

PRINCIPLES AND PRACTICES OF MANAGEMENT

Edited By

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SYLLABUS

Principles and Practices of Management

Objectives: To acquaint students with the terms, concepts, and points of view used in management and its historical evolution, ethics, social responsibility and environmental issues. Some other objectives of the course are:

- Provide students with a working knowledge of the skills and functions necessary to be an effective, efficient manager.
- Provide an introduction to the theory and practice of managing organizations.
- Examine the management functions (planning, organizing, leading or influencing, and controlling) and the impact of those functions on the business organization.

DCOM102

Sr. No.	Desription
1	**Management:** Definition, nature, purpose and scope of management, Skills and roles of a Manager, functions, principles; Evolution of Management Thought, Scientific Management.
2	**Planning:** Types of plans, planning process, Characteristics of planning, Traditional objective setting, Strategic Management, premising and forecasting.
3	**Decision-Making:** Process, Simon's model of decision making, creative problem solving, group decision making.
4	**Management by Objectives:** Management by exception; Styles of management: (American, Japanese and Indian), McKinsey's 7-S Approach, Self Management.
5	**Organizing:** Organizational design and structure, Coordination, differentiation and integration.
6	Span of management, centralization and de-centralization Delegation, Authority & power - concept & distinction, Line and staff organizations.
7	**Staffing:** Human Resource Management and Selection, Performance appraisal and Career strategy, Coordination- Concepts, issues and techniques.
8	**Organizational Change:** Introduction, Resistance to Change, Behavioural Reactions to Change, Approaches Or Models to Managing Organisational Change.
9	**Leading**: Human Factors and Motivation, Leadership, Communication, Teams and Team Work.
10	**Controlling:** Concept, planning-control relationship, process of control, Types of Control, Control Techniques.

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Unit 1: Introduction to Management

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Objectives

After studying this unit, you will be able to:

- Define management
- State the nature, purpose and scope of management
- Identify roles and skills of a manager
- Explain the functions of a manager
- Discuss Henry Fayol's Principles of Management

Introduction

Management is a vital aspect of the economic life of man, which is an organised group activity. A central directing and controlling agency is indispensable for a business concern. The productive resources - material, labour, capital etc. are entrusted to the organising skill, administrative ability and enterprising initiative of the management. Thus, management provides leadership to a business enterprise. Without able managers and effective managerial leadership the resources of production remain merely resources and never become production. Under competitive economy and ever-changing environment the quality and performance of managers determine both the survival as well as success of any business enterprise. Management occupies such an

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important place in the modern world that the welfare of the people and the destiny of the country are very much influenced by it.

1.1 Definition of Management

Management may be defined in many different ways. Many eminent authors on the subject have defined the term "management", some of these definitions are reproduced below:

According to Lawrence A Appley, "Management is the development of people and not the direction of things".

According to Joseph Massie, "Management is defined as the process by which a co-operative group directs action towards common goals".

In the words of George R Terry, "Management is a distinct process consisting of planning, organising, actuating and controlling performed to determine and accomplish the objectives by the use of people and resources".

According to James L Lundy, "Management is principally the task of planning, co-ordinating, motivating and controlling the efforts of others towards a specific objective".

In the words of Henry Fayol, "To manage is to forecast and to plan, to organise, to command, to co-ordinate and to control".

According to Peter F Drucker, "Management is a multi-purpose organ that manages a business and manages managers and manages worker and work".

In the words of J.N. Schulze, "Management is the force which leads, guides and directs an organisation in the accomplishment of a pre-determined object".

In the words of Koontz and O'Donnel, "Management is defined as the creation and maintenance of an internal environment in an enterprise where individuals working together in groups can perform efficiently and effectively towards the attainment of group goals".

According to Ordway Tead, "Management is the process and agency which directs and guides the operations of an organisation in realising of established aims".

According to Stanley Vance, "Management is simply the process of decision-making and control over the actions of human beings for the express purpose of attaining pre-determined goals".

According to Wheeler, "Business management is a human activity which directs and controls the organisation and operation of a business enterprise. Management is centred in the administrators of managers of the firm who integrate men, material and money into an effective operating limit".

In the words of William Spriegel, "Management is that function of an enterprise which concerns itself with the direction and control of the various activities to attain the business objectives".

In the words of S. George, "Management consists of getting things done through others. Manager is one who accomplishes the objectives by directing the efforts of others".

In the words of Keith and Gubellini, "Management is the force that integrates men and physical plant into an effective operating unit".

According to Newman, Summer and Warren, "The job of management is to make cooperative endeavour to function properly. A manager is one who gets things done by working with people and other resources".

According to John F M, "Management may be defined as the art of securing maximum results with a minimum of effort so as to secure maximum results with a minimum of effort so as to

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secure maximum prosperity and happiness for both employer and employee and give the public the best possible service".

In the words of Kimball and Kimball, "Management embraces all duties and functions that pertain to the initiation of an enterprise, its financing, the establishment of all major policies, the provision of all necessary equipment, the outlining of the general form of organisation under which the enterprise is to operate and the selection of the principal officers. The group of officials in primary control of an enterprise is referred to as management".

In the words of E.F.L. Brech, "Management is a social process entailing responsibility for the effective and economical planning and regulation of the operations of an enterprise, in fulfilment of a given purpose or task, such responsibility involving:

1. judgement and decision in determining plans and in using data to control performance, and progress against plans; and
2. the guidance, integration, motivation and supervision of the personnel composing the enterprise and carrying out its operations".

According to E. Peterson and E.G Plowman, Management is "a technique by means of which the purpose and objectives of a particular human group are determined, classified and effectuated".

According to Mary Cushing Niles, "Good management or scientific management achieves a social objective with the best use of human and material energy and time and with satisfaction for the participants and the public".

From the definitions quoted above, it is clear the "management" is a technique of extracting work from others in an integrated and co-ordinated manner for realising the specific objectives through productive use of material resources. Mobilising the physical, human and financial resources and planning their utilisation for business operations in such a manner as to reach the defined goals can be referred to as "management". If the views of the various authorities are combined, management could be defined as "a distinct ongoing process of allocating inputs of an organisation (human and economic resources) by typical managerial functions (planning, organising, directing and controlling) for the purpose of achieving stated objectives namely – output of goods and services desired by its customers (environment). In the process, work is preformed with and through personnel of the organisation in an ever-changing business environment".

Management is a universal process in all organised social and economic activities. It is not merely restricted to factory, shop or office. It is an operative force in all complex organisations trying to achieve some stated objectives. Management is necessary for a business firm, government enterprises, education and health services, military organisations, trade associations and so on.

1.2 Nature of Management

An analysis of the various definitions of management indicates that management has certain characteristics. The following are the salient characteristics of management.

1. ***Management aims at reaping rich results in economic terms:*** Manager's primary task is to secure the productive performance through planning, direction and control. It is expected of the management to bring into being the desired results. Rational utilisation of available resources to maximise the profit is the economic function of a manager. Professional manager can prove his administrative talent only by economising the resources and enhancing profit. According to Kimball, "management is the art of applying the economic principles that underlie the control of men and materials in the enterprise under consideration".

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2. ***Management also implies skill and experience in getting things done through people:*** Management involves doing the job through people. The economic function of earning profitable return cannot be performed without enlisting co-operation and securing positive response from "people". Getting the suitable type of people to execute the operations is the significant aspect of management. In the words of Koontz and O'Donnell, "Management is the art of getting things done through people in formally organised groups".

3. ***Management is a process:*** Management is a process, function or activity. This process continues till the objectives set by administration are actually achieved. "Management is a social process involving co-ordination of human and material resources through the functions of planning, organising, staffing, leading and controlling in order to accomplish stated objectives".

4. ***Management is a universal activity:*** Management is not applicable to business undertakings only. It is applicable to political, social, religious and educational institutions also. Management is necessary when group effort is required.

5. ***Management is a science as well as an art:*** Management is an art because there are definite principles of management. It is also a science because by the application of these principles predetermined objectives can be achieved.

6. ***Management is a profession:*** Management is gradually becoming a profession because there are established principles of management which are being applied in practice, and it involves specialised training and is governed by ethical code arising out of its social obligations.

7. ***Management is an endeavour to achieve pre-determined objectives:*** Management is concerned with directing and controlling of the various activities of the organisation to attain the pre-determined objectives. Every managerial activity has certain objectives. In fact, management deals particularly with the actual directing of human efforts.

8. ***Management is a group activity:*** Management comes into existence only when there is an group activity towards a common objective. Management is always concerned with group efforts and not individual efforts. To achieve the goals of an organisation management plans, organises, co-ordinates, directs and controls the group effort.

9. ***Management is a system of authority:*** Authority means power to make others act in a predetermined manner. Management formalises a standard set of rules and procedure to be followed by the subordinates and ensures their compliance with the rules and regulations. Since management is a process of directing men to perform a task, authority to extract the work from others is implied in the very concept of management.

10. ***Management involves decision-making:*** Management implies making decisions regarding the organisation and operation of business in its different dimensions. The success or failure of an organisation can be judged by the quality of decisions taken by the managers. Therefore, decisions are the key to the performance of a manager.

11. ***Management implies good leadership:*** A manager must have the ability to lead and get the desired course of action from the subordinates. According to R. C. Davis, "management is the function of executive leadership everywhere". Management of the high order implies the capacity of managers to influence the behaviour of their subordinates.

12. ***Management is dynamic and not static:*** The principles of management are dynamic and not static. It has to adopt itself according to social changes.

13. ***Management draws ideas and concepts from various disciplines:*** Management is an interdisciplinary study. It draws ideas and concepts from various disciplines like economics, statistics, mathematics, psychology, sociology, anthropology etc.

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14. ***Management is goal oriented:*** Management is a purposeful activity. It is concerned with the achievement of pre-determined objectives of an organisation.
15. ***Different levels of management:*** Management is needed at different levels of an organisation namely top level, middle level and lower level.
16. ***Need of organisation:*** There is the need of an organisation for the success of management. Management uses the organisation for achieving pre-determined objectives.
17. ***Management need not be owners:*** It is not necessary that managers are owners of the enterprise. In joint stock companies, management and owners (capital) are different entities.
18. ***Management is intangible:*** It cannot be seen with the eyes. It is evidenced only by the quality of the organisation and the results, i.e., profits, increased productivity etc.

Is Management a Science or an Art?

A question often arises whether management is a science or art. It is said that "management is the oldest of arts and the youngest of sciences". This explains the changing nature of management but does not exactly answer what management is? To have an exact answer to the question it is necessary to know the meanings of the terms "Science" and "Art".

What is "Science"?

Science may be described, "as a systematic body of knowledge pertaining to an area of study and contains some general truths explaining past events or phenomena".

The above definition contains three important characteristics of science. They are:

1. It is a systematized body of knowledge and uses scientific methods for observation,
2. Its principles are evolved on the basis of continued observation and experiment, and
3. Its principles are exact and have universal applicability without any limitation.

Judging from the above characteristics of science, it may be observed that:

1. Management is a systematized body of knowledge and its principles have evolved on the basis of observation.
2. The kind of experimentation (as in natural sciences) cannot be accompanied in the area of management since management deals with the human element.
3. In management, it is not possible to define, analyse and measure phenomena by repeating the same conditions over and over again to obtain a proof.

The above observation puts a limitation on management as a science. Management like other social sciences can be called as "inexact science".

What is "Art"?

'Art' refers to "the way of doing specific things; it indicates how an objective is to be achieved." Management like any other operational activity has to be an art. Most of the managerial acts have to be cultivated as arts of attaining mastery to secure action and results.

The above definition contains three important characteristics of art. They are:

1. Art is the application of science. It is putting principle into practice.

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2. After knowing a particular art, practice is needed to reach the level of perfection.
3. It is undertaken for accomplishing an end through deliberate efforts.

Judging from the above characteristics of art, it may be observed that:

1. Management while performing the activities of getting things done by others is required to apply the knowledge of certain underlying principles which are necessary for every art.
2. Management gets perfection in the art of managing only through continuous practice.
3. Management implies capacity to apply accurately the knowledge to solve the problems, to face the situation and to realise the objectives fully and timely.

The above observation makes management an art and that to a fine art.

Management is both a Science as well as an Art

Management is both a science as well as an art. The science of management provides certain general principles which can guide the managers in their professional effort. The art of management consists in tackling every situation in an effective manner. As a matter of fact, neither science should be over-emphasised nor should be the art discounted; the science and the art of management go together and are both mutually interdependent and complimentary.

Management is thus a science as well as an art. It can be said that-"the art of management is as old as human history, but the science of management is an event of the recent past."

1.3 Scope of Management

The scope of management is too wide to be covered in a few pages. Herbison and Myres have yet tried to restrict it under three broad groups, viz.

1. Economic Resource
2. System of Authority
3. Class or Elite

Let us understand each of them one by one.

1. ***Economic Resource:*** Business Economics classifies the factors of production into four basic inputs, viz. land, labour, capital and entrepreneur. By the use of all these four, basic production can be done. But to turn that into a profitable venture, an effective utilization of man, money, material, machinery and methods of production has to be ensured. This is guaranteed by application of management fundamentals and practices. The better is the management of an enterprise, the higher is its growth rate in terms of profit, sales, production and distribution. Thus management itself serves as an economic resource.
2. ***System of Authority:*** As already discussed, management is a system of authority. It formalises a standard set of rules and procedure to be followed by the subordinates and ensures their compliance with the rules and regulations. Since management is a process of directing men to perform a task, authority to extract the work from others is implied in the very concept of management.
3. ***Class or Elite:*** Management is considered to be a distinct class that has its own value system. Managerial class, often referred to as a collective group of those individuals that perform managerial activities is essential component of each organisation. The importance the class has become so huge that the entire group of mangers is known as "management" in every organisation.

1.4 Purpose of Management

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The purpose of management can be understood as following:

1. Reducing ambiguity in methods of working,
2. Keeping costs down, and motivating others to do the same.
3. Taking calculated risks
4. Managing prospective risk
5. Exercise good judgement



Task

Illustrate an example of managerial activities you ever involved in and enlist the purposes of each of them.

1.5 Characteristics of Management

Management is a distinct activity having the following salient features or characteristics:

1. ***Economic Resource:*** Management is an important economic resource together with land, labour and capital. As industrialization grows, the need for managers increases. Efficient management is the most critical input in the success of any organised group activity as it is the force which assembles and integrates other factors of production, namely, labour, capital and materials.
2. ***Goal Oriented:*** Management is a purposeful activity. It coordinates the efforts of workers to achieve the goals of the organisation. The success of management is measured by the extent to which the organisational goals are achieved.
3. ***Distinct Process:*** Management is a distinct process consisting of such functions as planning, organising, staffing, directing, and controlling. These functions are so interwoven that it is not possible to lay down exactly the sequence of various functions or their relative significance.
4. ***Integrative Force:*** The essence of management is integration of human and other resources to achieve the desired objectives. Managers seek to harmonize the individuals goals with the organisational goals for the smooth working of the organisation.
5. ***Intangible Force:*** Management has been called an unseen force. Its presence is evidenced by the result of its efforts – orderliness, informed employees, buoyant spirit and adequate work output. Thus, feeling of management is result-oriented.
6. ***Results through Others:*** The managers cannot do everything themselves. They must have the necessary ability and skills to get work accomplished through the efforts of others. They must motivate the subordinates for the accomplishment of the tasks assigned to them.
7. ***A Science and an Art:*** Management has an organised body of knowledge consisting of well defined concepts, principles and techniques which have wide applications. So it is treated as a science. The application of these concepts, principles and techniques requires specialized knowledge and skills on the part of the manager. Since the skills acquired by a manager are his personal possession, management is viewed as an art.

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1.6 Management – An Emerging Profession

The professionals enjoy high status in every society. Individuals desire to join a profession like medicine, chartered accountant, engineering and law. There has been a growing trend towards professionalisation of management, primarily, because of the desire of business leaders for social status and recognition.

A profession may be defined as an occupation backed by specialized knowledge and training, whose code of conduct is regulated by a professional body and which is duly recognized by the society. The basic requirements of a profession are as follows:

1. ***Knowledge:*** A substantial and expanding body of knowledge and information in the concerned field.
2. ***Competent Application:*** Skilled and judicious utilization of knowledge in the solution of complex and important problems. This requires education and training in the specified field.
3. ***Professional Body:*** Regulation of entry into the profession and conduct of members by the representative body.
4. ***Self Control:*** An established code of conduct enforced by the profession's membership.
5. ***Social Responsibility:*** Primarily motivated by the desire to serve others and the community.
6. ***Community Approval:*** Recognition of professional status by the society.

Does management satisfy the tests of a profession? The application of the above tests or criteria to management is examined below:

1. ***Specialized Knowledge:*** There exists a rapid expanding body of knowledge underlying the field of management. Since the beginning of this century, many thinkers on management have contributed to the field of management. Now we have systematic body of knowledge that can be used for the development of managers. Management is widely taught in the universities and other educational institutions as a discipline.
2. ***Competent Application-Education and Training:*** MBAs are generally preferred for managerial jobs, though MBA degree is not necessary to enter this profession. Persons with degree in psychology, engineering, etc., can also take up managerial jobs. Thus, there are no standard qualifications for managers.
3. ***Managerial Skills can't be Learnt by Trial and Error Method:*** To be a successful manager, it is essential to acquire management skills through formal education and training. Many institutes of management have been functioning in India and other countries which offer MBA and other courses in management.
4. ***Professional Body:*** For the regulation of any profession, the existence of a representative body is a must.



