader's behaviour includes job/work design, work relationships, assigning the work groups and individual workers, establishing the work standards, performances, goals, indicate the groups and individuals to achieve the goals, meet the bench-marks/standards and deadlines.

Consideration: Consideration is the extent to which a person is likely to have job relationships that are characterised by mutual trust, respect for subordinate's ideas and regard for their feelings. He/she has concern for followers' comfort, well-being, status and satisfaction.

A leader who attempts to solve the personal problems of his subordinates and helps them is friendly and, approachable. He treats all his subordinates as equals. Such a leader is viewed as high in consideration. *Research establishes that high consideration leads to high performance of subordinates and vice versa.*

Mr. R. K.Nair of a Pune based company is high in consideration. He empowers the people and emphasises on friendliness. Mr. Nair improved the productivity of his company significantly compared to the competing firms.

(b) University of Michigan Studies

Survey Research Centre of University of Michigan conducted leadership studies in the late 1940s. The objective of the study were to find behavioural characteristics of leaders that appeared to be related to measures of performance effectiveness.

The Michigan group concluded that there are two dimensions of leadership behaviour, viz., employee-oriented and production-oriented. Employee-oriented leaders emphasise inter-personal relations whereas production-oriented leaders emphasise technical or task aspects of the job. The goal of both employee-oriented and production-oriented leaders is to accomplish and get the things done by the group members.

Michigan Studies also concluded that employee-oriented leadership results in high productivity and higher job satisfaction. And *vice versa* is true in case of production-oriented leadership. Hence, the Michigan studies favoured employee-oriented leadership to achieve the goals of both higher productivity and higher job satisfaction.

(c) Scandinavian Studies

The researchers in Finland and Sweden felt that the Ohio and Michigan Studies were conducted during 1940s and 1960s when the world economies were more or less stable. Therefore, these studies may not be applicable when the world economies are developing. According to them, the leaders should exhibit development-oriented behaviour in a developing world. These leaders value innovation or creation, seek new and challenging ideas, experimentation, generate and implement change.

In fact, Ohio studies used developmental items in their research. But they were not received any attention at that time. Hence, the Scandinavian studies were conducted by including the third dimension, i.e., development orientation – for the effective leadership. The preliminary results of the Scandinavian studies show that the leaders of 1990s support development oriented behaviour. Leaders who demonstrate development-oriented behaviour, developed more competent and satisfied subordinates.

(d) Continuous Theory of Leadership

Lewin, Lippitt and White suggested a continuous theory of leadership which identified three basic styles of leadership, i.e., autocrat, democrat and laissez-faire. Robert McMurree suggested the benevolent autocrat between autocrat and democrat leadership. *Bank managers in India used to adopt autocratic style before 1969. But, this style proved to be ineffective after 1969 in view of new values, expectations, desires, culture, etc., inducted in banks with the massive entrance of new employees with massive branch expansion. However, the bank managers feel that even the democratic style has not proved effective, leading to indiscipline in most situations. In view of this it is suggested that the bank managers may adopt a benevolent autocratic style.*

(e) Likert's Four Systems

Rensis Likert suggests that managers operate under four different systems. In System-I, the leader behaves like an exploitative authoritative way and exploits the subordinates. In System-2, leader takes a paternalistic approach and in System-3, he uses democratic approach, where he consults subordinates in decision-making. In System-4, the leader allows his subordinates to participate in decision-making process and the decisions are taken by the leader and subordinates (Table 9.1).

Table 9.1: Likert's Four-System Construct

System 1 Characteristic	System 2 (Exploitative Authoritative)	System 3 (Benevolent Authoritative)	System 4 (Consultative)	Participative Group
Trust in Subordinates	None	Condescending	Substantial	Complete
Motivation Accomplished by	Fear and Threats	Rewards and Punishment	Rewards, Punishment, Involvement	Group Participation Involvement
Communication	Very Limited	Limited	Fairly Widespread	Widespread
Interpersonal Interaction	Very Limited	Limited	Moderate Amount	Extensive
Decision-making	Centralised	Mostly Centralised	Broad Participation Allowed	Dispersed
Goal Setting	Centralised	Mostly Centralised	Some Participation Allowed	Participation Allowed
Control	Centralised	Mostly Centralised	Moderate Delegation	Extensive Delegation
Informal Organisation	Always Developed And in Opposition To the Organisation Organisation	Usually Developed and Partially in Opposition to the Organisation	May be Developed and May Support or Oppose the Organisation	Informal Organisation Is the Same as the Formal

(f) Managerial Grid

Industrial psychologists Blake and Mouton developed the managerial grid basing on the Ohio State study. The managerial grid identifies a range of management behaviour based on the different ways how production/service-oriented and employee-oriented styles interact with each other. Different styles of leadership are shown in Fig. 9.2.

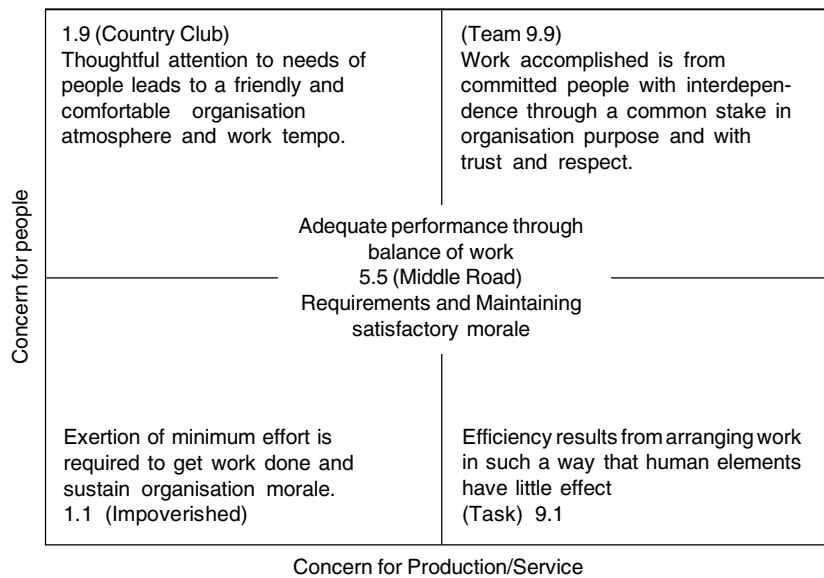


Fig. 9.2: The Managerial Grid

(**Main Source:** Adapted from R.R.Blake and J.S.Mouton, *The Managerial Grid*, Gulf Publishing Company, Houston, Texas, 1964, p. 10).

The style 1-1 is impoverished management-low concern for both people and production. This style is also called *laissez-faire* management. Style 1-9 management is country-club management-high concern for employees, but low concern for production. Style 9-1 management is task or authoritarian-oriented-high concern for production and low concern for employees. Style 5-5 is middle-of-the-road management – and intermediate amount of concern for both production and employees. Style 9-9 management is team or democratic management – a high concern for both production and employees. Blake and Mouton strongly argue that the 9-9 management style is the most effective type of leadership style. Hence, it is felt that the management may adopt 9-9 style for effective goal attainment.

(g) Leader Participation Model

Victor Vroom and Phillip Yetton developed a leader participation model. Leader participation is a leadership theory that provides a set of rules to determine the form and amount of participative decision-making in different situations. This model is a normative and it provides a sequential set of rules that should be followed for determining the form and amount of participation desirable in a decision-making as determined by different situation.

This model assumes that any of five behaviours may be feasible in a given situation. These five behaviours are:

- (i) **Autocratic I:** Leader solves the problem or makes a decision by himself using whatever facts he has at hand.
- (ii) **Autocratic II:** Leader obtains the necessary information from subordinates and decides on the solution to the problem by himself. He may or may not tell the subordinates about the nature of the situation. He seeks only relevant facts from them, but not their advice or counsel.
- (iii) **Consultative I:** Leader shares the problem with relevant subordinates one-on-one getting their ideas and suggestions. However, leader makes the final decision.
- (iv) **Consultative II:** Leader shares the problem with his subordinates as a group, collectively obtaining their ideas and suggestions. Then he makes the decision that may or may not reflect the subordinates' influence.
- (v) **Group:** Leader shares the problem with his subordinates as a group. Leader's goal is to help the group in making a decision. His ideas are not given any greater weight than those of his subordinates.

III. Contingency Theories of Leadership

Contingency approaches to leadership take the position that there is no "one best way" to lead in all situations. Effective leadership styles vary from situation to situation depending on several factors like personality predisposition of the leaders, the characteristics of the followers, the nature of task being done and other situational factors.

(a) Tannenbaum and Schmidt's Leadership Pattern

Tannenbaum and Schmidt used a contingency framework to discuss effective leadership patterns taking a situational approach. They suggested that the use of authority by the manager or the area of freedom given to the subordinates is a function of the: (i) Forces of the manager, (ii) Forces in the subordinate; and (iii) Forces in the situation (Fig. 9.3). They concluded that a successful leader is one who can accurately assess the forces that determine what behaviours would be most appropriate in any given situation and is able to be flexible enough to adopt the most functional leadership style.