Example: The Institute of Chartered Accountants of India lays down the standards of education and training for those who want to enter the accounting profession. Some organisations such as the Indian Management Association and the All India Management Association have been set up in India. But none of these have any legal authority to prescribe minimum qualifications for taking up managerial posts or to regulate the conduct of managers as is the case with the Medical Council of India and Bar Council of India. Management Association has prescribed a code for managers, but it has no power to take action against any manager who does not follow this code.

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5. ***Social Responsibility:*** Managers of today recognize their social responsibilities towards customers, workers and other groups. Their actions are influenced by social norms and values. That is why, managers enjoy a respectable position in the society as is the case with doctors, chartered accountants, etc.

6. ***Society's Approval:*** The managers of modern organisations enjoy respect in the society. There is typically a positive correlation between a manager's rank and his status in the organisation where he is working. This status tends to affect the manager's status outside the organisation. Thus, community approves management as a profession.

It seems presumptuous to classify management as a profession. By all the bench marks, the professionalisation of management is still far from complete. It meets the above criteria of a profession only partially as discussed below:

1. Though management has a well defined body of knowledge, it is difficult to say whether management meets the criterion of competent application. It is not obligatory to possess specific qualifications for being appointed as a manager. But to practice law one has to be a graduate in the Laws. Similar is the position with the medical profession. Education and training in management are also getting importance day by day in the industrial world.

2. There is no professional body to regulate the educational and training standards of the managers. For instance, there is Bar Council of India to regulate the legal profession. It is encouraging to note that management associations are growing fast throughout the world. It is expected that they will be able to develop norms of behaviour for the practicing managers.

3. Management does not satisfy the test of self-controls as there is no central body to lay down and enforce professional standards and code of conduct for the managers. Thus, it may be concluded that management does not fulfill all the requirements of a profession. Therefore, it can't be fully recognized as a profession. However, it is moving in that direction because:

   (a) The field of management is supported by a well-defined body of knowledge that can be taught and learnt.

   (b) Management of modern organisations requires competent application of management principles, techniques and skills. Thus, there is a great need of formal education and training in management. That is why, the demand for management degrees is increasing rapidly.

   (c) Managers are aware of their social responsibilities towards various groups of the society. In their actions, they are guided by their social obligations rather than their personal interests.



Case Study

Is Management Really a Profession?

–by Jena McGregor

Doctors must take the Hippocratic Oath and earn continuing education credits for years. Lawyers must pass the bar and adhere to strict codes about attorney-client privileges. But although managers have long been known colloquially as "professionals," the graduate schools many of them attended have long drifted away from their founding charters, which wanted to create a profession of management.

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That's the argument made by Rakesh Khurana, a Harvard Business School professor, in his book, From Higher Aims to Hired Hands: The Social Transformation of American Business Schools and the Unfulfilled Promise of Management as a Profession. Khurana, who made a name for himself with his 2004 book, Searching for a Corporate Savior: The Irrational Quest for Charismatic CEOs, is a star at HBS, and builds a fascinating argument for why business school education is in need of reform. For an interesting discussion between him and Yale School of Management Dean Joel M. Podolny, click here.

I had the opportunity to hear Khurana speak about his book on Monday at a luncheon at the Princeton Club. Khurana defines a profession as one in which its practitioners have to master a certain body of knowledge, in which that knowledge is used to help others, and in which there's a governance system that's both ethical and self-policing in nature. None of those really describe management: Anyone can become a manager, whether or not they have an MBA; it's not really done to aid a client; and there is no self-policing body making sure ethical standards are met. Khurana argues that while the founders of today's elite business schools tried to legitimize business education by calling it a profession (no self-respecting elite institution at the time wanted to have anything to do with something so tied to making money), today, it's become anything but.

Khurana believes we're at an "inflection point of what the role of business should be," and as pressures build to create corporations more attuned to benefiting society, we also need to educate future managers to do the same. He suggests that business schools could have some way of proving their students have mastered the curriculum (a board exam for MBAs?) and that there should be some "evergreen" aspect to the MBA (continuing education requirements, for instance). He adds that in "Rakesh's normative world," there might even be an equivalent of the Hippocratic Oath for business students. He even has a suggestion for the first sentence: "First, I will not lie."

Question

What do you think? Should management be more of a profession?

Source: Business Week

1.7 Who is a Manager?

A Manager is the person responsible for planning and directing the work of a group of individuals, monitoring their work, and taking corrective action when necessary. For many people, this is their first step into a management career.

Managers may direct workers directly or they may direct several supervisors who direct the workers. They are the individuals charged with examining the workflow, coordinating efforts, meeting goals and providing leadership. Thus a manager must be familiar with the work of all the groups he/she supervises, but need not be the best in any or all of the areas. It is more important for a manager to know how to manage the workers than to know how to do their work well.

A manager's title reflects what he/she is responsible for.



Examples:

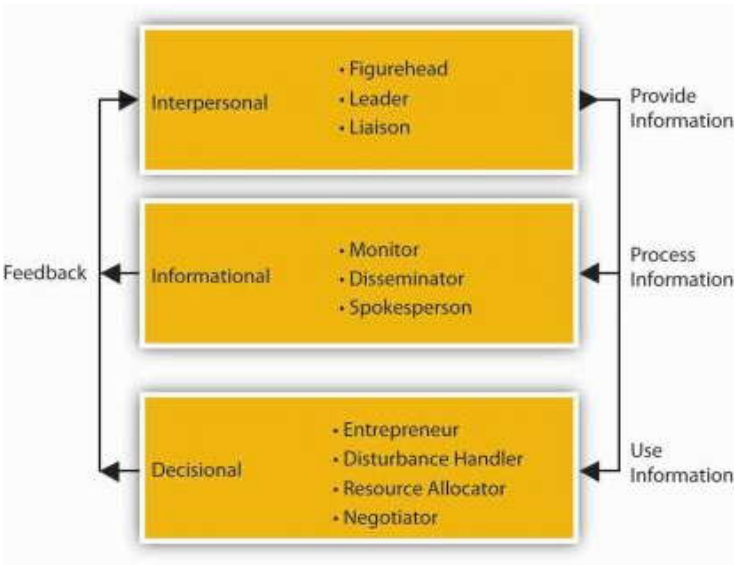
1. An Accounting Manager supervises the Accounting function.
2. The Production Manager developed a staffing plan for the factory.
3. The Manager of Design Engineering supervises engineers and support staff engaged in design of a product or service.

1.8 Roles of a Manager

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To achieve results, they shift gears and restructure and reorganise things continually. The diverse roles played by managers in discharging their duties have been summarised by Henry Mintzberg in the late 1960s, under three broad headings: interpersonal roles, informational roles and decisional roles. Let us understand them one by one.

Figure 1.1: Managerial Roles



Source: www. static.flatworldknowledge.com

1. ***Interpersonal roles:*** Three interpersonal roles help the manager keep the organisation running smoothly. Managers play the figurehead role when they perform duties that are ceremonial and symbolic in nature. These include greeting the visitors, attending social functions involving their subordinates (like weddings, funerals), handing out merit certificates to workers showing promise etc. The leadership role includes hiring, training, motivating and disciplining employees. Managers play the liaison role when they serve as a connecting link between their organisation and others or between their units and other organisational units. Mintzberg described this activity as contacting outsiders who provide the manager with information. Such activities like acknowledgements of mail, external board work, etc., are included in this category.

2. ***Informational roles:*** Mintzberg mentioned that receiving and communicating information are perhaps the most important aspects of a manager's job. In order to make the right decisions, managers need information from various sources. Typically, this activity is done through reading magazines and talking with others to learn about changes in the customers' tastes, competitors' moves and the like. Mintzberg called this the monitor role. In the disseminator role, the manager distributes important information to subordinates that would otherwise be inaccessible to them. Managers also perform the spokesperson role when they represent the organisation to outsiders.

3. ***Decisional roles:*** There are four decision roles that the manager adopts. In the role of entrepreneur, the manager tries to improve the unit. He initiates planned changes to adapt to environmental challenges. As disturbance handlers, managers respond to situations that are beyond their control such as strikes, shortages of materials, complaints,

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grievances, etc. In the role of a resource allocator, managers are responsible for allocating human, physical and monetary resources. As negotiators, managers not only mediate in internal conflicts but also carry out negotiations with other units to gain advantages for their own unit.

Task

Analyse your performance in different roles of managers that you have to play in day to day activities.

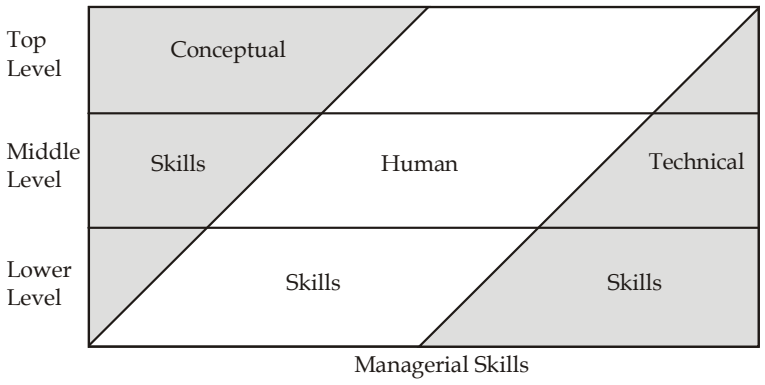
1.9 Skills of an Effective Manager

An effective manager must possess certain skills in the areas of planning, organising, leading, controlling and decision-making in order to process activities that are presented to him from time to time.

In order to be effective, a manager must possess and continuously develop several essential skills. Robert L. Katz has identified three basic types of skills - technical, human and conceptual - which he says are needed by all managers.

1. ***Technical skill:*** It is the ability to use the tools, procedures or techniques of a specialised field. Technical skill is considered to be very crucial to the effectiveness of lower level managers because they are in direct contact with employees performing work activities within the firm. For instance, the success of a drilling supervisor of an oil rig depends a great deal on his technical knowledge of drilling. However, as one moves to higher levels of management within the organisation, the importance of technical skill diminishes because the manager has less direct contact with day-to-day problems and activities. Thus, the president of an oil company does not need to know much of the technical details of drilling for oil or how to refine it.
2. ***Human skill:*** It is the ability to work with, understand and motivate other people. This skill is essential at every level of management within the organisation, but it is particularly important at lower levels of management where the supervisor has frequent contact with operating personnel.
3. ***Conceptual skill:*** It is the mental ability to coordinate and integrate the organisation's interests and activities. It refers to the ability to see the 'big picture', to understand how a change in any given part can affect the whole organisation. The relationship between management levels and managerial skills is shown in Figure 1.2.

Figure 1.2: Katz-managerial Skills and Level of Management



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Technical skill is the most important at the lower levels of management; it becomes less important as we move up the chain of a command.



Example: A production supervisor in a manufacturing plant, for example, is likely to need more technical skill than the company president, because he or she will have to deal with the day-to-day manufacturing problems that arise.

On the other hand, the importance of conceptual skill increases as we rise in the ranks of management. The higher the manager is in the hierarchy, the more he or she will be involved in the broad, long-term decisions that affect large parts of the organisation. For top management which is charged with the responsibility for overall performance, conceptual skill is probably the most important skill of all. Human skill is very important at every level of the organisation. One reason this is so is because to get the work done through others; high technical or conceptual skills are not very valuable if they cannot be used to inspire and influence other organisation members.

Supporting *Katz's* contention that specific skills are more important at some levels than at others is a study of managerial roles and behaviour by Jerdee and Caroll. More than four hundred managers from all levels of management and a variety of types and sizes of business are asked to estimate how much time they spent on eight management tasks: planning, investigating, coordinating, evaluating, supervising, staffing, negotiating and representing. Lower and middle-level managers replied that supervising was their dominant activity, while top managers claimed to spend proportionately more time on planning.

4. ***Design skill:*** *Koontz* and *Weihrich* added one more skill to the above list. Design skill is the ability to solve problems in ways that will help the organisation. At higher levels, managers should be able to do more than see a problem, to design a workable solution to a problem in the light of realities they face. If managers merely see a problem and become problem watchers they will fail.

5. ***Institution building skills:*** According to Prof. Pareek (1981), top level executives perform eight key roles while building institutions of lasting value, as indicated below:

   (a) *Identity creating role:* Top level executives must create an identity for their organisations in the market place. Such an impact can be created by serving employees through excellent welfare measures, developing enviable marketing skills or fostering technological innovations. In short, they must 'carve out a niche' for themselves in the market place.

   (b) *Enabling role:* Top level executives must develop their resources (men, materials, equipment and other facilities) in the service of an organisation. A good work atmosphere must be created where employees would feel like contributing their best to the organisation.

   (c) *Synergising role:* Synergy means that the whole is greater than the sum of the parts. In organisational terms, synergy means that as separate departments within an organisation cooperate and interact, they become more productive than if each had acted in isolation.



Example: It is more efficient for each department in a small firm to deal with one financing department than for each department to have a separate financing department of its own. Top executives must try to combine their human as well as non-human resources in such a way that the goals of the organisation are met in an effective and efficient manner.

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(d) *Balancing role:* The top executive must be able to strike a harmonious balance between conformity and creativity within the organisation. Conformity to rules when carried out in a rigid and scrupulous manner, may affect employee behaviour in a negative way and destroy the creative potential of employees.

(e) *Linkage building role:* The chief executive must be able to develop appropriate linkages between the organisation and outside constituencies such as government, financial institutions, community and society at large.

(f) *Futuristic role:* The chief executive must prepare the organisation for future challenges.

(g) *Creating an impact:* This means making an impact of one's organisation on others, by way of superior technology, marketing skills, innovative abilities, etc.

(h) *Provide superordination:* The chief executive must be able to create a sense of pride and importance in the subordinates – making them feel that they are working in a very important field of work which is very useful for the society.

1.10 Functions of a Manager

As we have seen above, there are many management functions in business and, therefore, many manager titles. Regardless of title, the manager is responsible for planning, directing, monitoring and controlling the people and their work.

1. An Operations Manager is responsible for the operations of the company.
2. A Night Manager is responsible for the activities that take place at night.

According to *Reitz*, Managers generally work for long hours, their days are broken up into a large number of brief and varied activities, they interact with large number of different people, they do little reflective planning and spend most of their time engaged in oral communication. They spend a lot of time getting, giving and processing information.

According to *Stoner*, managerial work is characterised by the following things:

1. ***Managers work with and through other people:*** Managers work with internal (subordinates, supervisors, peers) as well as external groups (customers, clients, suppliers, union representatives etc.) in order to achieve corporate goals. They integrate individual efforts into teamwork. They plan things, create a structure, motivate people and achieve goals.
2. ***Managers are mediators:*** People working in an organisation do not always agree on certain things, say, the establishment of goals and the means to achieve them. At the corporate headquarters of a large bank, managers may think about expanding into merchant banking, leasing, credit card business, whereas at the branch level, people may focus on expanding deposits by venturing deep into rural areas. Unless such differences are resolved quickly, employees find it difficult to think and act like a well-knit group. Their morale, too, may suffer. Managers often step in to put things in order, clear the paths to goals, clarify things to people, put out fires and meet goals.
3. ***Managers are politicians:*** Managers must develop healthy relationships with various groups in order to achieve the goals smoothly. They may have to nurture groups and join certain coalitions within a company. They often draw upon such relationships to win support for their proposals and decisions.
4. ***Managers are diplomats:*** Managers serve as official representatives of their work units at organisational meetings. They may represent the entire organisation as well as a particular unit in dealing with external groups (clients, customers, government officials, etc.).

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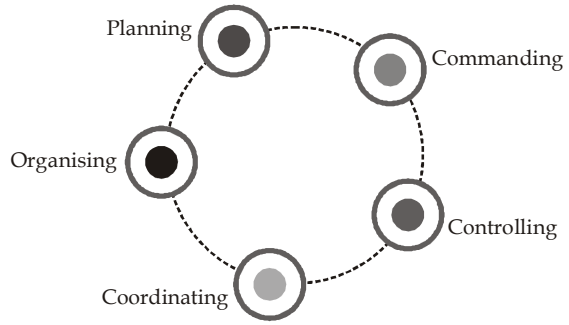
5. ***Managers are symbols:*** Managers are symbols of corporate success or failure. They get applause when they succeed and get depreciated and attacked when they fail. In short, they represent corporate as well as employee aspirations. They are shown the door when these aspirations do not materialise.

Managers, obviously, are there to utilise corporate resources in the best possible way.

More popular and widely accepted is the classification given by *Henry Fayol*. According to him, the managerial functions may be broadly classified into five categories: planning, organising, directing, staffing and controlling. Managers perform these functions within the limits established by the external environment and must consider the interests of such diverse groups as government, employees, unions, customers, shareholders, competitors and the public. For theoretical purposes, it may be convenient to separate the management functions and study them independently but practically speaking, they defy such categorisations. They are highly inseparable.

Each function blends into the other and each can be performed in any order or sequence, not necessarily in the order shown above, but tend to be performed (normally) in the planning, organising, leading and controlling sequence. A brief discussion of the five basic functions is presented under:

Figure 1.3: Henry Fayol—Functions of a Manager



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

2. ***Organising:*** Organising is concerned with the arrangement of an organisation's resources - people, materials, technology and finance in order to achieve enterprise objectives. It involves decisions about the division of work, allocation of authority and responsibility and the coordination of tasks. The function increases in importance as a firm grows. A structure is created to cope with problems created by growth. Through this formal structure, the various work activities are defined, classified, arranged and coordinated. Thus, organising refers to certain dynamic aspects: What tasks are to be done? Who is to do them? How the tasks are to be grouped? Who is to report to whom? Where the decisions have to be made?