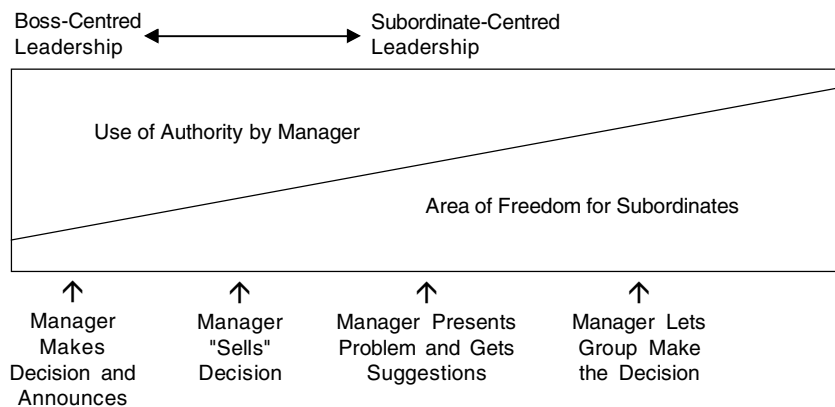


Fig. 9.3: The Tannenbaum and Schmidt Contingency Model

(b) Fiedler's Contingency Theory

Fiedler developed a model to predict work group effectiveness by taking into consideration the 'fit' or match among: (i) The leader's style (task/relationship-oriented); (ii) The leader-member relations; (iii) Task-structure; and (iv) The position power of the leader (Fig. 9.4). Certain combinations of the last three factors are considered to be situations where the leader finds himself/herself to be in either a high degree of control or low control over the situation one finds oneself in.

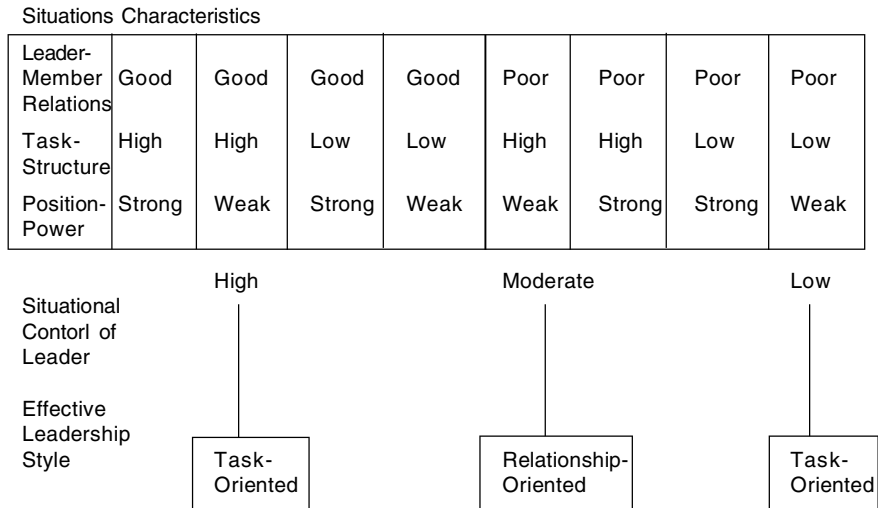


Fig. 9.4: Fiedler’s Situational Variables and Effective Leadership Styles

(c) Path Goal Theory of Leadership

This theory of leadership is developed by Martin Evans and Robert House using contingency approach based on the expectancy theory of motivation. This theory states that leaders can exercise four different kinds of styles, viz., directive (giving directions), supportive (friendly and approachable), participative and achievement-oriented (setting challenging goals) leadership. It also states that the leader can use any of these styles depending on situational factors like subordinate characteristics (ability, internal locus of control) and attributes in the work-setting (task characteristics, formal authority system and primary work groups). A good fit between leadership style and situational factors will result in job satisfaction of subordinates and they accept and value the leader as a dispenser and will engage in motivated behaviour (Fig. 9.5).

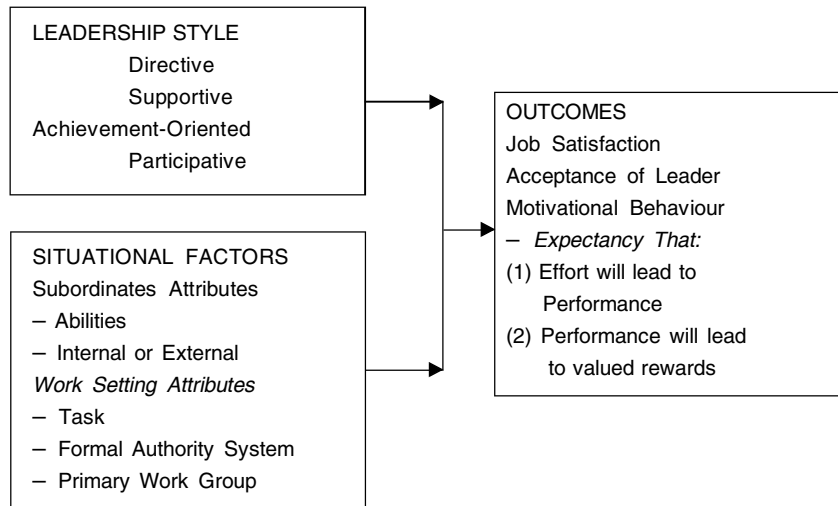


Fig. 9.5: Path Goal Theory of Leadership

(d) Hersey and Blanchard's Life Cycle (or) Situational Approach

It is an extension of the managerial grid approach. Hersey and Blanchard's approach identifies two major styles, viz., task style and relationship style. Hersey and Blanchard incorporated the maturity of the followers into their model taking the lead from some of Fiedler's work on situational variables. The level of maturity is defined by these criteria, viz., degree of achievement motivation, willingness to take on responsibility and amount of education and/or experience. The key for leadership effectiveness in this model (Fig. 9.6) is to match up the situation with the appropriate style. The four styles are:

- (i) Telling style:** This is a high task, low relationship style. It is effective when followers are at a very low level of maturity.
- (ii) Selling style:** This is a high task, high relationship style. It is effective when followers are on the low side of maturity.
- (iii) Participating style:** This is a low task, high relationship style. It is effective when followers are on the high side of maturity.
- (iv) Delegating style:** This is a low task, low relationship style. It is effective when followers are at a very high level of maturity.

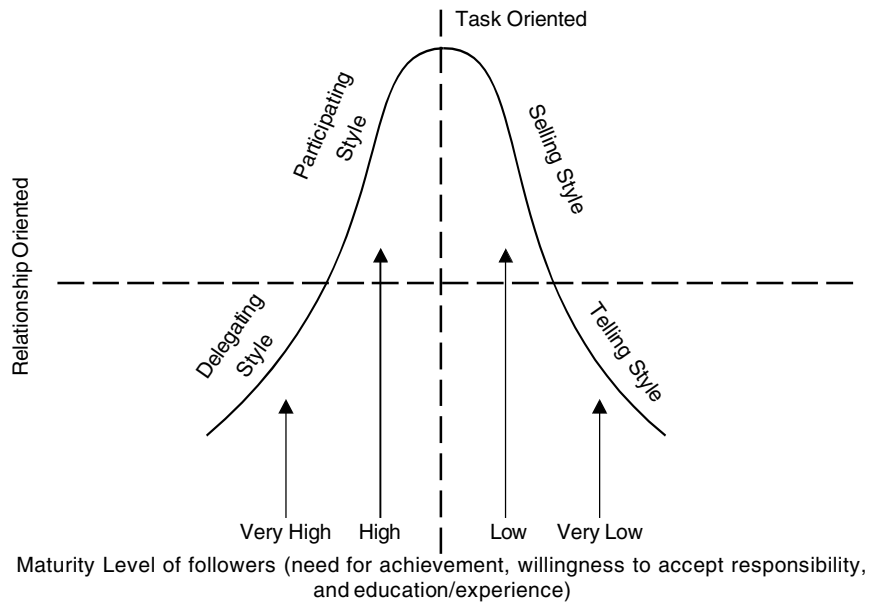


Fig. 9.6: Hersey and Blanchard's Situational Leadership Model

Source: Paul Hersey and Kenneth Blanchard, *Management of Organisational Behaviour: Utilisation of Human Resources*. Prentice Hall, Englewood Cliffs N.J., 1977, p. 170.

IV. Modern Theories of Leadership

The modern theories of leadership include:

- Charismatic leadership theory; and
- Transformational leadership theory.

(a) Charismatic Leadership Theory

According to House, the characters of the charismatic leaders include: self-confidence, confidence in subordinates, high expectations for subordinates, ideological vision, and use of personal example. The characters of the followers of the charismatic leader include: identification with the leader's mission, exhibit extreme loyalty to and confidence in leader, emulate the leader's values, behaviours and derive self-esteem from their relationship with the leader.

Mahatma Gandhi's characters of self-confidence, ideological vision and personal example made him as a charismatic leader. Mr.Dheerubhai Ambani's character of self confidence, Mr.Ramalinga

Raju's (of Satyam Computers) character of confidence in subordinates and high expectation for subordinates made them charismatic leaders. These characters of Ramalinga Raju resulted in performance of the followers beyond the expectations. Similarly, Mr. Kurian's ideological vision resulted in the success of 'white revolution'. Dr. N.T. Rama Rao's unconventional behaviour made him Chief Minister of Andhra Pradesh.