3. ***Staffing:*** Staffing is the function of employing suitable persons for the enterprise. It may be defined as an activity where people are recruited, selected, trained, developed, motivated

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and compensated for manning various positions. It includes not only the movement of individuals into an organisation, but also their movement through (promotion, job rotation, transfer) and out (termination, retirement) of the organisation.



Notes Staffing involves selection of the right man for the right job. It has four important elements:

1. Recruitment may be defined as the process of attracting the maximum number of applications for a particular job.
2. Selection is the process of screening the candidates and choosing the best ones out of them.
3. Training involves imparting the necessary knowledge and skills required for the performance of a particular job.
4. Compensation is the price paid to the workers for the services rendered to the organisation.

4. ***Directing:*** The function of guiding and supervising the activities of the subordinates is known as directing. Acquiring physical and human assets and suitably placing them on jobs does not suffice; what is more important is that people must be directed towards organisational goals. This work involves four important elements:

   (a) *Leadership:* Leadership is the process of influencing the actions of a person or a group to attain desired objectives. A manager has to get the work done with and through people. The success of an organisation depends upon the quality of leadership shown by its managers.

   (b) *Motivation:* Motivation is the work a manager performs to inspire, encourage and impel people to take required action. It is the process of stimulating people to take desired courses of action. In order to motivate employees, manager must provide a congenial working atmosphere coupled with attractive incentives.

   (c) *Communication:* Communication is the transfer of information and understanding from one person to another. It is a way of reaching others with ideas, facts, and thoughts. Significantly, communication always involves two people: a sender and a receiver. Effective communication is important in organisations because managers can accomplish very little without it.

   (d) *Supervision:* In getting the work done it is not enough for managers to tell the subordinates what they are required to do. They have also to watch and control the activities of the subordinates. Supervision is seeing that subordinates do their work and do it as directed. It involves overseeing employees at work.

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

   (a) Setting standards of performance,

   (b) Measuring actual performance,

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(c) Comparing actual performance against the standard and

(d) Taking corrective actions to ensure goal accomplishment.

Successful management involves active participation by managers in the above basic managerial functions. These functions are interrelated and most managers use a combination of the all of them simultaneously to solve the problems facing their companies.



Caselet

Managing a Supermarket Chain

Mr. Vincent, the Manager of a large supermarket, was taking a management course in the evening programme at the local college. The Professor had given an interesting but disturbing lecture the previous night on the various approaches to management. Vincent had always thought that management involved just planning, organising and controlling. Now this Professor was saying that management could also be thought of as quantitative models, systems theory and analysis, and even something called contingency relationships. Vincent had always considered himself a good manager, and his record with the supermarket chain had proved it. He thought of himself, "I have never used operations research models, thought of my store as an open system, or developed or utilised any contingency relationship. By doing a little planning ahead, organising the store, and making some things got done, I have been a successful manager. That other stuff just does not make sense. All the professor was trying to do was complicate things. I guess I will have to know it for the test, but I am sticking with my old plan, organise and control approach to managing my store."

Source: Dr. Parag Diwan, Management Principles and Practices, Excel Books

1.11 Summary

- It is very important to understand the systems framework in which an organisation operates.
- It is very useful concept for the understanding of business operations by identifying the critical sub-systems, their inter-linkages and inter-dependence for the achievement of common objectives.
- Management is the main aspect of working involved in a system & its involvement as art, science, profession leads an effective role.
- Management occupies such an important place in the modern world that the welfare of the people and the destiny of the country are very much influenced by it.
- Managers play a very significant role in the business world.
- They usually do not directly perform any of the workflow activities, but coordinate, motivate and control the operations of employees while meeting the day-to-day challenges.
- To deliver results, they work for painfully long hours, sift through bundles of data, handle endless meetings, talk to people at various levels, plan proactively, meet the problems head-on and get ahead of others using their knowledge, skills and experience to good effect.
- The various roles played by them in this regard are broadly grouped into three categories: inter-personal roles, informational roles and decisional roles.

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- According to Fayol, managers perform five basic functions in order to achieve results viz. planning, staffing, organising, directing and controlling.

1.12 Keywords

Art: It is the bringing about a desired result through the application of skills.

Administration: It is a higher-level function concerned with the determination of policies.

Code of conduct: It prescribed the norms of professional ethics for its members.

Economic Resource: Management, land, labour and capital.

Goal-oriented: Purposeful activity towards achieving the goals of the organisation.

Management: The art of getting things done.

Process: A series of functions that lead to the achievement of certain objectives.

Professionalisation: It means defining the duties and responsibilities of the managers to improve the quality of management education and training.

Science: A systematically organised body of knowledge including concepts, principles and theories.

Top management: Managers who are higher up in the hierarchy devoting more time on administrative functions.

1.13 Self Assessment

Fill in the blanks:

1. A profession may be defined as an occupation backed by ..... and ..... .
2. We can classify management into ..... management, and ..... management.
3. There is ..... professional body to regulate the educational and training standards of the managers.
4. To be a successful manager, it is essential to acquire management skills through ..... education and training.
5. Administrative management is primarily concerned with ..... and ..... .
6. Operative management is concerned with the ..... of the policies for the achievement of goals.
7. Controlling includes four things, viz. ....., ..., measuring actual performance and ..... .
8. ..... is concerned with the arrangement of an organisation's resources.
9. ..... pay with ..... rewards can act as the best incentive or motivator for good performance.
10. The function of ..... and ..... the activities of the subordinates is known as directing.
11. ..... provides direction to enterprise activities.

1.14 Review Questions

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1. "Management is getting things done through other people". Is this definition adequate for the present day concept of management? Discuss fully.
2. "Management is the force which leads, guides and directs an organisation in the accomplishment of pre-determined objectives". Discuss and give suitable definition of management.
3. Explain the features that determine the nature of management.
4. There are may definitions of management which emphasise one or the other important aspect of management. Discuss and give various characteristics of management.
5. "Management is the effective utilization of human and material resources to achieve the enterprise's objectives". Comment.
6. Is management a profession? Give arguments for your answer.
7. Clearly explain the concept and significance of management. Distinguish between management and administration.
8. If managerial work is characterised by variety, fragmentation, and brevity, how do managers perform basic management functions, such as planning which would seem to require reflection and analysis?
9. Mr Kunal Gandhi is Manager Operations at ABX Corporations that deals in online training courses. Once a trainer comes to Mr Gandhi complaining that his computer is neither connected with LAN, nor is having its key board functioning well. As an action, Mr Gandhi calls a hardware specialist to fix the problem. The specialist being busy, asks for a 24 hr duration to come to the office. Mr Gandhi then tells the person to see if the cables are fitted correctly. The trainer replies in affirmation. Mr Gandhi then helplessly asked him to wait till the specialist came.

   The next afternoon, when the specialist came to rectify the things, the project that the trainer was working on, had already got 10 hours late. Fuming at the trainer, he came back to the manger shouting tat the data cables were fitted in wrong sockets so as to result in the problem.
10. What do you think were the key functions where the Operations Manger failed to perform?
11. In the case given in Qs 9, do you think that the Operations Manager was doing justice to his role? Explain your answer with reasons.
12. What do you analyse were the main skills where the following lacked in managing the situation well in the case discussed in Qs 9.
    (a) Operations Manager
    (b) Trainer
    (c) Hardware Specialist
13. What type of job-related rewards – both monetary and otherwise – hold the most meaning for you? Which do not motivate you at all? Why?
14. What qualities do you think should a supervisor have to get the best work out of his subordinates? Why was this person able to motivate you better than any other?
15. Discuss about a situation when you had to be very careful in communicating delicate information. What was the possible risk involved and how did you go about it?

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16. What tactics will you adopt to put your point across in a meeting to which most of the people are reluctant to hear?

Answers: Self Assessment

1. specialized knowledge, training
2. administrative, operative
3. no
4. formal
5. laying downs policies, determination of goals
6. implementation
7. setting performance standards, measuring actual performance, taking corrective actions
8. Organising
9. Fair, non-financial
10. guiding, supervising
11. Planning

1.15 Further Readings



Books

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Paul E. Torgersen and Irwin T. Weinstock, *Management - An Integrated Approach*.

Peter F. Drucker, *Management: Tasks, Responsibilities and Practices*, Heinemann.

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Spriegel, William R., *Principles of Business Organisation and Operation*, Prentice-Hall.

Terry, George R., *Principles of Management*, Richard, D. Irwin, Inc., Homewood, Illinois.



Online links

managementhelp.org/mng_thry/mng_thry.htm

www.managementheaven.com/.../introduction-to-management

http://www.businessihub.com/nature-of-management/

http://www.differencebetween.net/business/difference-between-management-and-administration/

Unit 2: Evolution of Management Thought

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Objectives

After studying this unit, you will be able to:

- Discuss the classical theory of management
- Realise the fundamentals of scientific management
- Explain the systems approach
- State the contingency approach

Introduction

The origin of management can be traced back to the days when man started living in groups. One can argue that management took the form of leadership which was essential to coordinate the efforts of the group members in order to arrange the necessities of life. History reveals that strong men organised the masses into groups according to their intelligence, physical and mental capabilities. According to Egyptian literature of 1300 B.C., the art of management was being practiced in different forms by different people. The literature clearly indicates the recognition of the importance of organisation and administration in the bureaucratic set up. Similar records exist for ancient China. According to L.S. Hsu, Confucius's parables include

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practical suggestions for proper public administration and admonitions to choose honest, unselfish and capable public officers.

In Greece, the existence of the Athenian commonwealth, with its councils, courts, administrators and board of general indicates the nature of management. Similarly, in Rome , the existence of Roman magistrates, with their functional areas of authority and degree of importance, indicates a scalar relationship characteristic or organisation. It is believed that the secret of the success of the Roman Empire lay in the ability of Romans to organise. Through the use of the scalar principle and the delegation of authority, the city of Rome was expanded to an efficient empire.

Table 2.1: Summary of Management Trends

Taylor, F. W.	**Scientific management** This approach expounds that maximum efficiency is obtained by breaking down tasks into each component movement, so finding the best and most efficient way of doing each. This was the forerunner of 'work study', or time and motion'. In Taylor's model, the relationship between manager and employees is one of master-servant or parent-child.
Mayo, E (1927-32)	**Hawthorne studies** Perhaps one of the most quoted approaches in respect of people management is Elton Mayo's studies at the Hawthorne Works of Western Electric in Chicago, His findings showed that productivity of workers improved when working conditions were discussed between employees and management -whether or not the conditions were actually improved. His work contributed a lot to motivational theory. His work (1949) concluded that the difference was the result of feeling part of a team and lead to the new idea that workers should be considered to be part of a social organism rather than individual cogs in a large wheel.
McGregor D. (1930s)	**Theory X and Theory Y** This theory suggested tow different styles of management, based on the underlying assumptions of employee motivation. Theory X requires a carrot and stick' model of motivation; Theory Y places problems of human resources in the lap of management;-people will exercise self-direction and self-control in the achievement of organizational objectives, if they are committed to those objectives. Theory Y suggests that authority and control are not appropriate for all purposes and under all circumstances.
Herzberg, F. (1960s)	**Job enrichment** Herzberg differentiated between motivational and hygiene factors, the latter being such things as salary and working conditions. In his later work (1968) he suggested that' in attempting to enrich an employee's job, management often succeed in reducing the man's personal contribution, rather than giving him an opportunity for growth in his accustomed job'. He called this 'horizontal loading', Which he suggested, merely enlarges the meaninglessness of the job.
Maslow, A (1960s)	**Hierarchy of needs** Maslow proposed that there is a series of needs to be satisfied for all individuals. As each need is satisfied, the satisfaction itself ceases to be important. The implications for management are an awareness of these needs and action to satisfy them.
Jaques, E (1950s)	**Clarity of roles** While Maslow, Herzberg and McGregor led the field in management and motivational theory during the 1960s and 1970s, research undertaken in London at The Tavistock Institute was gaining interest. Elliot Jaques (1976) proposed that the key for management of people was to have clearly defined and greed and roles and responsibilities. He suggested that lack of clear boundaries caused confusion which led to frustration, insecurity and a need to avoid accountability.

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Drucker, P. F. (1945)	**Management practice** Drucker has written on virtually every aspect of organizational management and change. In his Practice of Management (1954) he says that the function, which distinguishes the mangers above all others, is an educational one. The managers unique contribution should be to give others vision and the ability to perform.' He also proposed' management by objectives', 'risk-taking decisions', strategic thinking' and 'building an integrated team'.
Boston Consulting Group (1970s)	**Management by objectives** Term such as 'learning curve', 'growth share matrix', 'stars', 'dogs', 'cash-cows', 'question-marks' and the 'Boston Box' will be familiar to users of this approach. Centered again in the 'scientific management' school' the use of 'decision trees' was prevalent, focusing mainly on investment strategies. Decision-making strategies with change programmes are often led by this approach.
Pascale and Althos (1980s)	**Japanese management** Use of the 'Seven 5' framework as a performance measurement tool and for comparison between US and Japanese management styles. Pascal felt that early managerial theory was significant for what it left out-for example, total absence of attention to building a corporate team. Or to the recruitment and selection of staff, or to training or socialization within the working teams. He suggested that 'field identity' value should be acknowledged.
Kanter, R (1980s)	**Change management** Kanter's views focus on the flatter hierarchy, the post-entrepreneurial organization and flexibility of an organization to respond to change. She feels that the first step in change mastery 'understands how individuals can exert leverage in an organization'. She refers to ' corporate entrepreneurs' who test limits and create new possibilities by directing innovation. She also refers to 'business athletes' who know how to compete in a way that enhances rather than undercuts cooperation'. Integrative teamwork is an important component in this approach, as is developing a broader understanding of 'what happens as different levels of the organization' (kanter, 1984).
Peters and Waterman (1982)	**Search for excellence** In this joint publication, Peters and Waterman (1987) suggest that 'leadership is patient, usually boring coalition building'. The key of this approach, however, is built on the 'Seven S (see Pascale and Athos) model. In companies, which operate with 'super ordinate goals and strong cultures', they found that 'people way down the line know what they are supposed to do in most situations because the handful of guiding values is crystal clear'. Another key component of the excellent company is that 'their systems reinforce degrees of winning rather than degrees of losing ... targets and quotas are set to allow that to happen'.
Peters, T. (1990s)	Thriving on Chaos (1988); Liberation Management (1992) In Thriving on Choose, Peters suggests that the most successful organizations are the impatient ones who will 'reorganize on a dime'. Organizations adopting this approach will follow the guide that 'if you are not reorganizing, pretty substantially {once every six to twelve months, you're probably out of step with the times' In Liberation Management Peters stresses the need for more rapid and flexible management responses to the demands of the marketplace with a focus on capturing and retaining the loyalty of customers-going beyond' satisfied customers' to 'committed" customers'.
Waterman (1990s)	In his book The Renewal Factor (1987), Waterman says that' one of the most difficult challenges in management is developing a sense of value and vision'. He also gives 14 guidelines for strengthening teamwork. In his later book on The Frontiers of excellence (1994) he suggests that a well-run total quality program can be of benefit to middle managers and employees as well as to customers.

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Harvey-Jones, J (1990s)	**Managing to survive (1993)** Harvey Jones feels that the most important personal skill in this decade is that of managing radical change. His view is that no one actually' manages' change, they release and guide it', He also states that organizations do not change until the people in those organizations have - and people do not change their ideas and values quickly.
Handy C. (1990s)	Understanding organization (1976) Handy's 1976 book outlined differences between a 'power culture', a 'role culture', a 'task culture' and a 'person culture' in organizations. His later books, including Gods of Management, The Age of Unreason and The Empty Raincoat have expounded his ideas. He purposed the model of the 'shamrock organization'

We will discuss a few major theories in this unit.

2.1 Classical Theory

The classical theory signifies the beginning of the systematic study of management organisation. It is often called the traditional theory. It can be traced historically to the 19th century prototype industrial and military organisations. Several writers contributed to the classical thought in the early years of the 20th century. They include Taylor, Fayol, Weber, Luther Gulick, Urwick, Mooney and Reiley and may others.

The classical theory incorporates three viewpoints: (1) Taylor's Scientific Management (2) Fayol's Administrative Management; and (3) Weber's Ideal Bureaucracy (an organisation based on rules and regulations, formal relations, specialization, etc.). All the three concentrated on the structure of organisation for greater efficiency. Several other trailblazers have also contributed to the classical theory. For instance, Mooney and Reiley published 'Onward Industry' in 1931 in which they attempted to find organisational universals. Subsequently, notable contributions came form Gullick, Oliver Sheldon, Urwick and many others. All these theorists were concerned with the structure of organisations and that is why their approach is also sometimes labelled as 'structural theory of organisation'. Salient features of classical approach are as follows:

1. The classical theory laid emphasis on division of labour and specialization, structure, scalar and functional processes and span of control. Thus, they concentrated on the anatomy of formal organisation.
2. The classical theorists emphasis organisation structure for co-ordination of various activities. They ignored the role of human element.
3. The classical theory ignored the impact of external environment on the working of the organisation. Thus, it treated organisations as closed systems.
4. The efficiency of the organisation can be increased by making each individual efficient.
5. The integration of the organisation is achieved through the authority and control of the central mechanism. Thus, it is based on centralization of authority.
6. There is no conflict between the individuals and the organisation. In case of any conflict, the interests of the organisation should prevail.
7. The people at work could be motivated by the economic rewards as they were supposed to be 'rational economic persons'.