Charismatic leaders, thus, lure and motivate the subordinates towards performance beyond expectations, innovations, creations, and create the work culture among the followers. Charismatic leaders tend to be portrayed as wonderful heroes. However, there can also be unethical characters associated with these leaders. Behavioural components of charismatic and non-charismatic leaders are presented in Exhibit 9.1.

Exhibit 9.1: Behavioural Components of Charismatic and Non-charismatic Leaders		
	Non-charismatic Leader	Charismatic Leader
<i>Relation to Status Quo</i>	Essentially agrees with status quo and strives to maintain it	Essentially opposed to status quo and strives to change it
<i>Future Goal</i>	Goal not too discrepant from status quo	Idealized vision which is highly discrepant from status quo
<i>Likableness</i>	Shared perspective makes him/her likable	Shared perspective and idealized vision makes him/her a likable and honorable hero worthy of identification and imitation
<i>Trustworthiness</i>	Disinterested advocacy in persuasion attempts	Disinterested advocacy by incurring great personal risk and cost
<i>Expertise</i>	Expert in using available means to achieve goals within the framework of the existing order	Expert in using unconventional means to transcend the existing order
<i>Behaviour</i>	Conventional, conforming to existing norms	Unconventional or counternormative
<i>Environmental Sensitivity</i>	Low need for environmental sensitivity to maintain status quo	High need for environmental sensitivity for changing the status quo
<i>Articulation</i>	Weak articulation of goals and motivation to lead	Strong articulation of future vision and motivation to lead
<i>Power Base</i>	Position power and personal power (based on reward, expertise, and liking for a friend who is a similar other)	Personal power (based on expertise, respect, and admiration for a unique hero)
<i>Leader-Follower</i>	Egalitarian, consensus seeking, or directive. nudges or orders people to share his/her views	Elitist, entrepreneur, and exemplary. transforms people to the radical changes advocated

Source: Richard M. Hodgetts, *Organisational Behaviour*, p. 234.

(b) Transformational Leadership Theory

Mr. Nair of Roorkeela Steel Plant of SAIL, Mr.G.Subba Rao of Andhra Pradesh Paper Mills Limited, and Mr. Krishna Kumar of Tata Tea and Prof.M.Rama Mohana Rao of Indian Institute of Management, Bangalore transformed their organisations from loss-making/less performed into highly profit making/highly performed companies/organisations. Mr. Anji Reddy of Dr. Reddy's Labs made his company as one of the leading Pharmaceutical companies with R&D base.

Transformational leadership theory conceptualises such developments.

Two types of political leadership viz., transactional and transformational are identified. Transactional leadership involves an exchange relationship between leaders and followers. Whereas transformational leadership is based on leaders' shifting the values, beliefs and needs of the followers.

Some of the characteristics of transformational leaders are:

- Identify themselves as change agents
- Courageous
- Believe in people
- Value-driven
- Lifelong learners
- Have the ability to deal with complexity, ambiguity and uncertainty.
- Visionaries.

9.6 Leadership Styles

Leadership is practised by its styles which may be positive or negative. The styles used by the military officers and traditional managers are mostly negatives whereas those of the modern and high-technology organisations are positive. The styles used by the Japanese companies like Mitsubishi, and Toyota and Korean companies such as Lucky-Goldstar(LG), Samsung, Hyundai and Daewoo are the positive and people oriented styles. The styles used by some of the Indian Public Sector Companies like Indian Railways, HCL and HMT are negative styles.

1. Styles Based on Traditional Theories

These are four popularly known traditional leadership styles, viz., Free-rein, autocratic, participative and democratic:

- (i) **Free-rein or Laissez-faire Style:** These leaders avoid authority and responsibility. They mostly depend upon the group to establish objectives and goals, formulate policies and programmes. The group members train and motivate themselves. Contrary to the autocratic style, the leaders play minor or negligible roles and depend upon the group.
- (ii) **Autocratic Style:** Autocratic leaders centralise power of decision-making in themselves. Followers have no say either in decision-making or in implementation. They have to completely obey and follow the instructions of the leaders. The leaders take full authority and full responsibility. Autocratic leaders are classified into: (a) Strict autocrat who follows autocratic style completely where the method of influencing subordinates is thoroughly negative; (b) Benevolent autocrat who typically gives awards to the followers; and (c) Incompetent autocrat who adopts autocratic style with a view to hide his incompetency.
- (iii) **Democratic Style:** Democratic leaders decentralise authority and encourage subordinates to express their opinion in decision-making as well as in implementing the decision. However, decisions are taken by the leaders. Thus, decisions are arrived at by consultation.
- (iv) **Participative Style:** Participative leaders decentralise authority and encourage subordinates to participate and involve in decision-making and implementation processes. Decisions are made by the leader and his subordinates.

It is, however, concluded that there is no clear-cut leadership style which is applicable universally and in all circumstances. Therefore, the leaders have to adopt appropriate style depending upon the situational requirements.

2. Leadership Styles Based on Modern Theories

Leaders of the modern, high-technology and highly competitive organisations exhibit inspirational style with vision and perform the work effectively, i.e., do the right things.

The leadership styles based on the charismatic and transformational theories are classified into three, viz., envisioning, energising and enabling:

- (i) **Envisioning:** This style includes creating a picture of the future or a desired future state with which people can identify. Envisioning generates excitement. Thus, this style emphasises on articulating a compelling vision and setting high goals and expectations.
- (ii) **Energising:** The leader in this style directs the generation of energy, the motivation to act among the organizational employees. This style also includes demonstrating personal excitement and confidence, seeking, finding and using success.
- (iii) **Enabling:** The leader helps the followers psychologically to act or perform in the face of challenging goals. This style includes empowering, expressing personal support and empathising.

9.7 Leaders vs. Managers

Managers in the past like Mr. Krishna Murthy of Maruti Udyog Limited ran the business under the relatively stable environmental factors. But, the leaders in the new millennium like Mr. Bill Gates of Micro Soft, Mr. Dhirubai Ambani of Reliance Petrochemicals, won over the competitors, created the new external environment, and conquered the market.

As Warren G. Bennis put it, “To survive in the twenty-first century, we are going to need a new generation of leaders — leaders not managers. The distinction is an important one. Leaders conquer the context – the volatile, turbulent, ambiguous surroundings that sometimes seem to conspire against us and will surely suffocate us if we let them — while managers surrender to it.”

Thus, managers surrender to the external environment, while leaders fight with the environment and create new environment. Theorists and practitioners differentiate the leaders from managers only in recent years. This is more so, particularly after globalisation and liberalization of world economies. Abraham Zaleznik argues that leaders and managers are very different kinds of people. They differ in motivation, personal history, etc.

Managers tend to be impersonal towards goals while leaders take active and personal attitude towards goals:

Managers tend to view work as an enabling process while leaders work from high task positions, seek out risk and danger when opportunity and reward appear high.

Managers work with people while leaders relate ideas to people in more intuitive and empathic ways.

Managers cope up with change whereas leaders bring change. Leaders develop a vision and direction for the future.

Bennis presents the differences between Manager and Leader as shown in Exhibit 9.2.

Exhibit 9.2: Managers vs. Leaders in the Twenty-First Century	
<i>Managers</i>	<i>Leaders</i>
Administers	Innovates
A copy	An original
Maintains	Develops
Focusses on Systems and Structures	Focusses on People
Relies on control	Inspires trust
Short-range view	Long-range perspective
Asks how and when	Asks what and why
Eye on the bottom line	Eye on the horizon
Imitates	Originates
Accepts the Status Quo	Challenges the Status Quo
Classic good soldier	Own person
Does things right	Does the right thing

Source: Warren G.Bennis, “Managing the Dream:Leadership in the 21st Century,” Journal of Organisational Change Management, Vol.2, No.1, 1989, p.7.

9.8 Summary

Leadership is the process whereby one individual influences other group members towards the attainment of defined group on organisational goals. Leadership is the study of leader’s influences over thoughts, feelings opinions, beliefs, attitude and actions of followers. A leaders has to ensure that the tasks are achieved through the members of the team. The leaders may influence the members

the through reward power, coercive power, legitimate power, expert power and referent powers. There are four popularly known leadership styles i.e., Free-Rein, Autocratic, Democratic and Participative styles. It is said that “To survive in the 21st century, we need new generation leaders – Leaders not managers. Leaders conquer the market even under turbulent, ambiguous surroundings.

9.9 Key Words/Abbreviations

- **Leadership:** Leadership involves the exercise of influence on the part of the leader over the perception, motivation, communication, personality and ultimately over the behaviour of other people (preferably followers). Leadership is, therefore, the study of leader’s influence over the thoughts, feelings, opinions, beliefs, attitudes and actions of followers:
- **Legitimate Power:** The job of the leader gives rights to the leader regarding issuing orders, work assignment, delegation of authority and responsibility to his subordinates in order to get the work done.
- **Managerial Grid:** The managerial grid identifies a range of management behaviour based on the different ways how production/service-oriented and employee-oriented styles interact with each other.
- **Trait Theory:** Trait theories of leadership focus on personality, social, physical or intellectual traits that differentiated leaders from non-leaders.
- **Expert Power:** Expert power is derived from the expertise, knowledge, information, skills and abilities that the leader possesses over the jobs of his subordinates.
- **Autocratic Leader:** Autocratic leaders centralise power of decision-making in themselves. Followers have no say either in decision-making or in implementation. They have to completely obey and follow the instructions of the leaders.
- **Transformational leader:** Some of the characteristics of transformational leaders are: Identify themselves as change agents, Courageous, Believe in people, Value-driven, Lifelong learners, Have the ability to deal with complexity, ambiguity uncertainty and Visionaries.
- **Referent Power:** The leader should be resourceful in terms of knowledge and skill. Further, the followers would like to identify with the leader and to emulate the leader. If the followers

admire the leader's abilities and qualities very much, they would like to be influenced by the leader to a greater extent. Then the leader has greater referent power over subordinates.

- **Charismatic Leader:** Charismatic leaders, lure and motivate the subordinates towards performance beyond expectations, innovations, creations, and create the work culture among the followers. Charismatic leaders tend to be portrayed as wonderful heroes.
- **Participative Leader:** Participative leaders decentralise authority and encourage subordinates to participate and involve in decision-making and implementation processes. Decisions are made by the leader and his subordinates.
- **Reward Power:** The superior granting a salary rise to his subordinate in order to encourage him to work better is referred to as reward power of the superior. Reward power refers to offering monetary and non-monetary rewards by the leader to his followers.
- **Coercive Power:** Leader motivates his followers not only through rewarding but also through punishing. Coercive power is the opposite to reward power. Coercive power is the ability or the capacity of the leader to coerce or punish his followers for carrying out the assigned tasks.
- **Contingency theory of Leadership:** Contingency approaches to leadership take the position that there is no "one best way" to lead in all situations. Effective leadership styles vary from situation to situation depending on several factors like personality predisposition of the leaders, the characteristics of the followers, the nature of task being done and other situational factors.

9.10 Learning Activity

1. Based on Trait Theory of Leadership, name any three leaders in our country.

2. State three important qualities of a successful manager.

3. Name three charismatic business leaders

9.11 Unit End Questions (MCQ and Descriptive)

A. Descriptive Questions

1. What is leadership? State the differences between a leader and a manager.
2. Explain trait theories of leadership.
3. Compare and contrast different behavioural theories of leadership.
4. Explain the superiorities of The Hersey-Blanchard situational approach to leadership.
5. Discuss different leadership styles.
6. Explain charismatic and transformational theories of leadership.

B. Multiple Choice Questions

1. The effectiveness of leaders depend upon
 - (a) Task achievement
 - (b) Development of individuals
 - (c) Building the teams
 - (d) All the above
2. Leadership theories include
 - (a) Trait theory
 - (b) Group and exchange theory
 - (c) Managerial grid
 - (d) All the above
3. Hersey and Blanchard's life cycle approach deals with
 - (a) Task style and relationship style
 - (b) Situational approach style
 - (c) Match between leader and member
 - (d) All the above

4. Traditional leadership style include
- (a) Autocratic style
 - (b) democratic style
 - (c) participative style
 - (d) free-rein style
 - e. All the above
5. A charismatic leader
- (a) Motivates people towards performance beyond expectations
 - (b) Centralises power of decision making
 - (c) Makes use of rational approach for solving problems
 - (d) All the above
6. Managerial grid deals with
- (a) Concern for people
 - (b) Concern for production
 - (c) Concern for profit
 - (d) All the above

Answers

1. (d), 2. (d), 3. (a), 4. (e), 5. (a), 6. (d).

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UNIT 10 GROUP BEHAVIOUR

Structure:

- 10.0 Learning Objectives
- 10.1 Introduction
- 10.2 Definition of Group
- 10.3 Features of Group
- 10.4 Importance of Group
- 10.5 Types of Groups
- 10.6 Group Decision Making Techniques
- 10.7 Summary
- 10.8 Key Words/Abbreviations
- 10.9 Learning Activity
- 10.10 Unit End Questions (MCQ and Descriptive)
- 10.11 References

10.0 Learning Objectives

After studying this unit, you will be able to:

- Know the meaning and importance of group.
- Understand the different types of group.
- Know the group decision making techniques.



10.1 Introduction

Larsen and Toubro (L&T) Limited was hesitant to accept the invitation of the Government of Andhra Pradesh to establish a Cement Factory in Tadipatri, one of the faction areas of Rayalaseema region in the state. However, L&T established its cement plant at Tadipatri after getting assurance from the government for maintaining law and order in view of richness of raw material near Tadipatri.

The management used to experience threats from the local politicians and factionists during the early days of its operation. The company's Human Resources Department (HRD) played a dynamic role in changing the culture of employees drawn from the local areas through whom the factionists mostly operate.

The Human Resources Department consists of around ten human resource managers and is headed by Mr. S.V.Ramana Rao, General Manager (Human Resources). All the human resources managers meet every day at 9 a.m. over a cup of coffee. They exchange the unique problems they have faced on the previous day and the innovative techniques they used to solve them. They also discuss the probability of success of those techniques and offer suggestions for follow up of the issue and for effective implementation of the techniques to the HR Manager who implemented the technique. They also review other activities in the meeting. Thus, the HR managers used to interact with each other in order to provide efficient solutions for current and future HR issues in the company.

This group activity enriched all the HR Managers in dealing with the unique and critical problems faced by the company. This activity resulted in significantly changing the culture of the employees drawn from the local area from the factionalism to corporate professionalism. These employees today think of enhancing their formal educational qualifications through distance learning methods in internet, etc.

The CEO of the company proudly admits that this group activity of the HR department initiated a dynamic and paradigm shift in employee attitude, commitment and culture, which in turn contributed towards higher productivity. Thus, the group activity converted the critical threat into one of the critical opportunities for the company.

Practice of the group process followed at the HR department of L&T, Tadipatri Cement Factory, is not new to the Indian Society. There are mentions of the group practice even in the religious epics

like the Mahabharat and the Ramayana. In fact, the Indian joint family system is the resemblance of the group activity. But, Japanese organisations and corporations implemented the group culture in business operations since a long period in the past and thus enhanced its significance. The Indian corporate sector realised the significance, utility and applicability of group process and started implementing in business operations phenomenally after the liberalisation and globalisation of business.

10.2 Definition of Group

Now, we shall discuss the formal definition of groups and group process. Stephen P. Robbins defines the term group as ‘two or more individuals, interacting and interdependent, who have come together to achieve particular objectives.’

G.C. Homans defines the term group as ‘any number of people who share goals, often communicate with each other over a period of time, and are few enough so that each individual may communicate with all the others, person-to-person.’

In the modern days of information technology, people need not physically come together, but they communicate and interact with each other. Thus, there may be virtual coming together. They strive for a common goal. Thus, the bondage of the group is constructed around the common goal or objective. The members of the group share their skills and other resources and achieve their goals through the integrated effort.

With this background, we define the term *group*.

Group is the combination of two or more people formed with a purpose of achieving their common and shared goals through their interactive effort.

Analysis of these definitions would provide us the following features of groups.

10.3 Features of Group

The features of group include:

- Combination of two or more individuals;
- Individuals are motivated to come closer physically and/or virtually;

- They come closer to achieve their common and shared goals;
- Group members achieve their common goals through integrated efforts;
- Perceive the group as a unified unit;
- Members contribute different inputs (like skills, knowledge and efforts) in different amounts towards the achievement of group goals; and
- Reach agreements and disagreements through various forms of interaction.

10.4 Importance of Group

1. **People come together to achieve a specific purpose in organisations:** Organisational goals on most cases can't be achieved by individual efforts. Most of the organisational goals can be achieved by the integration of skills, knowledge and expertise of and coordinated effort of the employees.
2. **Groups can enhance organisational productivity through synergy:** Synergy takes place when the outcome of the group effort is greater than the sum of the individual contributions of the group members. Group activity results in synergy due to exchange of skills, knowledge, talents and ideas and enhancing them through brain-storming and interactive sessions among the group members.
3. Highly cohesive groups with positive orientation produce results with greater efficiency;
4. Groups result in collaborative effort;
5. People with complementary skills in a group would produce similar results like those of teams;
6. Groups would make highly balanced decisions that involve less risk;
7. Groups share information and data openly and efficiently;
8. Groups provide facilities and opportunities to the members to exchange their skills, knowledge, talents, values, etc. Group members exchange their ideas, opinions, skills and talents among themselves. This process enables the individuals to gain more knowledge, strengths,

competence and acquire expertise by sharing from each other of the same group. Group members also gain expert power from others. Thus, the group empowers the members.

9. Groups formulate more shared and realistic objectives, strategies and goals;
10. **Group meet individual employee needs and support each other particularly in times of crisis that can't be met otherwise in an organisation:** Members can satisfy their social needs by interacting and sharing their social problems with other members of the group. People use on-the-job interactions as a place for satisfying their social needs. Thus, group membership satisfies belonging and affiliation needs of the employees.
11. Groups also meet organisational needs with less cost and other resources requirements due to synergy;
12. Groups provide security to its members from others in the society, from the threats posed by other groups, insecurity caused by the environmental, climatic, life, economic, social and other factors.

As every coin has two sides, groups have certain disadvantages. We now discuss them.