2.2 Scientific Management Approach

The impetus for the scientific management approach came from the first industrial revolution. Because it brought about such an extraordinary mechanization of industry, this revolution

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necessitated the development of new management principles and practices. The main contributors to scientific management were Frederick W. Taylor, Henry L. Gantt, Frank Gilbreth, Lillian Gilbreth and Harrington Emerson.

F.W. Taylor (1865-1915) was the first person who insisted on the introduction of scientific methods in management. He launched a new movement during the last decade of 19th century which is known as 'Scientific Management'. That is why, Taylor is regarded as the father of scientific management. Taylor was an American engineer who responded to the challenges of management around the turn of the century. During that period, productivity was very low, labour became extremely dissatisfied and industries had to face frequent strikes and lockouts. Taylor's contribution was a system based on science whereby lower labour cost could be achieved simultaneously with higher wages. He suggested the change in the mental attitudes of the workers and the management to bring harmony in the industry.

Scientific management means application of scientific methods to the problems of management. Taylor advocated scientific task setting based on time and motion study, standardization of materials, tools and working conditions, scientific selection and training of workers and so on. It is to be noted that Taylor's thinking was confined to management at the shop level. However, he demonstrated the possibility and significance of the scientific analysis of the various aspects of management. To sum up, he laid emphasis on the following principles:

1. Science, not rule of thumb.
2. Harmony in group action, rather than discord.
3. Maximum output in place of restricted output.
4. Scientific selection, training and placement of the workers.
5. Almost equal division of work and responsibility between workers and managers.



Caution The basic idea behind the principles of scientific management is to change the mental attitudes of the workers and the management towards each other. Taylor called it 'Mental Revolution' which has three implications:

1. all out efforts for increase in production;
2. creation of the spirit of mutual trust and confidence; and
3. inculcating and developing the scientific attitude towards problems.

Taylor suggested that management should try to find the best methods of doing various jobs and introduce standardized materials, tools and equipment so that wastages are reduced. The management should select right types of people and give them adequate training so as to increase the quantity and quality of production. It must create congenial working conditions for optimum efficiency of the workers. It should perform the decision-making function and should always try to give maximum cooperation to the workers to ensure that work is done according to the scientific techniques.

The workers should also revise their attitude towards the management. They should not be work-shirkers. They should be disciplined, loyal and sincere in fulfilling the tasks assigned to them. They should not indulge in wastage of resources. Both the management and the workers should trust each other and cooperate in achieving maximum production.

Thus, Taylor stood for creating a mental revolution on the part of management and workers. It is to be noted that Taylor's thinking was confined to management at the shop level. However, he demonstrated the possibility and significance of the scientific analysis of the various aspects

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of management. To put the philosophy of scientific management into practice, Taylor and his associates suggested the following techniques:

1. Scientific task setting to determine a fair days; work.
2. Work study to simplify work and increase efficiency. This involves methods study, time study and motion study.
3. Standardization of materials, tools equipment, costing system, etc.
4. Scientific selection and training of workers.
5. Differential piece-wage plan to reward the highly efficient workers.
6. Specialization in planning and operations through 'functional foremanship'. Foremen in the planning department include: route clerk, instruction card clear, time and cost clerk and shop disciplinarian and those in the operations department include: gang boss, speed boss, repair boss and inspector.
7. Elimination of wastes and rationalization of system of control.

Criticism of Scientific Management

Taylor's scientific management was criticized not only by the workers and managers but also by the psychologists and the general public. The main grounds of criticism are given below:

1. The use of the word 'Scientific' before 'Management' was objected because what is actually meant by scientific management is nothing but a scientific approach to management.
2. Taylor advocated the concept of functional foremanship to bring about specialization in the organisation. But this is not feasible in practice as a worker can't carry out instructions from eight foremen.
3. Scientific management is production-centered as it concentrates too much on the technical aspects of work and undermines the human factor in industry.
4. Scientific Management ignores social and psychological needs of workers as it treats them as extension of machines devoid of any feelings and emotions.
5. Trade unionists regarded the principles of scientific management as the means to exploit labour because the wages of the workers were not increased in direct proportion to productivity increases.

Many of the above objections were later remedied by the other contributors to scientific management like Henri L. Gantt, Frank Gilbreth, Lillian Gilbreth and Harrington Emerson. Many of the recommendations of Taylor are still being applied by the modern business undertakings. In short, it can be said that Taylor was the pioneer in introducing scientific reasoning to the discipline of management.



Task

Find out the span of control or level of organisation of any Indian company of your choice.

2.3 Management Process or Administrative Management Approach

The advocates of this school perceive management as a process involving certain functions such as planning, organising, directing and controlling. That is why, it is also called the **'functional'**

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approach. Henri Fayol is regarded as the father of this school. Henri Fayol defined management in terms of certain functions and then laid down fourteen principles of management which according to him have universal applicability.



Did u know? **Henri Fayol** was a French executive who emphasized that management could be both taught and learnt. His long practical experience is reflected in his paper. "Administration industrielle et generale" (General and Industrial Management). Fayol tried to develop a theory of management. He discussed the principles of general management and argued that managerial ability can be acquired as any other technical ability. He not only recommended formal teaching in management but also practised it by founding the Centre for Administrative Studies in Paris. Thus, he was a pioneer in the field of management education. In brief, Fayol's views on management command acceptability even today because they are much in tune with the requirements of the management in the present-day world.

Principles of Management (Contribution of Henry Fayol)

Henry Fayol was born in 1941 at Constantinople in France.



Did u know? He graduated as a mining engineer in 1860 from the National School of Mining. After his graduation, he joined a French Coal Mining Company as an Engineer. After a couple of years, he was promoted as manager. He was appointed as General Manager of his company in 1888. At that time, the company suffered heavy losses and was nearly bankrupt. Henry Fayol succeeded in converting his company from near bankruptcy to a strong financial position and a record of profits and dividends over a long period.

Concept of Management: Henry Fayol is considered the father of modern theory of general and industrial management. He divided general and industrial management into six groups:

1. ***Technical activities:*** Production, manufacture, adaptation.
2. ***Commercial activities:*** Buying, selling and exchange.
3. ***Financial activities:*** Search for and optimum use of capital.
4. ***Security activities:*** Protection of property and persons.
5. ***Accounting activities:*** Stock-taking, balance sheet, cost, and statistics.
6. ***Managerial activities:*** Planning, organisation, command, co- ordination and control.

These six functions had to be performed to operate successfully any kind of business. He, however, pointed out that the last function i.e., ability to manage, was the most important for upper levels of managers.

The process of management as an ongoing managerial cycle involving planning, organising, directing, co-ordination, and controlling, is actually based on the analysis of general management by Fayol. Hence, it is said that Fayol established the pattern of management thought and practice. Even today, management process has general recognition.

Fayol's Principles of Management: The principles of management are given below:

1. ***Division of work:*** Division of work or specialization alone can give maximum productivity and efficiency. Both technical and managerial activities can be performed in the best manner only through division of labour and specialization.

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2. ***Authority and Responsibility:*** The right to give order is called authority. The obligation to accomplish is called responsibility. Authority and Responsibility are the two sides of the management coin. They exist together. They are complementary and mutually interdependent.
3. ***Discipline:*** The objectives, rules and regulations, the policies and procedures must be honoured by each member of an organisation. There must be clear and fair agreement on the rules and objectives, on the policies and procedures. There must be penalties (punishment) for non-obedience or indiscipline. No organisation can work smoothly without discipline - preferably voluntary discipline.
4. ***Unity of Command:*** In order to avoid any possible confusion and conflict, each member of an organisation must received orders and instructions only from one superior (boss).
5. ***Unity of Direction:*** All members of an organisation must work together to accomplish common objectives.
6. ***Emphasis on Subordination of Personal Interest to General or Common Interest:*** This is also called principle of co-operation. Each shall work for all and all for each. General or common interest must be supreme in any joint enterprise.
7. ***Remuneration:*** Fair pay with non-financial rewards can act as the best incentive or motivator for good performance. Exploitation of employees in any manner must be eliminated. Sound scheme of remuneration includes adequate financial and non-financial incentives.
8. ***Centralization:*** There must be a good balance between centralization and decentralization of authority and power. Extreme centralization and decentralization must be avoided.
9. ***Scalar Chain:*** The unity of command brings about a chain or hierarchy of command linking all members of the organisation from the top to the bottom. Scalar denotes steps.
10. ***Order:*** Fayol suggested that there is a place for everything. Order or system alone can create a sound organisation and efficient management.
11. ***Equity:*** An organisation consists of a group of people involved in joint effort. Hence, equity (i.e., justice) must be there. Without equity, we cannot have sustained and adequate joint collaboration.
12. ***Stability of Tenure:*** A person needs time to adjust himself with the new work and demonstrate efficiency in due course. Hence, employees and managers must have job security. Security of income and employment is a pre-requisite of sound organisation and management.
13. ***Esprit of Co-operation:*** Esprit de corps is the foundation of a sound organisation. Union is strength. But unity demands co-operation. Pride, loyalty and sense of belonging are responsible for good performance.
14. ***Initiative:*** Creative thinking and capacity to take initiative can give us sound managerial planning and execution of predetermined plans.

Criticism of Process of Functional Approach

Though the proponents of management process approach have made significant contribution to the development of thought, their work suffers from the following limitations:

1. There is no single classification of managerial functions acceptable to all the functional theorists. There is also lack of unanimity about the various terms such as management and administration, commanding and directing, etc.

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2. The functionalists considered their principles to be universal in nature. But many of the principles have failed to deliver the desired results in certain situations.
3. The functional theorists did not consider the external environment of business.
4. Fayol overemphasized the intellectual side of management. He felt that management should be formally taught, but he did not elaborate the nature and contents of management education.

2.4 Bureaucracy

Max Weber (1864-1920), a German sociologist contributed his views on bureaucracy to the management thought. His primary contribution includes his theory of authority structure and his description of organisations based on the nature of authority relations within them. Essentially, it was Weber's contention that there are three types of legitimate authority which are as follows:

1. ***Rational-legal authority:*** Obedience is owed to a legally established position or rank within the hierarchy of a business, military unit, government, and so on.
2. ***Traditional authority:*** People obey a person because he belongs to certain class or occupies a position traditionally recognized as possessing authority, such as a real family.
3. ***Charismatic authority:*** Obedience is based on the followers belief that a person has some special power or appeal.

Weber's theory 'bureaucracy' recognizes rational-legal authority as the most important type in organisations. Under traditional authority, leaders are not chosen for their competence, an charismatic authority is too emotional and irrational. A bureaucratic organisation which is based on rational-legal authority display the following features:

1. ***Division of Work:*** There is a high degree of division of work at both the operative and administrative levels. This leads to specialization of work.
2. ***Hierarchy of Positions:*** There is a hierarchy of authority in the organisation. Each lower position is under the control of a higher one. Thus, there is unity of command. The bureaucratic structure is hierarchical in nature. It is like a pyramid in which quantity of authority increases as one moves up the ladder in the organisation.
3. ***Rules and Regulations:*** The rules, regulations and procedures are clearly laid down by the top administration. Their benefits are as under:
   (a) They standardize operations and decisions.
   (b) They serve as receptacles of past learning.
   (c) They protect incumbents and ensure equality of treatment.
4. ***Impersonal Conduct:*** There is impersonality of relationships among the organisational members. The decisions are entirely guided by rules and regulations and are totally impersonal. There is no room for emotions and sentiments in this type of structure.
5. ***Staffing:*** The personnel are employed by a contractual relationship between the employee and employer. The tenure of service is governed by the rules and regulations of the organisation. The employees get a salary every months which is based on the job they handle and also the length of service.
6. ***Technical Competence:*** The bureaucrats are neither elected not inherited, but they are appointed through selection and the basis of selection is their technical competence. Promotions in bureaucracies are also based on technical qualifications and performance.

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7. ***Official Records:*** The administration of a bureaucratic organisation is supported by an efficient system of record-keeping. The decisions and activities of the organisation are formally recorded and preserved safely for future reference This is made possible by extensive filing system. The filing system makes the organisation independent of individuals. The official records serve as the memory of the organisation.



Notes Weber's ideal bureaucracy has been designed to bring rationality and predictability of behaviour in organisations. It is an administrative device that can help in achieving the following advantages:

1. There is a proper delegation of authority in the organisation. People are given tasks according to their competence.
2. Because of rules and regulations, all actions are taken carefully. There is consistency of actions.
3. The behaviour of the employees is rational. They take decisions as per laws, rules and regulations. They don't go by their whims, emotions or prejudices.
4. The behaviour of the employees is predictable. It is known how they will react under different situations as guidelines are already there in writing.
5. Bureaucracy leads to efficiency in the organisation. There is division of work leading to specialization which results in efficiency.

Criticism of Bureaucracy

It is not free of flaws. It may lead to many undesirable consequences such as:

1. The rules may be followed in letter and not in spirit. Thus, instead of providing guidelines, the rules may become source of inefficiency. The rules may be misused or misinterpreted by the persons concerned with the implementation of rules. Red tapism and technicalism may follow as a result.
2. Bureaucracy does not consider informal organisation and inter-personal difficulties.
3. Bureaucracy discourages innovation because every employee is supposed to act as per rules and regulations or to the secondary goals.
4. Goal displacement may take place in a bureaucratic organisation. The bureaucrats may give priority to rules and regulations or to the secondary goals.
5. The bureaucratic structure is tall consisting of several layers of executives. Thus, communication from the top level to the lowest level will take a very long time.

Appraisal of Classical Theory

The fundamental objections against the classical theory are discussed below:

1. ***Narrow View of Organisation:*** The value of classical theory is limited by its narrow concentration on the anatomy of formal organisation. In order to achieve rationality, the classical writers ignored the human relations aspect. The interplay of individual personality, informal groups and inter organisational conflicts in the formal organisation were neglected. It is said that the focus of classical theory is on 'organisation without people'.

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2. ***Assumption of Closed System:*** Classical theorists viewed organisation as a closed system, i.e., having no interaction with environment. This assumption is totally unrealistic. A modern organisation is an open system which has continuous interaction with the environment through the exchange of inputs and outputs and various types of information.

3. ***Assumptions about Human Behaviour:*** The human being were treated like any other factor of production. They were supposed to obey their superiors. The classical writers ignored the social, psychological and motivational aspects of human behaviour.

4. ***Economic Rewards as Main Motivators:*** The assumption that people at work can be motivated solely through economic rewards is also wrong. Several researches in human behaviour have contradicted this assumption. Non-monetary factors like better status and job enrichment can also motivate the workers.

5. ***Lack of Empirical Verification:*** The classical principles are mostly based on the personal experiences and limited observations of the practitioners. They are not based on empirical research. They lack precision and comprehensive framework for analysis. Moreover, it is not clear whether these principles are action recommendations or simply definitions.

6. ***Lack of Universality of Principles:*** Classical theorists claimed that their principles have universal application. This suggests that the same principles can be applied in: (i) different organisations, (ii) different management levels in the same organisation, and (iii) different functions of the same organisation. The empirical researches, however, suggest that none of the principles has such characteristics. Moreover, there are many of the principles which contradict with other principles. For example, principle of specialization is quite in conflict with the principle of unity of command.

7. ***Excessive Emphasis on Rules and Regulations:*** Weber's 'ideal' bureaucracy, a major constituent of classical theory, suggested strict adherence to rules and regulations. The scope for individual initiative is thus limited. The result is red-tapism in the organisation. Observation of rules and regulations becomes the main objective while the real objectives for which these rules and regulations are formed are forgotten.



Caselet

An Example of Bureaucracy at an Aircraft Manufacturer

–told by an employee of that Aircraft Manufacturer

I learned the concept of optimizing sub-functions from an executive at a large aircraft manufacturer. This example is a lesson that took place 33 years ago, and it has played an important part in my thinking ever since. I'll tell you what I remember of the example he used, and I hope those more familiar with the story will forgive me if I don't recount the story exactly. Anyway, it's the idea that counts.

Evidently, this aircraft manufacturer had a number of plants all around the area, each making parts for airplanes that were then assembled into whole airplanes. Each plant had its own fleet of trucks that they used to pick up what they needed from other plants and from suppliers, and to deliver their sub-assemblies to the assembly plants.

One day, somebody had the idea of centralizing the control of all the trucks into one motor pool. (This is the kind of "efficiency" argument that always seems to make good sense.) The idea was simple. At that time there were a large number of trucks, let's say 100.

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If, however, they were centralized, and dispatched by somebody who had the entire picture, the whole job could be done with fewer vehicles, let's say 60 trucks. Wow! The potential savings were tremendous. So, they centralized them. Now, instead of a truck going from plant A to plant B and coming back empty, the truck could pick up stuff from plant B and deliver it to plant D. Get the idea?

Well, what happened was that pretty quickly the plants noticed that when they needed an emergency pick up of parts to continue assembly, they didn't have a truck available. And, first once, then twice, then again and again, they found they had to stop work in their plants because they didn't have the parts they needed, and they didn't have the flexibility to dispatch "inefficient" emergency pickups to get their plants back to work. As my friend characterized it, "It almost brought us to our knees."