10.5 Types of Groups

As discussed earlier, different people join groups with various purposes or due to the forces of different factors. Consequently, different types of groups are formed. They are:

- (i) **Formal Group:** When two or more individuals join together as a group due to the official job structure and job relationship in an organisation, such a group is called *formal group*. Group of production manager, materials manager and quality control manager of a company is an example of formal group.
- (ii) **Informal Group:** When two or more individuals join together as a group in order to satisfy their social needs but not due to official job structure and organisational requirements, such a group is called *informal group*. Informal groups are formed out of the common interests, aptitudes, values, opinions, ideas and characteristics of the people. For example, three employees from production department, marketing department and the finance department gather in the company's meeting hall and discuss current economic issues. This is an example of informal group.

- (iii) **Command Group:** It is a group of the superior and his/her subordinates. Finance Manager and Assistant Finance Managers of a company form a *command group*. Thus, the command group is a group of individual employees and the manager to whom they report.
- (iv) **Task Group:** People working together in order to accomplish a particular task form a *task group*. Task group boundaries are not limited to the particular department, but they may spread throughout the organisation, and sometimes spread even beyond the organisation. For example, Human Resources Manager, Finance Manager and Production Manager form a negotiation group in order to settle a salary dispute of factory workers. This negotiation group is an example of task group.
- (v) **Interest Group:** People with common interests like maintaining and developing working conditions, recreational facilities, providing employee services, etc., form the interest group.
- (vi) **Friendship Groups:** People with common characteristics form groups. These common characteristics include hard working, work avoiding, smart working, status seeking, family orientation, risk taking, etc. For example, two employees from the production department and marketing department with a common character of work avoiding, making friendship and forming a group in order to defend each other's behaviour is called friendship group.
- (vii) **Primary Groups:** If the individuals with a feeling of comradeship, loyalty and a commonsense of values form into a group. Such group is called a *primary group*. Group of family members *viz.*, father, mother, brother and sister is an example of primary group.
- (viii) **Coalitions:** Individuals from different groups form into an ad hoc group in order to achieve a specific task or goal. Such groups are called *coalitions*. The individuals have dual membership, *i.e.*, one in the original group and another in the coalition. The coalition gets dissolved after the goal for which it is formed is attained. The characteristics of coalition include:
- Interacting group of individuals,
 - Deliberately constructed by the members for a specific purpose,
 - Independent of the formal organisation's structure,
 - Lacking a formal internal structure,

- (e) Mutual perception of membership,
- (f) Issue-oriented to advance the purposes of the members,
- (g) External forms, and
- (h) Concerted member action, act as a group.

These different types of groups form and are developed through various stages. Now we shall discuss the stages of group formation and development.

10.6 Group Decision Making Techniques

Brainstorming, nominal group and Delphi techniques, and electronic meetings have been proposed as ways to reduce many of the problems inherent in the traditional interacting group. We discuss each in this section:

1. Brainstorming: Brainstorming is meant to overcome pressure for conformity in the interacting group that retard the development of creative alternatives. It does this by utilising an idea generation process that specifically encourages any and all alternatives while withholding any criticism of those alternatives.

In a typical brainstorming session, a half dozen to a dozen people sit around a table. The group leader states the problem in a clear manner so it is understood by all participants. Members then free-wheel as many alternatives as they can in a given length of time. No criticism is allowed, and all the alternatives are recorded for later discussion and analysis. That one idea stimulates others and that judgements of even the most bizarre suggestions are withheld until later encourages group members to “think the unusual.”

Brainstorming, however, is merely a process for generating ideas. The next three techniques go further by offering methods of actually arriving at a preferred solution.

2. Nominal Group Technique: The **nominal group technique** restricts discussion or interpersonal communication during the decision-making process, hence the term nominal. Group members are all physically present, as in a traditional committee meeting, but members operate independently. Specifically, a problem is presented and then the following steps take place:

- (a) Members meet as a group but, before any discussion takes place, each member independently writes down his or her ideas on the problem.
- (b) This silent period is followed by each member presenting one idea to the group. Each member takes his or her turn, going around the table, presenting a single idea until all ideas have been presented and recorded (typically on a flip chart or chalkboard). No discussion takes place until all ideas have been recorded.
- (c) The group now discusses the ideas for clarity and evaluates them.
- (d) Each group member silently and independently rank-orders the ideas. The final decision is determined by the idea with the highest aggregate ranking.

The chief advantage of the nominal group technique is that it permits the group to meet formally but does not restrict independent thinking, as does the interacting group.

3. Delphi Technique: A more complex and time consuming alternative is the **Delphi technique**. It is similar to the nominal group technique except it does not require the physical presence of the group's members. In fact, the Delphi technique never allows the group's members to meet face to face. The following steps characterize the Delphi technique:

- (a) The problem is identified and members are asked to provide potential solutions through a series of carefully designed questionnaires.
- (b) Each member anonymously and independently completes the first questionnaire.
- (c) Results of the first questionnaire are compiled at a central location, transcribed, and reproduced.
- (d) Each member receives a copy of the results.
- (e) After viewing the results, members are again asked for their solutions. The results typically trigger new solutions or cause changes in the original position.
- (f) Steps 4 and 5 are repeated as often as necessary until consensus is reached.

Like the nominal group technique, the Delphi technique insulates group members from the undue influence of others. Because it doesn't require the physical presence of the participants, the Delphi technique can be used for decision making among geographically scattered groups. For instance,

Sony could use the technique to query its managers in Tokyo, Brussels, Paris, London, New York, Toronto, Rio de Janeiro, and Melbourne as to the best worldwide price for one of the company's products. The cost of bringing the executives together at a central location is avoided. Of course, the Delphi technique has its drawbacks. Because the method is extremely time consuming, it is frequently not applicable where a speedy decision is necessary. Additionally, the method may not develop the rich array of alternatives as the interacting or nominal group technique does. Ideas that might surface from the heat of face-to-face interaction may never arise.

4. Electronic Meetings: The most recent approach to group decision making blends the nominal group technique with sophisticated computer technology. It's called the electronic meeting.

Once the technology is in place, the concept is simple. Up to 50 people sit around a horseshoe-shaped table, empty except for a series of computer terminals. Issues are presented to participants and they type their responses onto their computer screen. Individual comments, as well as aggregate votes, are displayed on a projection screen in the room.

The major advantages of electronic meetings are anonymity, honesty, and speed. Participants can anonymously type any message they want and it flashes on the screen for all to see at the push of a participant's board key. It also allows people to be brutally honest without penalty. And it's fast because it also allows people to be brutally honest without penalty. And it's fast because chitchat is eliminated, discussions don't digress, and many participants can "talk" at once without stepping on one another's toes.

Experts claim that electronic meetings are as much as 55 per cent faster than traditional face-to-face meetings. Phelps Dodge Mining, for instance, used the approach to cut its annual planning meeting from several days down to 12 hours. Yet there are drawbacks to this technique. Those who can type fast can outshine those who are verbally eloquent but poor typists; those with the best ideas don't get credit for them; and the process lacks the information richness of face-to-face oral communication. But although this technology is currently in its infancy, the future of group decision making is very likely to include extensive use of electronic meetings.

Summary: Evaluating Effectiveness How do these various techniques stack up against the traditional interacting group? As we find so often, each technique has its own set of strengths and weaknesses. The choice of one technique over another will depend on what criteria you want to emphasize.

For instance, as Table 10.1 indicates, the interacting group is good for building group cohesiveness, brainstorming keeps social pressures to a minimum, the Delphi technique minimizes interpersonal conflict, and electronic meetings process ideas fast. So the best techniques is defined by the criteria you use to evaluate the group.

Table 10.1: Evaluating Group Effectiveness

Type of Group	Effectiveness Criteria	Interacting	Brainstorming	Nominal	Delphi	Electronic
Number of ideas		Low	Moderate	High	High	High
Quality of ideas		Low	Moderate	High	High	High
Social pressure		High	Low	Moderate	Low	Low
Money costs		Low	Low	Low	Low	High
Speed		Moderate	Moderate	Moderate	Low	High
Task orientation		Low	High	High	High	High
Otential for interpersonal conflict		High	Low	Moderate	Low	Low
Feelings of accomplishment		High to low	High	High	Moderate	High
Commitment to solution		High	Not applicable	Moderate	Low	Moderate
Develops group cohesiveness		High	High	Moderate	Low	Low

Source: Based on J.K. Murnighan, "Group Decision Making: What Strategies Should You Use?", Management Review (February 1981, p. 61.)

10.7 Summary

A group consists of two or more people interacting and interdependent who have come together to achieve particular objective. The members of the group share their knowledge and skills to achieve their goals through integrated efforts. There are different types of groups formed for various purposes and include formal, informal command, task group, friendship and coalition groups. Group decision making methods are a. Brain storming b. Delphi techniques c. Electronic meetings and d. Nominal group technique. The choice of technique will depend upon the criteria of the group wants to emphasise.