The story ended well, because the top executives realized that their goal was really to optimize building airplanes (their mission), rather than to optimize fleet dispatching (a process).

So, they gave the plants back their trucks, folded up the centralized motor pool and went back to being (happily and knowledgeably) "inefficient." Their plants hummed once again, and they had learned a valuable lesson about optimizing sub-functions.

In the last thirty-some years, I have been involved with hundreds of companies that have never learned about optimizing sub-functions, and I've seen the pain and misery that optimizing sub-functions causes.

Here is another way of stating the message:

It is de-bureaucratizing to take sub-optimized functional departments and disband them, re-deploying the people into the line units where they will be mission driven, not function driven. Here are some units to consider: purchasing, personnel, fleet, copying, MIS, training, strategic planning, budgeting, and research and development.

In a bureaucracy, departments or sub-units are formed and are allowed to, or even directed to, focus on a sub-optimal mission. "Your mission, in the copying department, is to handle all of the organization's copying needs at the lowest possible cost."

"Your mission, in the fleet department, is to optimize vehicle efficiency, and minimize the costs of trucking between all the plants and our suppliers."

Either of these sub-optimal missions could allow these support departments to bring the organization's mission to a standstill if the organization's mission interferes with the department's mission. It needs to be the other way around. Departments must support the organization's mission.

It is de-bureaucratizing to assign individuals or sub-groups missions that are "nested" within the larger mission.

It isn't true that decentralizing is always better. Centralizing functions for "efficiency" isn't a great idea, but centralizing for "better support to mission achievers" may be acceptable. The key test is who decides whether they stay or go? If it's the internal customers, then centralizing can sometimes actually support mission achievement.

"The fleet department's mission is to support our plants in achieving quality to standard and extraordinary customer satisfaction, and ensure that the plants-your customers-always have whatever vehicle they need to move parts and materials so that the plants always keep running."

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Again, this mission statement must be understood to mean that if the fleet department doesn't give the plants better and more responsive access to trucks than they had with their own fleet, the unit will be disbanded and trucking will be decentralized.

In addition, the future of the fleet department, and its budget allocations, will depend on customer satisfaction feedback from the plants it serves.

Source: http://www.bustingbureaucracy.com/excerpts/examples.html



Caselet

Electricity Workers Kick out Bureaucratic Management in Valencia State

Electrical sector workers, after a just struggle against the managerial bureaucracy of Corpoelec [the state owned National Electricity Corporation] conveyed their satisfaction with the announcements by Chavez regarding the electrical sector. The Corpoelec bureaucracy has revealed itself in the large failures in the electrical service, and in the violation of the rights of workers.

In this respect, on Friday morning in Carabobo [Valencia state], at the headquarters of Corpoelec-Cafade, workers carried out a protest. "Out with the bosses, for being incompetent" shouted dozens of electric sector workers in this protest demanding new, more efficient authorities capable of looking for solutions to the blackouts that daily leave thousands of Caraboban residents with out electricity.

The protest also demanded the re-hire of a group of workers and some engineers who were unjustly fired by the management of Corpoelec.

The protest culminated with the withdrawal of various managers and directors, who used their vehicles to open a path between the crowds of employees who sang loudly, "and they're going, they're going, the managerial bureaucracy is going".

The workers hugged and applauded, satisfied by the departure of the bureaucrats, whom they blame for inscrutability around the concrete causes of the failures in the electrical system and their supposed inefficiency with confronting the lack of maintenance of the power lines, transformers, and other infrastructure.

The workers also pointed out that the management was indifferent to their complaints of attacks by electricity customers over the service failures and was hindering the discussion about the collective contract.

"Today we have taken control, just as the president has said in his speeches. We are doing this in order to guarantee a service to the people and provide a solution to the problems. We want to provide a timeline of when electricity will be suspended and why, something that the authorities couldn't do," said Jesus Granados, general secretary of the Electrician's Union of Carabobo.

The electricians accused the management of keeping such information from the community, a situation which has provoked annoyance in the population over not knowing how long the blackout will last.

Workers also said that management didn't care that this was happening and it is the workers who suffer the consequences, who are the victims of abuse and insults by people from various communities.

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The workers stressed that they are prepared to create a timeline of rationing and make it public, as the population has the right to know such information so that they can take necessary previsions while the electrical problems in the country are being solved.

Electrical workers agree with the statements by [Venezuelan president Hugo] Chavez, that, "the problem isn't just technical, the problem is also political. Much of the management in the electrical companies are resisting the changes. Not all of them resist, but there's a kind of knot, a Gordian knot, that resists the full participation of the workers."

Source: www.venezuelanalysis.com

2.5 Neo-classical Theory

Human Relations Approach

The classical writers including Weber, Taylor and Fayol neglected the human relations aspect. The neo-classicists focussed on the human aspect of industry. They modified the classifical theory by emphasizing the fact that organisation is a social system and the human factor is the most important element within it. They conducted some experiments (known as Hawthorne Experiments) and investigated informal groupings, informal relationships, patterns of communication, patterns of informal leadership, etc. This led to the development of human relations approach. Elton Mayo is generally recognized as the father of the Human Relations School. Other prominent contributors to this schools include Roethlisberger, Dickson, Dewey, Lewin, etc.

The human relations approach is concerned with recognition of the importance of human element in organisations. It revealed the importance of social and psychological factors in determining workers' productivity and satisfaction. It was instrumental in creating a new image of man and the work place The neo-classical or human relations approach put stress on inter-personal relations and informal groups at the work-place.

The human relationists argued that achievement of organisational objectives is impossible without the willing cooperation of people and such cooperation cannot be automatically secured or ordered. It has to be consciously achieved. The neo-classical approach advocated people-oriented organisation structure which will integrate both informal and formal organisations.

The basic tenets of neo-classical theory or human relations approach are as under:

1. The business organisation is a social system.
2. The behaviour of an individual is dominated by the informal group of which he is a member.
3. An individual employee cannot be motivated by economic incentives alone. His social and psychological needs must be satisfied to improve the level of motivation.
4. In an organisation, it is ultimately cooperative attitude and not the more command which yields result.
5. Management must aim at developing social and leadership skills in addition to technical skills. It must take interest in the welfare of workers.
6. Morale and productivity go hand in hand in an organisation.

Hawthrone Studies

In 1927, a group of researchers led by George Elton Mayo and Fritz J. Roethlisberger at the Harvard Business School were invited to join in the studies at the Hawthorne Works of Western

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Electric Company, Chicago. The experiment lasted upto 1932. Earlier, from 1924 to 1927, the National Research Council made a study in collaboration with the Western Electric Company to determine the effect of illumination and other conditions upon workers and their productivity.

1. ***Illumination Experiment:*** This experiment was conducted to establish relationship between output and illumination. The output tended to increase every time as the intensity of light was improved. But the output again showed an upward trend when the illumination was brought down gradually from the normal level. Thus, it was found that there is no consistent relationship between output of workers and illumination in the factory. There were some other factors which influenced the productivity of workers when the intensity of light was increased or decreased.

2. ***Relay Assembly Room Experiment:*** In this experiment, a small homogeneous work-group of girls was constituted. Several new elements were introduced in the work atmosphere of this group. These included shorter working hours, rest pauses, improved physical conditions, friendly and informal supervision, free social interaction among group members, etc. Productivity and morale increased considerably during the period of the experiment. Morale and productivity were maintained even if improvements in working conditions were withdrawn. The researches concluded that socio-psychological factors such as feeling of being important, recognition, attention, participation, cohesive work-group, and non-directive supervision held the key for higher productivity.

3. ***Bank Wiring Observation Room Experiment:*** This experiment was conducted to study a group of workers under conditions which were as close as possible to normal. This group comprised of 14 workers. After the experiment, the production records of this group were compared with their earlier production records. There were no significant changes in the two because of the maintenance of 'normal conditions'. However, existence of informal cliques in the group and informal production norms were observed by the researchers.

   The Bank Wiring Experiment led to the following observations:

   (a) Each individual was restricting output.

   (b) The group had its own "unofficial" standards of performance.

   (c) Individual output remained fairly constant over a period of time.

   (d) Departmental records were distorted due to differences between actual and reported output or between standard and reported working time.

4. ***Mass Interview Programme:*** The researchers interviewed a large number of workers with regard to their opinions on work, working conditions and supervision. Initially, a direct approach was used whereby interviewers asked questions considered important by managers and researchers. Later, this approach was replaced by an indirect technique where the interviewer simply listed to what the employees had to say. The findings confirmed the importance of social factors at work in the total work environment.

Contributions of Human Relations Approach or Hawthorne Studies

The human relationists proposed the following points as a result of their findings of the Hawthorne experiments:

1. ***Social System:*** The organisation in general is a social system composed of numerous interacting parts. The social system defines individual roles and establishes norms that may differ from those of the formal organisation.

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2. ***Social Environment:*** The social environment on the job affects the workers and is also affected by them. Management is not the only variable. Social and psychological factors exercise a great influence on the behaviour of workers. Therefore, every manager should adopt a sound human approach to all organisational problems.
3. ***Informal Organisation:*** The informal organisation does also exist within the frame work of formal organisation and it affects and is affected by the formal organisation.
4. ***Group Dynamics:*** At the workplace, the workers often do not act or react as individuals but as members of groups. The group determines the norms of behaviour for the group members and thus exercises a powerful influence on the attitudes and performance of individual workers. The management should deal with workers as members of work group rather than as individuals.
5. ***Informal Leader:*** The informal leader sets and enforces group norms. He helps the workers to function as a social group and the formal leader is rendered ineffective unless he conforms to the norms of the group.
6. ***Communication:*** Two-way communication is necessary because it carries necessary information downward for the proper functioning of the organisation and transmits upward the feelings and sentiments of people who work in the organisation. It will help in securing workers' cooperation and participation in the decision-making process. Workers tend to be more productive when they are given the opportunity to express their feelings, opinions and grievances. This also give them psychological satisfaction.
7. ***Non-economic Rewards:*** Money is only one of the motivators, but not the sole motivator of human behaviour. The social and psychological needs of the workers are very strong. So non-economic rewards such as praise, status, interpersonal relations, etc. play an important role in motivating the employees. Such rewards must be integrated with the wages and fringe benefits of the employees.
8. ***Conflicts:*** There may arise conflicts between the organisational goals and group goals. Conflicts will harm the interest of workers if they are not handled properly. Conflicts can be resolved through improvement of human relations in the organisation.

Criticism of Human Relations Approach

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

1. ***Lack of Scientific Validity:*** The human relationists drew conclusions from Hawthorne studies. These conclusions are based on clinical insight rather than on scientific evidence.
2. ***Over-emphasis on Group:*** The human relations approach over-emphasises the group and group decision-making.
3. ***Over-stretching of Human Relations:*** It is assumed that all organisational problems are amenable to solutions through human relations.
4. ***Limited Focus on Work:*** The human relations approach lacks adequate focus on work.
5. ***Over-stress on Socio-psychological Factors:*** The human relations approach undermines the role of economic incentives in motivation and gives excessive stress on social and psychological factors.
6. ***Conflict between Organisational and Individual Goals:*** It view conflict between the goal of the organisation and those of individuals as destructive.

2.6 Behavioural Science Approach

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Under behavioural science approach, the knowledge drawn from behavioural science, namely, psychology, sociology and anthropology, is applied to explain and predict human behaviour. It focuses on human behaviour in organisations and seeks to promote verifiable propositions for scientific understanding of human behaviour in organisations. It lays emphasis on the study of motivation, leadership, communication, group dynamics, participative management, etc.

The essential characteristics of behavioural science approach are as under:

1. Data must be objectively collected and analyzed.
2. Findings must be presented so that the distinction between cause and effect, as opposed to chance occurrences, is clear.
3. Facts must be systematically related to one another within a systematic framework. Data collection alone does not constitute a science.
4. The findings of a study must always be open to further examination and question.

The distinguishing feature of the behavioural sciences approach is the methodology employed in developing the research in the management discipline. The crux of the methodology lies in the collection and analysis of the relevant data. It is in this sense that this approach differs from the human relations approach. Further, the behavioural scientists made the following propositions:

1. An organisation is a socio-technical system.
2. Individuals differ with regard to attitudes, perceptions and value systems. As a result, they behave differently to different stimuli under different conditions.
3. People working in the organisation have their needs and goals which may differ from the organisational goals. Attempts should be made to achieve fusion between organisational goals and human needs.
4. A wide range of factors influence inter-personal and group behaviour of people in organisations.

The behaviour school has drawn heavily on the work of Maslow. His development of need hierarchy to explain human behaviour and the dynamics of motivation process is an important contribution. Douglas McGregor built on Maslow's work in explaining his 'Theory X' and 'Theory Y'. Frederick Herzberg developed a two-factor theory of motivation. He made a distinction between the factors which either cause or prevent job dissatisfaction (hygienic factors), and those factors which actually lead to motivation (motivational factors).

In the area of leadership, Robert Blak and Jane Mouton developed and popularized the 'Managerial Grid'. Rensis Likert has identified and extensively researched four Management Systems ranging from System 1: Exploitive-Authoritative to System 4 :Group Participative. Each system characterizes and organisational climate by employing several key dimensions of effectiveness such as communication, motivation, leadership and others.

To sum up, the behavioural sciences approach gives emphasis on increasing productivity through motivation and leadership. The central core of this approach lies in the following aspects of human behaviour: motivation, leadership, communication, participative management and group dynamics. The behavioural sciences have provided managers with a systematic understanding of one of the most critical factors in the process of management-the human element. Insights evolving from that understanding have been used to design work situations that encourage increased productivity. It has enabled organisations to formulate programmes to more efficiently train workers and managers, and it has effects in numerous other areas of practical significance.

Notes

Appraisal of Behavioural Science Approach

1. The study of human behaviour is of great significance in management. Since an individual is a product of social system, his behaviour is not determined by organisational forces alone, but many forces like perception, attitudes, habits, and socio-cultural environment also shape his behaviour. Therefore, in understanding human behaviour in the organisation, all these factors must be taken into account.
2. The behavioural approach suggests how the knowledge of human behaviour can be used in making people more effective in the organisation.
3. Behaviourists have enriched management theory through their contributions in the areas of group dynamics, motivation communication and leadership. However, they have failed in developing an integrated theory of management. Although, study of human behaviour in organisations is extremely important yet management cannot be confined only to this area.
4. There are other variable such as technology and environment which have an important bearing on the effectiveness of an organisation.
5. The behavioural science, refined as they might be, have not achieved the precision of the physical sciences.
6. Often the complexities of the human factor and the organisational setting make exact predictions impossible. It is not uncommon for programmes based on sound behavioural principles to have unexpected results.
7. It should also be noted that the finding of behavioural science research are tentative and require further investigation. They should not be treated as applicable to all situations.
8. Behavioural guidelines can be helpful and profitable, but are not complete, valid and applicable to all situations.

Table 2.2: Human Relations Approach vs. Behavioural Sciences Approach

Human Relations Approach	Behavioural Sciences Approach
1. Human relations approach laid emphasis on the individual, his needs and behaviour.	1. Behavioural science approach stressed upon groups and group behaviour.
2. It focussed on inter-personal relationships.	2. It focussed on group relationships.
3. It was based on the Hawthorne Experiments and so its scope is limited.	3. It refined the Human Relations Approach and has a wide scope. It is a much more systematic study of human behaviour in organisations.
4. It laid emphasis on informal groups motivation, job satisfaction and morale.	4. The behaviourists studied group dynamics, informal organisation, leadership motivation, and participative management.

2.7 Quantitative Approach

This approach is also called 'Mathematical' , 'Operations Research' or 'Management Science' approach. The basic feature of the quantitative management thought is the use of mixed teams of scientists from several disciplines. This school used scientific tools for providing a quantitative base for managerial decisions. The techniques commonly used for managerial decision-making

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include Linear Programming, Critical Path Method (CPM), Programme Evaluation Review Technique (PERT), Games Theory, Queuing Theory and Break-Even Analysis.

The quantitative approach uses mathematical formulate for finding solutions to the problems that were previously unsolved. The abiding belief of the quantitative approach is that if management is a logical process, it may be expressed in terms of mathematical symbols and relationships. The basic approach is the construction of a quantitative model because it is though this device that the problem is expressed in its basic relationships and in terms of selected objectives. The construction of the model expresses the effectiveness of the system under study as a function of a set of variables at least one of which is subject control. The general form of operations research model is $E = f(x_1, y_1)$, where E represents the effectiveness of the system (profit, cost and the like) x_1 the variables of the system which are subjected to control and y_1 those which are not subject to control.

The quantitative approach to management has its root in the scientific management movement. Since Taylor advocated a logical sequence of problem formulation, fact finding, modelling, a tentative solution, testing, etc., his scientific approach could be classified as an early form of quantitative approach to management. A natural extension of the scientific management is the operations research.

The approach was updated so as to include development of mathematical models to represent a system under study. I may be noted that the development of models required the skills of money disciplines such as engineering, mathematics, economic, statistics, physical science, behavioural sciences and cost accountancy. The mathematical formulation enabled the managers to discover significant relationships that they could control.

Another important development alongwith the growth in the number of quantitative techniques was the introduction of high speed digital computers. Starting in about 1970, the quantitative approach to management turned away from emphasis on narrow operations research techniques to the boarder perspective of decision techniques and models building. It also incorporated computerised information systems and operations management. The latest emphasis of the quantitative approach marked a move towards a more broad-based management.

2.8 Systems Approach

In the 1960s, a new approach to management appeared which attempted to unify the earlier schools of thought. This approach is commonly referred to as 'Systems Approach'. Basically, it took up where the functional process management school let off to try to unify management theory. "A system viewpoint may provide the impetus to unify management theory. By definition, it could treat the various approaches, such as the process, quantitative and behavioural ones, as subsystems in an overall theory of management. Thus, the systems approach may succeed where the process approach has failed to lead management out of the theory jungle".

The systems approach is based on the generalization that an organisation is a system and its components are inter-related and inter-dependent. "A system is composed of related and dependent elements which, when in interactions, form a unitary whole. It is simply an assemblage or combination of things or parts, forming a complex whole. Its important feature is that it is composed of hierarchy of sub-systems. The world as a whole can be considered to be a systems in which various national economies are sub-system. In turn, each national economy is composed of its various industries, each industry is composed of firms, and of course, a firm can be considered a system composed of sub-systems such as production, marketing, finance, accounting and so on". Thus, each system may comprise several sub-systems and in turn, each sub-system be further composed of sub-systems.

Notes

Table 2.3: Scientific Management vs. Quantitative Approach

Scientific Management Approach	Quantitative Approach
1. It advocates use of scientific methods in managing.	1. It advocates use of mathematical and statistical techniques for solving management problems.
2. If focussed on improving efficiency of workers and machines by finding one best way of doing things.	2. It focussed on finding right answers to managerial problems.
3. The main techniques of scientific management are time and motion studies.	3. The main technique of quantitative approach is operations research.
4. It lays stress on experiment and research for improving efficiency.	4. It lays stress on developing econometric models for taking managerial decisions.
5. The conceptual base of scientific management was provided by F.W. Taylor and his associates.	5. Quantitative approach was popularised by W.C. Churchman and his associates.

An organisation as a system has the following characteristics:

1. A system is goal-oriented.
2. A system consists of several sub-systems which are interdependent and inter-related.
3. A system is engaged in processing or transformation of inputs into outputs.
4. An organisation is an open and dynamic system. It has continuous interface with the external environment as it gets inputs from the environment and also supplies its output to the environment. It is sensitive to its environment such as government policies, competition in the market, technological advancement, tastes of people, etc.
5. A system has a boundary which separates it from other systems.

Open System Concept

A system may be closed or open. A closed system is self-dependent and does not have any interaction with the external environment. Physical and mechanical systems are closed systems. A closed system concentrates completely on internal relationships, i.e. interaction between sub-systems only. Because of lack of interaction with environment, it is unable to monitor changes occurring in the external environment. On the other hand, an open system has active interface with the environment through the input-output process as shown in Figure 2.1. It can respond to the changes in the environment through the feedback mechanism. That is why modern authors consider organisation as an open system.

An open system obtains inputs, such as raw materials, layout, capital, technology and information, from the environment. Operations are performed upon the inputs and combined with the managerial process to produce desirable outputs which are supplied to the environment (i.e., customers). Through a feedback process, the environment's evaluation of the output becomes part of the inputs for further organisational activity. If the environment is satisfied with the output, business operations continue. If it is not, changes are initiated within the business systems so that requirements of the customers are fully met. This is how an open system responds to the forces of change in the environment.

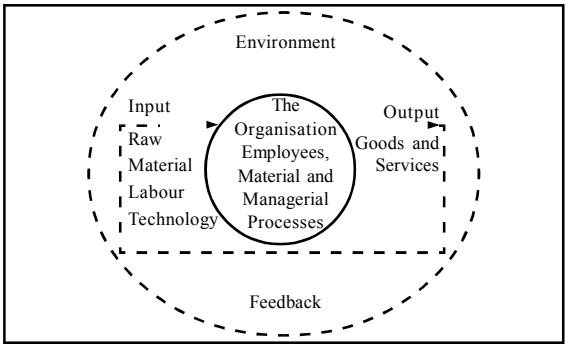
Features of Systems Approach

Notes

The systems approach is far more superior to classical and neo-classical approach because of the following features:

1. ***Interdependent Sub-systems:*** An organisation is a system consisting of several sub-systems. For example, in a business enterprise, production, sales and other departments and sub-systems. All these sub-systems are functionally interacting and interdependent. They are used together into an organic whole through goals, authority flows, resources flows and so on.

Figure 2.1: Open System View of Organisation



2. ***Whole Organisation:*** The system approach provides a unified focus to organisational efforts. It gives managers a way of looking at the organisation as a whole that is greater than the sum of its parts. The stress is laid on integration of various sub-systems of the organisation to ensure overall effectiveness of the system.

3. ***Synergy:*** The output of a system is always more than the combined output of its parts. This is called the law if synergy. The parts of system become more productive when they interact with each other than when they act in isolation.

4. ***Multi-disciplinary:*** Modern theory of management is enriched by contributions from various disciplines like psychology, sociology, economics, anthropology, mathematics, operations research and so on.

Appraisal of Systems Approach

The system approach is an attempt to design an overall theory of management. Interdependency and inter-relationships between various sub-systems of the organisation is adequately emphasized. A pressure for change in one sub-system generally has a direct or indirect influence on the other sub-systems also. Thus, the systems approach acknowledges environmental influences which were ignored by the classical theory.

The systems approach represents a balanced thinking on organisation and management. It stresses that managers should avoid analyzing problems in isolation and rather develop the ability for integrated thinking. It recognizes the interaction and interdependence among the different variables of the environment. It provides clues to the to the complex behaviour of an organisation. It warns against narrow fragmented and piecemeal approach to problems by stressing inter-relationships.

The systems approach is criticized as being too abstract and vague. It cannot easily be applied to practical problems. It does not offer specific tools and techniques for the practising manager.

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Moreover, this approach does not recognize differences in systems. It fails to specify the nature of interactions and interdependencies between an organisation and its external environment.

Task

Identify the non-economic rewards given to the employees at any one company of your choice.

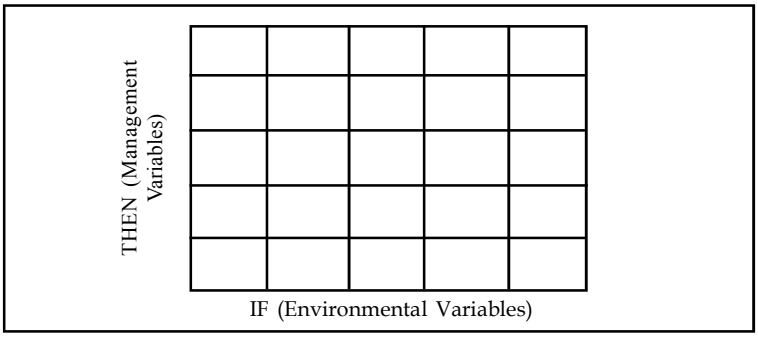
2.9 Contingency Approach

A review of the earlier schools of management helps us to place the current approach to management in perspective. The performance results of the management process school's universalist assumptions were generally disappointing. The behavioural approach to management was incomplete. Certain quantitative techniques worked in some situations and not in others. The quantitative people could not solve behavioural problems and behavioural people could not overcome operations problems adaptable to quantitative solutions. Many authors believe that systems based theory could solve this dilemma. But this approach is also as yet incomplete. The latest approach to management which integrates the various approaches to management is known as 'contingency' or 'situational' approach.

The contingency approach is not new. Pigors and Myers propagated this approach in the area of personnel management as early as in 1950. However, the work of Joan Woodward in the 1950s marked the beginning of the contingency approach to organisation and management. Other contributors include Tom Burns, G.W. Stalker, Paul Lawrence, Jay Lorsch, and James Thompson. They analyzed the relationship between the structure of the organisation and the environment. Thus, contingency approach incorporates external environment and attempts to bridge the theory-practice gap. It does so in the systems framework. In other words, contingency approach as regards organisation as an open and dynamic system which has continuous interaction with environment.

The contingency theory stresses that there is no one best style of leadership which will suit every situation. The effectiveness of a particular leadership style will vary from situation to situation. For instance, participative leadership may be more effective in an organisation employing professional personnel in a high technology operation in an atmosphere of non-materialistic orientation and free expression. On the other hand, authoritarian leadership would be more effective in an organisation which employs unskilled personnel on routine tasks in social values oriented towards materialism and obedience to authority.

Figure 2.2: Conceptual Framework of Contingency Model



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Evaluation of Contingency Approach

Contingency approach guides the managers to be adaptive to environmental variables. In other words, the managers should develop situational sensitivity and practical selectivity.

Contingency approach suggests the managers to condone environmental contingencies while choosing their style and techniques.

Contingency approach is an improvement over systems approach. It not only examines the relationships of sub-systems of the organisation, but also the relationship between the organisation and its environment.

Table 2.4: Systems Approach vs. Contingency Approach

Systems Approach	Contingency Approach
1. It lays emphasis on the inter-dependencies and interactions among systems and sub-systems.	1. It identifies the nature of inter-dependencies and the impact of environment of organisational design and managerial style.
2. It treats all organisations alike. Size of the organisation, and its socio-cultural setting are not considered.	2. Each organisation is to be studied as a unique entity.
3. It studies organisation at the philosophical level.	3. It follows an action-oriented approach and so is pragmatic. It is based on empirical studies.
4. It does not comment on the validity of the classical principles of management.	4. It rejects the blind application of the classical principles of management.
5. It simply lays down that the organisation interacts with the environment.	5. The impact of environment on the organisation structure and managerial style is the major concern of contingency approach.

2.10 Operational Approach

Koontz, O'Donnell and Weihrich have advocated the operational approach to management. This approach recognizes that there is a central core of knowledge about managing which exists in management such as line and staff, patterns of departmentation, span of management, managerial appraisal and various managerial control techniques.

Operational approach to management regards management as a universally applicable body of knowledge that can be brought to bear at all levels of managing and in all types of enterprises. At the same time, the approach recognizes that the actual problems managers face and the environments in which they operate may vary between enterprises and levels. It also recognizes that application of science by perceptive practitioner must take this into account in designing practical problem solutions.

The operational approach to management is based largely on the following fundamental beliefs that:

1. Management is an operational process initially best dissected by analyzing the management functions.
2. If the knowledge of management is to be presented effectively, clear concepts are necessary.
3. Experience with managing in a variety of situations can furnish grounds for distillation of basic truths-theory and principles-which have a clarifying and predictive value in understanding and improving practice.

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4. Principles of management can become the focal points for useful research both to ascertain their validity and to improve their applicability.
5. Managing is an art (like medicine and engineering). It should rely on underlying science-concepts, theory and principles and techniques.
6. While the total culture and the physical and biological universe variously affect the manger's environment, as they do in every other field of science and art, management science and theory need not encompass all knowledge in order to serve as a useful foundation of management practice.

George R. Terry has advocated the use of "modified management process" approach. This approach is quite similar to operational approach suggested by Koontz, ODonnell and Weihrich. Terry feels that such an approach should be followed which can be termed the electric process school of management, featuring the basic frame work of the process approach modified by certain theories from other appropriate schools of management thought. Electric means "consisting of what is selected" and this term has been interpreted to indicate taking the best from what is available in the management thought and working it into a single theory moulded around the process framework as the central core.



Case Study

Implementing New Systems at VXM

The past three years at VXM software have been very good as the company grew well in terms of business and growth rate. It managed to get huge contracts for ten very large companies and is in the process of setting up its fourth office in Pune. Since its Inception six years back, the company has come a long way and the founder CEO, Vijay Kamath, has embarked upon a massive expansion plan. He has planned to grow into international market and double their turnover within the next three years.

As Vijay compared many options available to him for getting the required finance to support this expansion, he was impressed by the concept of loans by venture capitalists. He asked the chief financial officer, Suryakant, to get more information on the subject and discuss it with their advisor. Within five months, the deal was finalised and the company received a loan of ₹ 20 crores to put in their expansion plans. In the coming year, the company rose up to double their employees and business grew by thirty five per cent. The business from international market started coming in slowly but by the end of the year 1998, the business from this sector rose to almost double.

Vijay, however, felt that the focus on increase in business had led to other problems like those of performance and quality. Coming back from a meeting with his old friend and a market analyst, he kept thinking about their conversation. They had discussed the general topics and then his friend had said, "You must look at the performance from all levels. While you are busy in creating and maintaining products, you have so far ignored your performance on other non-financial parameters such as employee turnover, customer retention, etc." Vijay realised that they actually don't have any objective way of measuring performance in these areas. So far no system has been developed or used to cover these factors. He decided that he must do something in this direction and the next morning, on reaching office he called his top managers for a meeting.

'With growing business, our focus has been on developing products and expansion strategies. Last two years have been immensely profitable for us with business coming

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from overseas as well. Now, I look back and feel that for a six year old organisation, we have done reasonably well.

There is one point, however, which we have neglected in this time and that is our performance measurement. I mean, we don't have any single and objective tool to judge and evaluate our performance on non-financial parameters.

I personally feel that we need to have such a system which can guide us internally to develop insight into our customers, our employees and our strengths and how to improve upon these areas." Vijay was addressing his team of functional heads at the meeting.

Hearing his views, all of them took some time before speaking. Anjali Mehta, the Human Resource Chief said, 'We are using a model for assessing human assets in our organisation. Accordingly we have annual employee satisfaction survey and very effective performance appraisal system. Besides this, we need to understand the dynamics of an organisation and the industry we are operating in. Worldwide the turnover in software industry is higher than the average. Also the compensation for software professionals is growing all over, at astonishing rates. Even in such a dynamic environment, we have managed to retain our people at very good level. I personally don't see any need for another system of performance evaluation specifically in human resources but I am open to any decision, taken jointly in the interest of the organisation".

Vijay however, still felt very strongly for this issue despite listening to his team. He brought the topic again and again. His team eventually decided to go according to his plan and sat down to develop a yardstick for performance. After many debates and discussions, they decided to focus on the following issues:

1. Customers - The many issues related with this were how clients see the organisation. their needs, reducing lead time and developing relationships.
2. The strengths, i.e. the competitive advantage the company has, their efforts in marketing and product development and how they can build upon internal resources, etc.
3. The financial perspective and the measures to improve their performance.
4. The perspective of learning, emphasis on training and development.

All these combined together would give a unified-report on all elements, that may affect the overall performance of the company. It would also provide them a base for future strategic planning and expansion.

Once the performance parameters were finalised, Vijay decided to seek an opinion from his advisor and a practicing consultant, in a top consulting firm. He briefed him about their initiative and asked for his advice.

"For an organisation like yours, is important to have such a tool. The business today is more complexed than it was some years back and financial measures are no more considered the only measurements of performance. You need wider indicators that measure the critical factors that influence success.

I further suggest Eskewed, a readymade package for your organisation. This will cover all these measures and also give you an easier way of implementation. However, you need to take help of external consultants who can guide you through the implementation process, the advisor wrote back.

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Reading the views of his consultant, Vijay got into serious thinking. He finally decided to go for the standard package Eskewed, but chose not to hire any consultant for implementation.

Instead he asked his team to get more information on the subject and develop the expertise by attending seminars, etc. on the package. In the next three months, after his three team members had attended some workshops on the package, he started the implementation.

To ensure that the whole process didn't loose its momentum, he linked the phases of the implementation with the performance appraisal system. Within an year, his employee turnover rose high and the software developers were worst hit. Six months after the implementation, his chief strategist said to incharge, "The development technique of the package is flawed. We get the same reports as we were getting earlier with our individual divisional systems. The human resources and quality systems which produce monthly evaluation reports still do the same. Also the data we are generating in Eskewed is enormous but is not working for us". Vijay himself was feeling that the system hasn't worked for them. He said slowly, "Lets stop the system for now. I think we need to have a second opinion on the issue".

Questions

1. Why is Vijay Kamath facing these problems and not getting the expected result?
2. Could the external consultants have made it more successful?

Source: Parag Diwan, Management Principles and Practices, Excel Books

2.11 Summary

- The study of Organisation and Management is a must to understand the underlying principles of management. Various schools of thoughts have put forward theories to better understand the scope of management in organisation.
- Management theory is yet one of the pivotal approaches employed to analyze the concept of management and organisation.
- Commonly used analysis of approaches to organisation and management is the three-fold categorization pivotal of classical, human relations and systems.
- The classical writers placed emphasis on purpose and structure, on the technical requirements of the organisation, on principles of management, and on the assumption of rational and logical behaviour.
- The human relations writers emphasized the importance of the informal organisation and the psychological and social needs of people at work. The systems approach attempts to integrate the work of the classical and human relations writers.
- Attention is focused on the organisation as a whole and the interactions between technical and social variables. The organisation is seen as an open system in continual interaction with the external environment.
- More recent forms of analysis include contingency theory and social action. Contingency theory highlights possible means of differentiating between alternative forms of structures and systems of management.
- It might be that the study of organisations is moving towards a more scientific value approach. But whatever the balance between philosophy and science, a knowledge of management theory will help to understand the complexities of management in modern work organisations.

2.12 Keywords

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Administrative Management: Concerned with the determination of policies.

Behavioral Science Approach: This approach utilizes methods and techniques of social science, which emphasizes on motivation, individual drives, group relations, leadership, group dynamics and so forth.

Bureaucracy: A form of rational organisation characterized by division of labour, specialization, structure, impersonal relations, competence of personnel etc.

Classical theory: It concentrates on the structure of the organisation for the achievement of organisational goals and certain principles of management.