10.8 Key Words/Abbreviations

- **Group:** The term group can be defined as ‘any number of people who share goals, often communicate with each other over a period of time, and are few enough so that each individual may communicate with all the others, person-to-person.’
- **Delphi Technique:** Delphi Technique deals with decision making. The problem is identified and members are asked to provide potential solutions through a series of carefully designed questionnaires. Each member anonymously and independently completes the first questionnaire.
- **Brain Storming:** In a typical brainstorming session, a half dozen to a dozen people sit around a table. The group leader states the problem in a clear manner so it is understood by all participants. Members then free-wheel as many alternatives as they can in a given length of time. No criticism is allowed, and all the alternatives are recorded for later discussion and analysis. That one idea stimulates others and that judgements of even the most bizarre suggestions are withheld until later encourages group members to “think the unusual.”
- **Task Group:** People working together in order to accomplish a particular task form a task group. This negotiation group is an example of task group.
- **Formal Group:** When two or more individuals join together as a group due to the official job structure and job relationship in an organisation, such a group is called formal group.
- **Informal Group:** When two or more individuals join together as a group in order to satisfy their social needs but not due to official job structure and organisational requirements, such a group is called informal group.
- **Nominal Group Technique:** The nominal group technique restricts discussion or interpersonal communication during the decision-making process, hence the term nominal. Group members are all physically present, as in a traditional committee meeting, but members operate independently.

- **Electronic meeting:** The most recent approach to group decision making blends the nominal group technique with sophisticated computer technology. It's called the electronic meeting. Up to 50 people sit-around a horseshoe-shaped table, empty except for a series of computer terminals. Issues are presented to participants and they type their responses onto their computer screen. Individual comments, as well as aggregate votes, are displayed on a projection screen in the room.
- **Command Group:** It is a group of the superior and his/her subordinates. Finance Manager and Assistant Finance Managers of a company form a command group. Thus, the command group is a group of individual employees and the manager to whom they report.
- **Coalition Group:** Individuals from different groups form into an ad hoc group in order to achieve a specific task or goal. Such groups are called coalitions.

10.9 Learning Activity

1. The HR manager of a company wants to make changes in HR policy of the company. What type of group is suitable for this purpose & why?

2. Suggest a suitable decision making technique for generating ideas for a new pharma product.

3. The company wants to settle wages dispute with workers. Name the type of group suitable for this purpose and why?

10.10 Unit End Questions (MCQ and Descriptive)

A. Descriptive Questions

1. What is a group? Explain the importance of group.
2. Discuss the various types of groups and their characteristics.
3. State the important group decision making techniques.
4. Explain the differences between Delphi method and Brain storming method of decision making.
5. Explain nominal group technique and electronic meetings.
6. Explain formal and informal group with examples.

B. Multiple Choice Questions

1. A group consist of
 - (a) Two or more individuals
 - (b) Members interacting and interdependent.
 - (c) People who have come together to achieve particular objective
 - (d) All the above
2. Features of group include
 - (a) Reach agreements
 - (b) Reach disagreements
 - (c) Achieve common goals
 - (d) All the above
3. Different types of groups are
 - (a) Formal group
 - (b) Friendship group
 - (c) Primary group
 - (d) All the above

4. Delphi technique
 - (a) Time consuming process
 - (b) Does not require physical presence of members
 - (c) Makes use of statistical tools
 - (d) All the above
5. Brain storming
 - (a) Is an idea generation process
 - (b) Generates alternatives
 - (c) Welcomes bizzare suggestions
 - (d) All the above
6. In Command group
 - (a) Superior and sub-ordinate interact
 - (b) People with common characteristics form the group
 - (c) Individuals join together to achieve social needs
 - (d) All the above

Answers

1. (d), 2. (d), 3. (d), 4. (b), 5. (a), 6. (a).

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UNIT 11 CHANGE MANAGEMENT

Structure:

- 11.0 Learning Objectives
- 11.1 Introduction
- 11.2 Organisational Change: Meaning and Types
- 11.3 Technology and Change
- 11.4 Resistance to Change
- 11.5 Approaches to Organisational Change
- 11.6 Managing Change
- 11.7 Summary
- 11.8 Key Words/Abbreviations
- 11.9 Learning Activity
- 11.10 Unit End Questions (MCQ and Descriptive)
- 11.11 References

11.0 Learning Objectives

After studying this unit, you will be able to:

- Elaborate the meaning and types of organisational change;
- Analyse the impact of technology on organisational change;
- Discuss the reasons for resistance to change.
- Explain Managing change



11.1 Introduction

The term ‘Organisational Change’ implies the creation of imbalances in the existent pattern or situation. Adjustment among people, technology and structural set up is established when an organisation operates for a long time. People adjust with their jobs, working conditions, colleagues, superiors, etc. Similarly, an organisation establishes relationship in the external environment.

11.2 Organisational Change: Meaning and Types

Change requires individuals and organisations to make new adjustments. Complexity and fear of adjustment give rise to resistance and problem of change. Human resource is an important factor in the adjustments among individuals as well as between the organisation and environment, as an organisation is mostly composed of people. Individual members can resist either individually or in group.

Change could be both reactive and proactive. A proactive change has necessarily to be planned to prepare for anticipated future challenges. A reactive change may be an automatic response or a planned response to change taking place in the environment.

Types of Changes

Changes can be broadly divided into: (i) Work change; and (ii) Organisational change. Work change includes changes in machinery, working hours, methods of work, job enlargement and enrichment, job-redesign or re-engineering. Change may also be in the working hours like morning shifts, evening shifts, operation of the organisation on Sundays/holidays.

Changes relating to organisation include change in employees due to transfers, promotion, retrenchment, lay-off, restructuring or organisation, introduction of new products or services, imposition of regulation, changes in organisational goals or objectives, etc.

Reasons for Change

Changes in organisations are a must, whether brought about deliberately or unwillingly. The reasons for change are categorised as follows: Changes in business conditions, changes in Managerial Personnel, Deficiency in existing Organisational Patterns, Technological and Psychological reasons, Government Policy, size of the organisation, etc.

Response to Change

Work change does not produce direct adjustment. Instead, it operates through each employee's attitude to produce a response that is conditioned by feelings towards the change.¹ People often show this attachment to the group by receiving it in some uniform response to the change, though they individually interpret the change differently. This response makes possible some illogical action like mass walk-outs when obviously only a few people actually want to. A group develops responses in response to its members' conflicting attitudes towards change. Therefore, each pressure encourages counter pressure within the group. The net result is a self-correction mechanism to restore balance wherever change threatens. Thus, people act to establish a steady state of need fulfilment and to protect themselves from disturbances of that balance.

Every change is likely to have some cost as well as bring additional benefits to the organisations. Organisations introduce change when the benefits (additional benefits derived due to change) are relatively more than the cost (additional cost incurred due to change). Cost and benefits are not only economic but also social, psychological, environmental, etc.

11.3 Technology and Change

Change is the order of the day. 'Change, before change changes you' and 'change or decay' are the buzz phrases of the day. The factors that force the change include: nature of the workforce, technology, economic shocks, competition, social trends and world of politics. (See Exhibit 11.1)

Exhibit 11.1: Forces for Change	
Force	Examples
Nature of the workforce	: <ul style="list-style-type: none"> ● Cultural diversity and the need for unification ● Increase in professionalisation ● Increased formal education ● Increased level of soft skills ● Positive attitude
Technology	: <ul style="list-style-type: none"> ● Faster and cheaper computers ● Total Quality Management ● Business Process Reengineering

Economic Shocks 1990s)	:	<ul style="list-style-type: none"> ● Asian real estate collapse ● Russian devaluation of the ruble ● Changes in oil prices (decline \$22 a barrel to \$13 in the late 1990s)
Competition	:	<ul style="list-style-type: none"> ● Global Competitors ● Mergers and Acquisitions ● E-business ● Customer Relationship Management and Quality
Social Trends:	:	<ul style="list-style-type: none"> ● C102 (Career first and others second) ● Increased career orientation among young ladies
World Political System:	:	<ul style="list-style-type: none"> ● Collapse of the Soviet Union ● Opening of Markets in China and China becoming a member of WTO ● Black rule of South Africa

Source: Modified version from Stephen P. Robbins, “*Organisational Behaviour*”, Prentice Hall of India Ltd., 2001, p. 540.

Just as necessity is the mother of invention, competition and a host of other reasons are responsible for the rapid technological changes and innovations all over the world. As a result of these changes, technical personnel, system specialists, technical workers and machine operators are increasingly required while the demand for other categories of employees has declined. But it is found that the supply of former category of employees is less compared to the demand for the same. Hence, procurement of skilled employees and maintaining them is highly essential. Further, the changes in technology continuously demands the existing employees to upgrade their skills and knowledge.

Human resources development techniques help the employees to acquire new skills and knowledge necessary to carry out the changed duties due to upgradation of technology.

Technology is the most dramatic force shaping the destiny of people all over the world. Technology is self-reinforcing and in a big way affects society. In fact, technology reaches people through business.

It increases the expectations of the customers. It brings social change and makes social system complex.

The impact of technology on human resources is significant, direct and complex. The impact of technology on HRD is through: (i) jobs becoming intellectual, (ii) need for bio-professional and multi-professional managers, (iii) change in organisation structure, (iv) TQM and (v) BPRE.

(i) Jobs become intellectual: Enhancement of the level of the technology needs high level skills and knowledge. These high level skills and knowledge should be incorporated in the job description. Jobs handled by semi-skilled employees are now to be handled by skilled employees. Jobs handled by the clerks yesterday are now to be handled by a computer programmer. Advanced technology degrades some employees and retrenches some employees from employment unless they are trained and developed on the application of new technology and methods.

New technology demands high level skills, knowledge and values. These aspects are incorporated in the job description. Hence, jobs become intellectual. These factors demand for development of human resources.

(ii) Need for bio-professionals and multi-professionals: Recent technological advancements changed the job descriptions. These changed job descriptions require the employees with both technical skills and marketing skills. Some jobs need the employees with technical skills, marketing skills, finance skills and human resources management skills. Thus, technology demands bio-professionals and multi-professionals. But present employees are single professionals. Development of human resources of the single professional employees is necessary to make them bio-professionals and multi-professionals.

(iii) Technology and organisational structure: Technology brings changes in the span of control, delegation of authority like delegation to individual employees or groups of employees. These changes bring changes in the present organisational structure. Further, technology results in downsizing and delayering. These factors also change the organisational structure. Technology influences the organisational structure through job redesign and change in job description and demand for new skills and knowledge from the employees. These factors invariably necessitate the development of human resources.

(iv) TQM: Total Quality Management is mostly developed based on changes in technology. Further, it is influenced by changes in methods. These factors necessitate training and development of the employees in these new areas.

(v) **BPRE:** Business Process Reengineering basically changes the process of the business. In other words, it changes the existing patterns of production, marketing, finance and human resources functions. It brings the business process centred around a customer's needs, preferences or needs of a project or activity. Further, this process changes the existing technology and methods. These changes influence HRD.

11.4 Resistance to Change

The basic problem in the management to change is the study of causes of resistance to change. Despite the fact that change is a persistent phenomenon, it is a common experience that employees resist change whether in the context of their pattern of life or in the context of their situation in the organisation. The best example is resistance of employees to computerisation. Change and type require readjustment. 'Man always fears the unknown, and a change represents the unknown.'

Reasons for Resistance

Some of the important reasons for resistance to change are as follows:

(a) Economic Reasons: Economic reasons for resistance are classified into three groups. They are:

1. Fear of Reduction in Employment: Due to the change in technology, methods of work, quantity or quality of work etc. This fear leads to resistance to change on the part of people. Opposition to automation is an example to it.

2. Fear of Demotion: Employees may fear that they may be demoted if they do not possess the new skills required for their jobs, after the introduction of change. Hence, they prefer 'status quo.'

3. Fear of Workload: Change in work technology and methods may lead to the fear that workload will be increased while there will not be any corresponding increase in their salaries and benefits. This feeling creates resistance to change.

(b) Personal Reasons: Personal reasons for resistance are also divided into three classes. They are:

1. Need for Training: If change in technology and work organisation necessitates training and re-learning on the part of employees, it may lead to resistance, as all do not like to go for refresher and retraining courses off and on.

2. Boredom and Monotony: If the proposed change is expected to lead to greater specialisation resulting in boredom and monotony, it may also be resisted by employees.

3. No Participation in Change: Some employees resist any change as they are critical of the situation and they are not being given any part in decision-making process for change. When they do not understand fully the implications of change, they resist it.

(c) Social Reasons: Social reasons for resistance are also classified into three groups. They are:

1. Need for New Social Adjustment: And organisational change requires new social adjustment with the group, work situation and new boss, etc. All individuals are not ready to accept this challenge. Some people refuse transfers and promotions for this reason only, as they will have to break their present social ties.

2. Taking Change as Imposed from Outside: Some employees take any change as imposed from outside upon them.

3. Other Considerations: Some employees may consider that every change brought about is for the benefit of the organisation only and not for them, their fellow workers or even the general public. Hence, they resist the change.

Resistance from the Side of Managers

It is not a common fact that change is always resisted by the employees only. Managers also resist change sometimes. Any change sets in new responsibilities and imposes new tension, stress and strains over them is normally resisted by managers. The feeling of uncertainty, whether they will be able to handle new circumstances successfully or not, motivates them to resist.

11.5 Approaches to Organisational Change

Management is said to be an agent of change. It means that management has to introduce change successfully in its organisation. It has to overcome the resistance and make it a successful venture. The management must realise that resistance to change is basically a human problem,

though on surface, it may appear to be related to the technical aspect of change. So, it must be tackled in a human and social manner. Management has to take the following steps to implement the change successfully:

1. Participation of employees: Before introducing any change, the employees should be fully consulted and they must be made a party to any such decision. The meaning and purpose of the change must be fully communicated to those who will be affected by it. Enough time should be allowed for discussion, and pros and cons of the change should be explained, in detail, to employees.

2. Planning for change: Before implementing any change, the management should plan for it. Employees should get an opportunity to participate both in planning the change and installing it. This will help the group of the affected employees to recognise the need for change and thus prepare them for receiving it without any fear.

3. Protecting employees' interests: Management should ensure that employees are protected from economic loss, loss in status or personal dignity. If those things are protected, the degree of resistance to change will be at the lowest ebb.

4. Group dynamics: Group dynamics refers to the everchanging interactions and adjustments in the mutual perceptions and relationships among members of the groups. Such group interactions are the most powerful instruments which facilitate or inhibit adaptation to change. Adaptation is a team activity which requires conformity to the new group norms, moves, traditions and work patterns. If these could be positivity articulated by management the results are likely to be more successful and durable.

5. Cautions and slow introduction: The management should not introduce any change suddenly and abruptly. It must be an objective for the management to build in the organisation an awareness of change and an ability to forecast it, and also to construct an attitude of welcoming change. Change must be introduced in sequential parts, if possible, the results must be reviewed, and required adjustments must be made in it.

6. Positive motivation: The management should use the policy of positive motivation to counteract negative resistance. It should be the attempt of the management to make the job easier and less exerting. The management should impart proper training to its employees in new techniques

and work knowledge, etc. The leadership styles should also be supportive and human oriented. This policy will also bring down the resistance to change.

7. Sharing the benefits of change: Any change whether technical, social or economic will be least resisted by the employees if the management permits the employees to share benefits which arise out of the change. So, the management must see that employees are not only assured of it, they are given due advantage of it as well.

8. Training and development: Management should plan for change. Based on the change plan, the job should be redesigned. Management should train the employees before-hand and prepare the employees to invite change. Normally, trained and developed employees will not resist change as they cannot keep quiet with enriched skill and knowledge.

9. Career planning and development: Organisation on the basis of change plans and redesigned jobs should plan for careers of employees, possibilities to move the employees to the higher levels and develop them. The developed employees for future careers demand the management to implement change.

10. Organisation Development: Organisation development aims at moulding and development of employees in the psychological and behavioural areas with a view to achieve organisational effectiveness. Employees with enriched behaviours welcome the change.

Principles of Change

Management should also follow the undermentioned principles of change:

1. Understanding the change itself, its purpose, its benefits and then making them familiarise to the employees.
2. Estimating the reasons for the possible resistance to change and preparing to allay their fears.
3. Mindful of channels of authority.
4. Preparedness for all the questions, aspersions and criticism.
5. Listening to the suggestions and criticism of employees and incorporating them in the scheme as far as possible.

6. Creating interest in employees, convincing them and preparing them to accept the change.
7. Keeping in touch with the process of change.

11.6 Managing Change

Management is often called a ‘change agent’ as its role is to initiate the change, and help make it work successfully. Employees’ support is most essential in implementing the change successfully as they are at the helm of affairs, and the management is only an agent of change. Change typically involves three steps, viz., unfreezing, changing and re-freezing. Unfreezing means that old ideas and practices need to be cast aside so that new ones can be learnt. Change is the step in which the new ideas and practices are learnt so that an employee can think and perform in terms of new ways. Refreezing means that what has been learnt is integrated into actual practice.

Implementation is the institutionalisation and internalisation of a change after it has been accepted by an organisation and a decision has been taken to accept and make it part of the ongoing activity. Implementation may be seen as a multidimensional process. The end result of implementation is the institutionalisation and stabilisation of change. Institutionalisation is absorbing the change permanent try and making it an integral part of organisation and internalisation means stabilisation of the change. The implementation process should start with planning. The three important stages of implementation of change process (see Fig. 11.1) are: (i) Monitoring the change; (ii) Taking action in relation to the change; and (iii) Making necessary adjustments in the programme accepted for implementation.

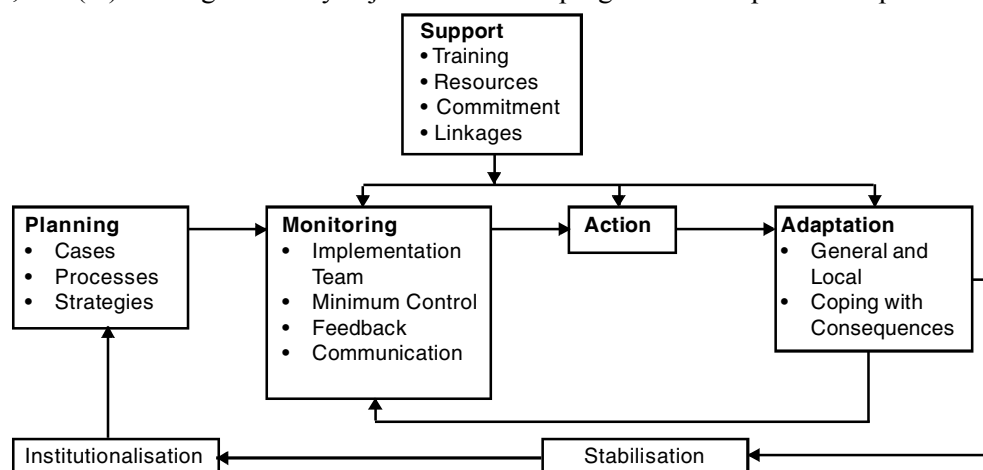


Fig. 11.1: Model of Implementation of Change in an Organisation

Planning: The main objective of planning, is to have an overall understanding of the nature of implementation. Planning process refers to determining in advance the entire process of implementation of change phasing. Planning may be focused on phasing. Phasing may be either temporal (in terms of time) or spatial (in terms of various units or the locations of the organisation).