Contingency approach: It is concerned with the analysis of interaction of specific organisations with their external environment and the adoption of structure to meet the requirements of the situation.

Human relationists: The neo-classical writers were instrumental in creating a new image of man and the work place.

Neo-classical Theory: This approach emphasizes on the importance of social and psychological factors in determining workers' productivity and satisfaction.

Operational approach: It regards management as a universally applicable body of knowledge that can be brought to bear at all levels of managing and in all types of enterprises.

Scientific management: It emphasizes efficiency of lower levels of organisation.

Systems approach: It is based on the generalization that an organisation is an open system composed on inter-related and inter-dependent elements.

2.13 Self Assessment

Fill in the blanks:

1. As per the classical theory, organisations were…….and humans the……..
2. The classical theorists argued that the relationship between organisation and workers could be establish through……communication.
3. Classical thought of management was divided into two parts namely …… and ……
4. …… is called the father of scientific management.
5. The concept of division of work into sub-parts and then allotting these tasks among the workers was known as ……..
6. Strict adherence to rules and regulations of regulations of business was the main point of ……
7. Human Relations Theory was led by …….
8. …….. approach integrated all the elements for the proper and smooth functioning of the organisation.
9. A situation where output of each unit in an organisation becomes inputs for another such as in production and maintenance divisions is referred to as ……..

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10. ……of an individual refers to a position determined as being important in the interpersonal relationship of the group.

2.14 Review Questions

1. Describe various Schools of Management Thought prevalent from time to time.
2. Write a note on the evolution of management thought. What are the recent trends in management thought?
3. Explain the evolution of management thought from the early pioneers to modern times.
4. Write an explanatory not on Henri Fayol's contribution to modern management.
5. Write an explanatory approach to the Scientific Management approach to the study of management.
6. "Fayol is considered as the father of modern management theory". Discuss.
7. Distinguish between Taylor and Fayol as far as the development of management thought is concerned.
8. Write short notes on:
   (a) Human Behaviour School
   (b) Mathematical School
   (c) Operational Approach.
9. Discuss the contribution of Behavioural and System scientists to the development of management thought.
10. Distinguish between the following:
    (a) Contingency approach and systems approach.
    (b) Scientific management and quantitative approach.
11. Write a short note on Human Relations Approach to Management.
12. Distinguish between Human Relations and Scientific Management approach to Management.
13. Discuss in brief the contributions of Behavioural Science Approach and System Approach to the study of management.
14. Discuss the Systems Approach to the study of Management.
15. (a) What is systems approach to management? Explain the salient features of this approach.
    (b) What are the major contributions of the Hawthorne experiments to the present day organisations?
16. Do you think management theory will ever be as precise as theories in the fields of physics, chemistry or experimental psychology? Why or why not?

Answers: Self Assessment

Notes

1. Machines, Components of that machine
2. Formal
3. Scientific management, administrative management
4. F W Taylor
5. Division of labour
6. Weber's 'Ideal' Bureaucracy
7. Elton Mayo
8. Systems
9. Reciprocal interdependence
10. Status

2.15 Further Readings



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Online links

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Unit 3: Planning

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Objectives

After studying this unit, you will be able to:

- Identify the types of plans
- Discuss the planning process
- State the characteristics of planning
- Explain traditional objective setting
- Discuss the concept of strategic management

Introduction

The necessity for planning arises because of the fact that business organisations have to operate, survive and progress in a highly dynamic economy where change is the rule, not the exception. The change may be sudden and extensive, or it may be slow and almost imperceptible. Some of the important forces of change may be: changes in technology, changes in population and income distribution, changes in the tastes of consumers, changes in competition, changes in government policies etc. These changes often give rise to innumerable problems and throw countless challenges. Most of these changes are thrust on managers thus, managers are forced to adjust their activities in order to take full advantage of favourable developments or to minimise

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the adverse effects of unfavourable ones. Successful managers try to visualise the problems before they turn into emergencies. As pointed out by Terry, "successful managers deal with foreseen problems, and unsuccessful managers struggle with unforeseen problems. The difference lies in planning." Managers charged with the responsibility of achieving definite targets, do not wait for future. They make the future. They introduce original action by removing present difficulties, anticipating future problems, changing the goals to suit the internal and external changes, experiment with creative ideas and take the initiative, attempting to shape the future and create a more desirable environment.

3.1 Planning: An Introduction

A plan is a forecast for accomplishment. It is a predetermined course of action. It is today's projection for tomorrow's activity. In other words, to plan is to produce a scheme for future action, to bring about specified results at a specified cost, in a specified period of time. Management thinkers have defined the term, basically, in two ways:

1. ***Based on futurity:*** "Planning is a trap laid down to capture the future" (*Allen*). "Planning is deciding in advance what is to be done in future" (*Koontz*). "Planning is informed anticipation of future" (*Haimann*). "Planning is 'anticipatory' decision-making" (*R.L. Ackoff*).
2. ***As a thinking function:*** "Planning is a thinking process, an organised foresight, a vision based on fact and experience that is required for intelligent action" (*Alford and Beatty*)

"Planning is deciding in advance what to do, how to do it, when to do it and who is to do it."

– Koontz and O'Donnell

It is deciding in the present, what is to be done in future. It is the process of thinking before doing. A plan is a specific, documented intention consisting of an objective and an action statement. The objective portion is the end, and the action statement represents the means to that end. Stated another way, objectives give management targets to shoot at, whereas action statements provide the arrows for hitting the targets. Properly conceived plans tell what, where and how something is to be done.

3.2 Types of Plans

Plans commit individuals, departments, organisations, and the resources of each to specific actions for the future. Effectively designed organisational goals fit into a hierarchy so that the achievement of goals at low levels permits the attainment of high-level goals. This process is called a means-ends chain because low-level goals lead to accomplishment of high-level goals.

Three major types of plans can help managers achieve their organisation's goals: strategic, tactical, and operational. Operational plans lead to the achievement of tactical plans, which in turn lead to the attainment of strategic plans. In addition to these three types of plans, managers should also develop a contingency plan in case their original plans fail.

1. ***Operational plans:*** The specific results expected from departments, work groups, and individuals are the operational goals. These goals are precise and measurable.



Examples: (a) Process 150 sales applications each week

(b) Publish 20 books this quarter

Thus an operational plan is one that a manager uses to accomplish his or her job responsibilities. Supervisors, team leaders, and facilitators develop operational plans to support tactical plans. Operational plans can be a single-use plan or an ongoing plan.

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(a) *Single-use plans:* These plans apply to activities that do not recur or repeat. A one-time occurrence, such as a special sales program, is a single-use plan because it deals with the who, what, where, how, and how much of an activity.



Example: A budget: Because it predicts sources and amounts of income and how much they are used for a specific project.

(b) *Continuing or ongoing plans:* These are usually made once and retain their value over a period of years while undergoing periodic revisions and updates.



Examples:

(i) ***A policy:*** Because it provides a broad guideline for managers to follow when dealing with important areas of decision making. Policies are general statements that explain how a manager should attempt to handle routine management responsibilities. Typical human resources policies, for an instance, address such matters as employee hiring, terminations, performance appraisals, pay increases, and discipline.

(ii) ***A procedure:*** Because it explains how activities or tasks are to be carried out. Most organisations have procedures for purchasing supplies and equipment, for example. This procedure usually begins with a supervisor completing a purchasing requisition. The requisition is then sent to the next level of management for approval. The approved requisition is forwarded to the purchasing department. Depending on the amount of the request, the purchasing department may place an order, or they may need to secure quotations and/or bids for several vendors before placing the order. By defining the steps to be taken and the order in which they are to be done, procedures provide a standardized way of responding to a repetitive problem.

(iii) *A rule:* Because it tells an employee what he or she can and cannot do. Rules are "do" and "don't" statements put into place to promote the safety of employees and the uniform treatment and behavior of employees. For example, rules about tardiness and absenteeism permit supervisors to make discipline decisions rapidly and with a high degree of fairness.

2. ***Tactical plans:*** A tactical plan is concerned with what the lower level units within each division must do, how they must do it, and who is in charge at each level. Tactics are the means needed to activate a strategy and make it work.

   Tactical plans are concerned with shorter time frames and narrower scopes than are strategic plans. These plans usually span one year or less because they are considered short-term goals. Long-term goals, on the other hand, can take several years or more to accomplish. Normally, it is the middle manager's responsibility to take the broad strategic plan and identify specific tactical actions.

3. ***Strategic plans:*** A strategic plan is an outline of steps designed with the goals of the entire organisation as a whole in mind, rather than with the goals of specific divisions or departments. Strategic planning begins with an organisation's mission.

   Strategic plans look ahead over the next two, three, five, or even more years to move the organisation from where it currently is to where it wants to be. Requiring multilevel involvement, these plans demand harmony among all levels of management within the organisation. Top-level management develops the directional objectives for the entire organisation, while lower levels of management develop compatible objectives and plans to achieve them. Top management's strategic plan for the entire organisation becomes the framework and sets dimensions for the lower level planning.

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4. ***Contingency plans:*** Intelligent and successful management depends upon a constant pursuit of adaptation, flexibility, and mastery of changing conditions. Strong management requires a "keeping all options open" approach at all times - that's where contingency planning comes in.

   Contingency planning involves identifying alternative courses of action that can be implemented if and when the original plan proves inadequate because of changing circumstances.

   Keep in mind that events beyond a manager's control may cause even the most carefully prepared alternative future scenarios to go awry. Unexpected problems and events frequently occur. When they do, managers may need to change their plans. Anticipating change during the planning process is best in case things don't go as expected. Management can then develop alternatives to the existing plan and ready them for use when and if circumstances make these alternatives appropriate.


Task

Develop a plan for responding to disasters, considering the fact that you are the operations manager at an upcoming paint company.

3.3 Steps in the Planning Process

Planning is a vital managerial function. It is intellectually demanding. It requires a lot of time and effort on the part of planners. They must adopt a systematic approach so as to avoid pitfalls, errors and costly mistakes which may upset the whole business later on. Such a systematic approach may consist of the following steps:

1. ***Establishing objectives:*** The first step in the planning process is to identify the goals of the organisation. The internal as well as external conditions affecting the organisation must be thoroughly examined before setting objectives. The objectives so derived must clearly indicate what is to be achieved, where action should take place, who is to perform it, how it is to be undertaken and when is it to be accomplished. In other words, managers must provide clear guidelines for organisational efforts, so that activities can be kept on the right track.

2. ***Developing premises:*** After setting objectives, it is necessary to outline planning premises. Premises are assumptions about the environment in which plans are made and implemented. Thus, assumptions about the likely impact of important environmental factors such as market demand for goods, cost of raw materials, technology to be used, population growth, government policy, etc. on the future plans are made. The demand for fuel efficient vehicles in the late 1980s has compelled virtually all automobile manufacturers in India to go in search of collaborative agreements with foreign manufacturers from Japan, Germany, USA, etc. Plans should be formulated by the management, keeping the constraints imposed by internal as well as external conditions in mind.

3. ***Evaluating alternatives and selection:*** After establishing the objectives and planning premises, the alternative courses of action have to be considered. Liberalisation of imports and the use of high technology in recent times has encouraged manufacturers to produce colour television sets, electronic sets, electronic equipments, videos, computers, fuel-efficient vehicles, etc. Thus, changes in government policy, technology, competition, etc. pose several alternatives before manufacturers, from time to time, regarding the product they should manufacture. Such alternatives have to be carefully evaluated against factors like costs, associated risks involved, benefits likely to arise, availability of spare capacity,

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etc. The pros and cons as well as the consequences of each alternative course of action must be examined thoroughly before a choice is made.

4. ***Formulating derivative plans:*** After selecting the best course of action, the management has to formulate the secondary plans to support the basic plan. The plans derived for various departments, units, activities, etc., in a detailed manner are known as 'derivative plans'. For example, the basic production plan requires a number of things such as availability of plant and machinery, training of employees, provision of adequate finance, etc. To ensure the success of a basic plan, the derivative plans must indicate the time schedule and sequence of performing various tasks.

5. ***Securing cooperation and participation:*** The successful implementation of a plan depends, to a large extent, on the whole-hearted cooperation of the employees. In view of this, management should involve operations people in the planning activities. Suggestions, complaints and criticisms from operating personnel help management rectify the defects in plans and set things right in the beginning itself. Involvement of subordinates in planning has the unique advantage of getting a practical view of those closer to the scene of operations. According to Koontz, 'plans have to be set in an atmosphere of close participation and a high degree of concurrence'. Participation enables employees to give their best to plans. They are also motivated to carry out the plan to the best of their ability.

6. ***Providing for follow-up:*** Plans have to be reviewed continually to ensure their relevance and effectiveness. In the course of implementing plans, certain facts may come to light that were not even thought of earlier. In the light of these changed conditions, plans have to be revised. Without such a regular follow-up, plans may become out-of-date and useless. Moreover, such a step ensures the implementation plans along right lines. Management can notice shortcomings in time and initiate suitable remedial steps. A continuous evaluation of plans also helps to develop sound plans in future, avoiding mistakes that have surfaced while implementing the previous plans.



Notes *Koontz* has given some principles that make a plan successful.

1. ***Principle of contribution to objectives:*** Every plan should help in the achievement of organisational objectives.
2. ***Principle of primacy of planning:*** Planning should precede all the other functions of a managerial process.
3. ***Principle of pervasiveness of planning:*** Planning should be pervasive in nature otherwise the functionaries might just not stick to the plan.
4. ***Principle of flexibility:*** By flexibility of a plan is meant its ability to switch gears, change direction to adapt to changing situations without incurring unnecessary costs.
5. ***Principle of periodicity:*** Plans should be integrated and interconnected in such a way as to achieve the stated objectives well in time.
6. ***Principle of planning premises:*** Every plan should be based on carefully considered assumptions, known as planning premises.
7. ***Principle of limiting factor:*** While choosing an appropriate course of action among different alternatives, the limiting or critical factor (such as money, manpower,

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machinery, materials, management) should be recoginised and given due weightage. When ignored, the critical factor would seriously impact the process of planning and make it impossible to achieve goals.

3.4 Characteristics of Planning

Planning has a number of characteristics:

1. ***Planning is goal-oriented:*** All plans arise from objectives. Objectives provide the basic guidelines for planning activities. Planning has no meaning unless it contributes in some positive manner to the achievement of predetermined goals.
2. ***Planning is a primary function:*** Planning is the foundation of management. It is a parent exercise in management process. It is a preface to business activities.
3. ***Planning is all-pervasive:*** Planning is a function of all managers. It is needed and practised at all managerial levels. Planning is inherent in everything a manager does. Managers have to plan before launching a new business.
4. ***Planning is a mental exercise:*** Planning is a mental process involving imagination, foresight and sound judgment. Planning compels managers to abandon guesswork and wishful thinking.
5. ***Planning is a continuous process:*** Planning is continuous. It is a never-ending activity. Once plans for a specific period are prepared, they are translated into action.
6. ***Planning involves choice:*** Planning essentially involves choice among various alternative courses of action.
7. ***Planning is forward looking:*** Planning means looking ahead and preparing for the future. It means peeping into the future, analysing it and preparing for it.
8. ***Planning is flexible:*** Planning is based on a forecast of future events. Since future is uncertain, plans should be reasonably flexible.
9. ***Planning is an integrated process:*** Plans are structured in a logical way wherein every lower-level plan serves as a means to accomplish higher level plans. They are highly interdependent and mutually supportive.
10. ***Planning includes efficiency and effectiveness dimensions:*** Plans aim at deploying resources economically and efficiently. They also try to accomplish what has been actually targeted. The effectiveness of plans is usually dependent on how much it can contribute to the predetermined objectives.

3.5 Traditional Objective Setting

An objective is a specific step, a milestone, which enables you to accomplish a goal. Setting objectives involves a continuous process of research and decision-making. Knowledge of yourself and your unit is a vital starting point in setting objectives.

Strategic planning takes place at the highest levels; other managers are involved with operational planning. The first step in operational planning is defining objectives - the result expected by the end of the budget (or other designated) cycle.

Setting right objectives is critical for effective performance management. Such objectives as higher profits, shareholder value, customer satisfaction may be admirable, but they don't tell managers what to do. "They fail to specify priorities and focus. Such objectives don't map the journey ahead - the discovery of better value and solutions for the customer."

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The objectives must be:

1. focused on a result, not an activity
2. consistent
3. specific
4. measurable
5. related to time
6. attainable

The traditional goal-setting method was developed in the late 1800s in the manufacturing industry: If you want to produce X number of units at the end of the assembly line, you need to do A, B, C, and D. While this method works well in factories, it will produce limited, short-lived results in the business arena.

The problem is that only the process is taken account with this method—there is no mention of the participant. But, for long-term success, being the right person is just as important as doing the right things. Without a significant change in our thinking, behavior and expectations, we can never develop a habit of success.



Caselet

Why Traditional Goal Setting doesn't Work?

If you have a $100.000.000 in the bank, drive new Lexus, look like a movie star and have a perfect health save yourself some time and do not read this article. This article is for people, who don't have all these things, but are planning on changing that slight inconvenience.

So how do you change it?

Every January millions and millions of people decide to start better and healthier life. We plan to change so many things and set so many goals. "I will exercise at least three times a week", "I will spend more time with my family", "I will find a better job", "I will stop smoking" the list goes on and on. Now if you know anything about goal setting, you'll know that the first thing you have to do is to write down your goals on a piece of paper. Then you have to decide step-by-step how you are going to achieve those goals and form a plan of action as detailed as possible. All you have to do just follow the plan.