Processes: Various processes involved in implementation should be decided in advance. Various stages of the process include: initiation, motivation, diagnosis, information collection, deliberation, action proposal, implementation and stabilisation. Attention should be paid to the process of collaboration, increasing the capability of the organisation to face the problems of change, establishing the norms and values.

Strategies: Management should formulate various strategies for implementation. These strategies should focus on taking outsider's help, change agent, designing permanent organisational structures, unit/location of the organisation to be selected for initial process, openness with the environment, etc.

Monitoring: It is the process of "routine periodic measurement of programme inputs, activities and outputs undertaken during programme implementation. Monitoring is normally concerned with the procurement, delivery and utilisation of programme resources, adherence to work schedules or progress made in the production of outputs." Monitoring is essential to make implementation effective. Monitoring/control is to ensure that a plan proceeds according to the original design. A broader group of people should be involved in monitoring function. An independent team without having interest in change may be entrusted with the task. This team may have a continuous status.

Implementation team: A broad based task group of implementation should be set-up to look after the implementation of the change programme and monitor such programme. HRD department of the organisation may be asked to take up this responsibility.

Minimum control: Controls should be minimum in order to make the monitoring effective. It is a delicate issue. On one hand, it is a control function and on the other it also attempts to develop new norms of creativity, diversity and experimentation. Key roles involved in the implementation process are task force, implementation team, chief implement or counterpart consultant and corporate management.

Review and feedback: Implementation requires reviewing various process and provide feedback. It involves getting data information and experiences and providing feedback to the people on how they are implementing compared to the design and plans.

Dissemination of information: The data, information and experiences collected in the various units/processes of the organisation may be provided to all the parties of change implementation with a view to reinforce a sense of success amongst various people.

Action: Action covers all the minute details of what is to be implemented at different stages. This process involves various phases and steps for people and various group tasks in relation to change programme.

Adaptation: Adaptation is the combination of two main criteria of effectiveness of implementation. Adaptation may be both general in the sense that some modifications may be made in the original plan and some may be developed at later stage.

Support: Various types of support from all concerned will be required for the implementation of change. Main agencies which render the necessary support are:

Human resource development: Effective implementation of change requires new and varied technical, managerial and behavioural skills and knowledge. Human Resource Development department can contribute for the enhancement of these skills through training, executive development and organisation development programmes.

Resources: Implementation requires support in the form of various fields like financial, human resources, technological etc.

Linkages: Support may also be required in terms of building linkages both with external experts, various external agencies and internal departments. Linkage among departments, implementation teams, line management and top management is essential.

To management commitment: The most important aspect of support essential for implementing change is the support and commitment of top management. Top management should involve itself in the process of change implementation, encourage the implementation team, provide all types of resources.

Management has to get the support from employees through the following means: (a) Encouraging and using group force; (b) Development of leadership for change; (c) Encouraging participation and sharing views; (d) Maintenance of employees security; (e) Effective communication; (f) Participation and working with the unions; (g) Working with the total system of the organisation which requires adopting useful and necessary changes; (h) Changing by evolution but not by revolution; (i) Adopting the change with adequate attention to human relations; and (j) Identifying and taking care of post-change problems.

11.7 Summary

All of us experience change in personal and professional life. In a dynamic business environment management talk of growth, profitability, downsizing, restructuring and each of these is in response to changing needs. Change is the implementation of new procedure, or technology to meet the changing demands of the business or to explore opportunities. Change management, according to R.A. Baron, is the planned or unplanned transformation in an organisation's structure, technology and/or people. It may involve change in work culture, work force, organisational structure or organisational procedures. There are several factors that contribute to organisational changes i.e. External factors such as political, economic, social, technological, legal or ecological factors. Internal factors for changes include poor business performance, changes in leadership, union activities changing employee profile, organisational structure. The consequences of change may have positive or negative impact on the organisation. Companies very often focus on business needs with less emphasis on people factor. Any change process will succeed only when people issues are considered. Resistance to change is human nature and there are many reasons why employees resist change:

1. The employee feels that the risk associated with change is greater than the risk of the status quo.
2. The employees are satisfied with the present relationship in the company is reporting authority or social networking
3. Lack of confidence/lack of skills to adapt the new environment
4. Employees feel that the management is not trustworthy and they have hidden agenda.

5. They feel that they may lose status, grade or position due to the changes
6. Some of them feel that the proposed changes are not good for the organisation in the long run

The management has several options for implementing changes and they are: (a) Top down approach- pushing the changes from the top to bottom (b) Laissez-Faire Approach- the assumption that people will change only when they realise it is beneficial for them to change and (c) Collaborative approach i.e. involvement of superiors and subordinates and jointly developing solutions to problems.

Therefore the key to change management lies in understanding the potential effect of the changes on employees, customers and the organisation as a whole. Now-a-days traits like patience, empathy, tolerance are not much valued in the organisational life. Instead success, status, money are valued. However Companies should decide upon the core values which they will not change. Such values would include integrity, honesty, empathy, tolerance, respect for others and modesty. We as human beings have to adjust and adapt to the changing life circumstances like taking up a new job, moving to a new location or managing a high pressure job.

11.8 Key Words/Abbreviations

- **Organisational Change:** The term ‘Organisational Change’ implies the creation of imbalances in the existent pattern or situation. Changes relating to organisation include change in employees due to transfers, promotion, retrenchment, lay-off, restructuring or organisation, introduction of new products or services, imposition of regulation, changes in organisational goals or objectives, etc.
- **Work Change:** Work change includes changes in machinery, working hours, methods of work, job enlargement and enrichment, job-redesign or re-engineering. Change may also be in the working hours like morning shifts, evening shifts, operation of the organisation on Sundays/holidays.
- **Managing Change:** Management is often called a ‘change agent’ as its role is to initiate the change, and help make it work successfully. Change typically involves three steps, viz., unfreezing, changing and re-freezing. Unfreezing means that old ideas and practices need to be cast aside so that new ones can be learnt. Change is the step in which the new ideas and

practices are learnt so that an employee can think and perform in terms of new ways. Refreezing means that what has been learnt is integrated into actual practice.

- **Monitoring:** It is the process of “routine periodic measurement of programme inputs, activities and outputs undertaken during programme implementation. Monitoring is normally concerned with the procurement, delivery and utilisation of programme resources, adherence to work schedules or progress made in the production of outputs.
- **Group Dynamics:** Group dynamics refers to the everchanging interactions and adjustments in the mutual perceptions and relationships among members of the groups. Such group interactions are the most powerful instruments which facilitate or inhibit adaptation to change. Adaptation is a team activity which requires conformity to the new group norms, moves, traditions and work patterns.
- **BREC:** Business Process Reengineering basically changes the process of the business. In other words, it changes the existing patterns of production, marketing, finance and human resources functions. It brings the business process centred around a customer’s needs, preferences or needs of a project or activity.

11.9 Learning Activity

1. An employee is promoted and posted to a new location. However he is unhappy with the decision? Why? State three reasons.

2. What are the changes you would like to make in your behavioural skills when you take up a careers in the corporate world?

3. Many young management graduates do not want to take up a job in sales function. Why? State atleast three reasons.

11.10 Unit End Questions (MCQ and Descriptive)

A. Descriptive Questions

1. What is organisation change? Explain the types and reasons for change.
2. Why do employees resist change? Give a detailed account of resistance to change.
3. Explain the steps to be taken by the management to overcome the resistance to change.
4. Write a note on “Managing Charging an organisation.”

B. Multiple Choice Questions

1. Organisational change includes changes in employees due to
 - (a) Retrenchment
 - (b) Transfers
 - (c) Lay offs
 - (d) All the above
2. Technology brings changes in the following areas
 - (a) Span of control
 - (b) Number of employees working in the organisation
 - (c) Employees skill
 - (d) All the above
3. Employee Resist change due to
 - (a) Fear of work load
 - (b) Need for training
 - (c) Reduction in employment
 - (d) All the above

4. Management has to take the following steps for effective implementation of change
- | | |
|---------------------------------|-----------------------------------------|
| (a) Participation of employee | (b) Use of authority for implementation |
| (c) Use of external influencers | (d) All the above |
5. Work change includes
- | | |
|-----------------------------|---------------------|
| (a) Change in working hours | (b) Change in wages |
| (c) Change in location | (d) All the above |
6. Resistance to changes within an organization may come mainly from
- | | |
|--------------------|-------------------|
| (a) Managers | (b) Workers |
| (c) Contract staff | (d) All the staff |

Answers

1. (d), 2. (d), 3. (d), 4. (a), 5. (a), 6. (a).

11.11 References

1. Keith Davis, *op. cit.*, p. 200.
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