That's a great theory, which hardly happens in reality. In reality your enthusiasm and concentration lasts a couple of weeks and than everyday routine gets to you. You skip an exercise here, get frustrated and smoke a cigarette there, or start jumping from one goal to another and at the end of the year nothing ever gets done or achieved.

Why this theory alone doesn't work.

1. We often have so many goals it is hard to know where to start and how to proceed
2. We continually jump at different goals and as a result nothing gets done
3. It is hard to remember all the goals
4. Enthusiasm and excitement wears off

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5. We don't have enough time

6. We don't have enough will power to follow through

Due to all these reasons you need a very strong motivator. Something that will pull, push or drag you forward. There is only one thing powerful enough to do that and it's a VISION.

You'll still have to write all of your goals down. Then take that piece of paper and envision yourself after achieving all these goals. In order to succeed you have to become a person capable of succeeding, you have to start thinking like that person, act like that person.

Make yourself truly believe that you are looking into your future through the crystal ball. Remember every little detail - expression on your friends' faces, proud look in you parents eyes. Feel the warm breeze on your face, smell the salty air of the ocean, imagine your new house on the beach.

You need to create a vision so powerful, so desirable, so compelling that it draws all your energy and motivation to it. It has to become an obsession. You have to feel something that a person finding an oasis in the middle of the desert would feel. Absolute excitement and complete determination. Then any goal becomes possible.

Source: http://www.time-management-improvement.com/arina-why-traditional-goal-setting-does-not-work.html

3.6 Strategic Management

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

Thus, we can say that strategic management is the process of drafting, implementing and evaluating cross-functional decisions that enable an organisation to achieve its long-term objectives. It is the process of specifying the organisation's mission, vision, objectives, and goals; developing policies and plans, often in terms of projects and programs, which are designed to achieve these objectives, and then allocating resources to implement the policies and plans, projects and programs.

Strategic management is a level of managerial activity under setting goals and over tactics. Strategic management provides overall direction to a business organisation.

Strategy Formulation

Strategic management is a combination of three main processes which are as follows:

1. Performing a situation analysis, self-evaluation and competitor analysis: both internal and external; both micro-environmental and macro-environmental.
2. Concurrent with this assessment, objectives are set. These objectives should be parallel to a timeline; some are in the short-term and others on the long-term. This involves crafting vision statements (long term view of a possible future), mission statements (the role that the organisation gives itself in society), overall corporate objectives (both financial and strategic), strategic business unit objectives (both financial and strategic), and tactical objectives.

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3. These objectives should, in the light of the situation analysis, suggest a strategic plan. The plan provides the details of how to achieve these objectives.

This three-step strategy formulation process is sometimes referred to as determining where you are now, determining where you want to go, and then determining how to get there. These three questions are the essence of strategic planning.

Strategy Implementation

The following steps are involved in strategic implementation:

1. Allocation and management of sufficient resources (financial, personnel, operational support, time, technology support)
2. Establishing a chain of command or some alternative structure (such as cross functional teams)
3. Assigning responsibility of specific tasks or processes to specific individuals or groups
4. It also involves managing the process. This includes monitoring results, comparing to benchmarks and best practices, evaluating the efficacy and efficiency of the process, controlling for variances, and making adjustments to the process as necessary.
5. When implementing specific programs, this involves acquiring the requisite resources, developing the process, training, process testing, documentation, and integration with (and/or conversion from) legacy processes.

Thus, when the strategy implementation processes, there are many problems that a manger has to take care of, such as those involving human relations and/or the employee-communication. At this stage, the greatest implementation problem usually involves marketing strategy, with emphasis on the appropriate timing of new products. An organisation, with an effective management, should try to implement its plans without signaling the fact to its competitors.

In order for a policy to work, there must be a level of consistency from every person in an organisation, including from the management. This is what needs to occur on the tactical level of management as well as strategic.

Strategy Evaluation

While measuring the effectiveness of the organisational strategy, it's extremely important to conduct a SWOT analysis to figure out the strengths, weaknesses, opportunities and threats (both internal and external) of the entity in question. This may require to take certain precautionary measures or even to change the entire In corporate strategy, Johnson and Scholes present a model in which strategic options are evaluated against three key success criteria:

1. Suitability (would it work?)
2. Feasibility (can it be made to work?)
3. Acceptability (will they work it?)

Let us understand each of them one by one.

1. ***Suitability:*** Suitability deals with the overall rationale of the strategy. The key point to consider is whether the strategy would address the key strategic issues underlined by the organisation's strategic position.
   (a) Does it make economic sense?

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(b) Would the organisation obtain economies of scale, economies of scope or experience economy?

(c) Would it be suitable in terms of environment and capabilities?

Tools that can be used to evaluate suitability include:

(a) Ranking strategic options

(b) Decision trees

(c) What-if analysis

2. ***Feasibility:*** Feasibility is concerned with the resources required to implement the strategy are available, can be developed or obtained. Resources include funding, people, time and information.

Tools that can be used to evaluate feasibility include:

(a) Cash flow analysis and forecasting

(b) Break-even analysis

(c) Resource deployment analysis

3. ***Acceptability:*** Acceptability is concerned with the expectations of the identified stakeholders (mainly shareholders, employees and customers) with the expected performance outcomes, which can be return, risk and stakeholder reactions.

(a) Return deals with the benefits expected by the stakeholders (financial and non-financial). For example, shareholders would expect the increase of their wealth, employees would expect improvement in their careers and customers would expect better value for money.

(b) Risk deals with the probability and consequences of failure of a strategy (financial and non-financial).

(c) Stakeholder reactions deal with anticipating the likely reaction of stakeholders. Shareholders could oppose the issuing of new shares, employees and unions could oppose outsourcing for fear of losing their jobs, customers could have concerns over a merger with regards to quality and support.

Tools that can be used to evaluate acceptability include:

(a) what-if analysis

(b) stakeholder mapping

General Approaches

In general terms, there are two main approaches, which are opposite but complement each other in some ways, to strategic management:

1. ***Sociological Approach:*** The Sociological Approach deals primarily with human interactions.

Assumptions:

(a) Bounded rationality,

(b) Satisfying behaviour,

(c) Profit sub-optimality.

Notes



Example: Google Inc. is the company that operates this way.

2. ***Industrial Organisational Approach:*** The Industrial Organisational Approach is based on the economic theory. It deals with issues like competitive rivalry, resource allocation, economies of scale, etc.

   Assumptions:

   (a) Rationality,

   (b) Self-discipline behaviour,

   (c) Profit maximization



Notes Strategic management techniques can be viewed as bottom-up, top-down, or collaborative processes. In the bottom-up approach, employees submit proposals to their managers who, in turn, funnel the best ideas further up the organisation. This is often accomplished by a capital budgeting process. Proposals are assessed using financial criteria such as return on investment or cost-benefit analysis. Cost underestimation and benefit overestimation are major sources of error. The proposals that are approved form the substance of a new strategy, all of which is done without a grand strategic design or a strategic architect. The top-down approach is the most common by far. In it, the CEO, possibly with the assistance of a strategic planning team, decides on the overall direction the company should take. Some organisations are starting to experiment with collaborative strategic planning techniques that recognize the emergent nature of strategic decisions.

3.6.1 Types of Strategies

In most (large) corporations there are several strategies that are formulated and implemented in various departments due to varied objectives.

1. ***Corporate strategy:*** Corporate strategy refers to the overarching str ategy of the diversified firm. Such a corporate strategy answers the questions of "in which businesses should we be in?" and "how does being in these business create synergy and/or add to the competitive advantage of the corporation as a whole?"

2. ***Business strategy:*** Business strategy refers to the aggregated strategies of single business firm or a Strategic Business Unit (SBU) in a diversified corporation. According to Michael Porter, a firm must formulate a business strategy that incorporates either cost leadership, differentiation or focus in order to achieve a sustainable competitive advantage and long-term success in its chosen arenas or industries.

3. ***Functional strategies:*** Functional strategies include marketing strategies, new product development strategies, human resource strategies, financial strategies, legal strategies, supply-chain strategies, and information technology management strategies. The emphasis is on short and medium term plans and is limited to the domain of each department's functional responsibility. Each functional department attempts to do its part in meeting overall corporate objectives, and hence to some extent their strategies are derived from broader corporate strategies.

   Many companies feel that a functional organisational structure is not an efficient way to organise activities so they have reengineered according to processes or SBUs. A strategic business unit is a semi-autonomous unit that is usually responsible for its own budgeting, new product decisions, hiring decisions, and price setting. An SBU is treated as an internal profit centre by corporate headquarters.

Notes

4. ***Operational strategy:*** Operational strategy was encouraged by Peter Drucker in his theory of Management by Objectives (MBO). It is very narrow in focus and deals with day-to-day operational activities such as scheduling criteria. It must operate within a budget but is not at liberty to adjust or create that budget. Operational level strategies are informed by business level strategies which, in turn, are informed by corporate level strategies.

Since the turn of the millennium, some firms have reverted to a simpler strategic structure driven by advances in information technology. It is felt that knowledge management systems should be used to share information and create common goals. Strategic divisions are thought to hamper this process. This notion of strategy has been captured under the rubric of dynamic strategy, popularized by Carpenter and Sanders's textbook. This work builds on that of Brown and Eisenhart as well as Christensen and portrays firm strategy, both business and corporate, as necessarily embracing ongoing strategic change, and the seamless integration of strategy formulation and implementation. Such change and implementation are usually built into the strategy through the staging and pacing facets.

Figure 3.1: The Delta Model – Three Distinct Strategic Options



3.6.2 Elements of Strategic Management

Ellen-Earle Chaffee summarized what she thought were the main elements of strategic management theory by the 1970s.

1. Strategic management involves adapting the organisation to its business environment.
2. Strategic management is fluid and complex. Change creates novel combinations of circumstances requiring unstructured non-repetitive responses.
3. Strategic management affects the entire organisation by providing direction.
4. Strategic management involves both strategy formation (she called it content) and also strategy implementation (she called it process).
5. Strategic management is partially planned and partially unplanned.
6. Strategic management is done at several levels: overall corporate strategy, and individual business strategies.
7. Strategic management involves both conceptual and analytical thought processes.

Notes

3.6.3 Reasons why a Strategy Fails

There are many reasons why strategic plans fail, especially:

1. ***Failure to understand the customer:***



Examples: (a) Why do they buy?

(b) Is there a real need for the product?

(c) Inadequate or incorrect marketing research

2. ***Inability to predict environmental reaction:*** The reasons may involve many things



Examples: (a) Failure to forecast what will the competitors do, whether the government will intervene

(b) Fighting brands

(c) Price wars

3. ***Over-estimation of resource competence:*** The mangers should be able to estimate the following correctly so as to avoid the over estimation of resource competence.

   (a) Can the staff, equipment, and processes handle the new strategy

   (b) Failure to develop new employee and management skills

4. ***Failure to coordinate:*** The reasons for this may be the following:

   (a) Reporting and control relationships not adequate

   (b) Organisational structure not flexible enough

5. ***Failure to obtain senior management commitment:*** The reasons for this may be the following:

   (a) Failure to get management involved right from the start

   (b) Failure to obtain sufficient company resources to accomplish task

6. ***Failure to obtain employee commitment:*** The reasons for this may be the following:

   (a) New strategy not well explained to employees

   (b) No incentives given to workers to embrace the new strategy

7. ***Under-estimation of time requirements:*** The reasons for this may be no critical path analysis

8. ***Failure to follow the plan:*** The reasons for this may be the following:

   (a) No follow through after initial planning

   (b) No tracking of progress against plan

   (c) No consequences for above

9. ***Failure to manage change:*** The reasons for this may be the following:

   (a) Inadequate understanding of the internal resistance to change

   (b) Lack of vision on the relationships between processes, technology and organisation

Notes

10. ***Poor communications:*** The reasons for this may be the following:

    (a) Insufficient information sharing among stakeholders

    (b) Exclusion of stakeholders and delegates



Task

Give instances from Indian business scenario where business strategy of a firm failed to give expected results.

3.6.4 Limitations of Strategic Management

Although a sense of direction is important, it can also stifle creativity, especially if it is rigidly enforced. In an uncertain and ambiguous world, fluidity can be more important than a finely tuned strategic compass. When a strategy becomes internalized into a corporate culture, it can lead to group think. It can also cause an organisation to define itself too narrowly. An example of this is marketing myopia.

Many theories of strategic management tend to undergo only brief periods of popularity. A summary of these theories thus inevitably exhibits survivorship bias (itself an area of research in strategic management). Many theories tend either to be too narrow in focus to build a complete corporate strategy on, or too general and abstract to be applicable to specific situations. Populism can have an impact on a particular theory's life cycle and may see application in inappropriate circumstances. See business philosophies and popular management theories for a more critical view of management theories.

In 2000, Gary Hamel coined the term strategic convergence to explain the limited scope of the strategies being used by rivals in greatly differing circumstances. He lamented that strategies converge more than they should, because the more successful ones are imitated by firms that do not understand that the strategic process involves designing a custom strategy for the specifics of each situation.

Ram Charan, aligning with a popular marketing tagline, believes that strategic planning must not dominate action. "Just do it!", while not quite what he meant, is a phrase that nevertheless comes to mind when combatting analysis paralysis.



Case Study

Strategy Formulation at Wal-Mart

Porter (2002) states that root of the problem lies in the lack of distinguishing between operation effectiveness and strategy. The expedition for productivity, quality and speed has resulted in management tools and techniques, total quality management benchmarking, time based competition, outsourcing, partnering, reengineering, change management. In any organisation, strategy management is the key to its success. There are many theories based on this assumption that without a proper strategy and planning, it is difficult for any industry to survive irrespective of its size. It is necessary to understand here that all the major corporate organisations have established themselves, thanks to superior strategic planning and implementation. The retail industry is making news everywhere with not only the traditional industries increasing their outlets but some major corporate industries also intruding into this industry like Fresh @ Reliance of

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Reliance Industries, More of Aditya Birla Group in India. Wal-Mart, a US based retail industry, which is known as the giant in the retail industry has survived and is still the huge enterprise in the world which deals with almost all the F&B products, apparels, etc. It is not only the largest company in world but also the largest company in the history of world (Fishman, 2006). The present paper is divided into four sections to understand and answer as what makes Wal-Mart the best in the industry, (1) retailing industry at the time of Wal-Mart's innings, (2) Wal-Mart's Competitive advantage and key components, (3) Wal-Mart's Strategy and (4) Sustainable growth of Wal-Mart.

Wal-Mart dominates the American retailing industry due to number of factors like its business model which is still a mystery and its effectiveness in not letting the rivals let know about the weaknesses. Wal-Mart made strategic attempts in the its formulation to dominate the retail market where it has its presence, growth by expansion in the US and Internationally, create widespread name recognition and customer satisfaction in relation to brand name Wal-Mart and branching into new sectors of retailing.

It is learnt that Wal-Mart strives on three generic strategies consisting of Focus Strategy, the Differentiation Strategy and overall cost leadership. Managers strive hard to make their organisations unique, distinctive and identify key success factors that will drive the customers to buy their products.Thus, firm specific resources and capabilities are crucial in explaining the firm's performance. The Resource Based View (RBV) explains competitive heterogeneity based on the premise that close competitors differ in their resources and capabilities in important and durable ways. The company's capability can be found through its functionality, reliable performance, like Wal-Mart superior logistics (Helfat, 2002). Wal-Mart has firm infrastructure, well equipped in human resource with management professionals and technologically too.

Any organisations thrive hard to be successful for which it needs to have better resources and superior capabilities. Wal-Mart has strong RBV with economically and financially very strong enough to stand still in the time of crisis. Pereira states that dominating the retail market is its key strategy. Wal-Mart operates on low price strategy which is operated as every day low prices (EDLP) which builds trust among the customers (Brunn, 2006). The strategy lies in purchasing the goods at lower prices and selling the goods to customer at much lower prices, cutting the price as far as possible and increasing the profit by increasing the number of sales. This ferociously increases the competition in the market and Wal-Mart competes with all its competitors till it is dominant it the market.

Wal-Mart is expanding seriously and rapidly which is also its strategic goal. Wal-Mart employs over 1.3 associates, owns over 4000 stores out of which 3000 are in US and serves around 100 million customers weekly. Wal-Mart has acquired many international stores and merged with some super stores like ASDA in UK. Wal-Mart far flung network of retail outlets has ensured that Wal-Mart interacts with and has impact on virtually every locality within US (Helfat, 2002). The expanded strategy has led the hunger of Wal-Mart to many European Countries. It is learnt that three countries with no Wal-Mart stores became part of corporation's international presence wherein the domestic retail chains were taken over by Wal-Mart including 122 Woolco stores in Canada, 21 Wertkauf stores in Germany and 229 ASDA units in United Kingdom. The takeover strategy by Wal-Mart keeps the company at forefront when entering into the new market and the number of competitors is also minimized. The strategies have helped the Wal-Mart to rein in number one position in international countries making it the largest retailer in the world.

It is seen that Wal-Mart has significantly the Porters five force model wherein through proper strategic planning and strategic implementation has led to removal of barrier

Contd...

Notes

entry, rivalry from competitors and pricing norms. In regard to substitutes, Wal-Mart in order to achieve its aim of customer satisfaction has selling goods under its own legal brand. Wal-Mart's big box phenomenon has changed the retailing industry in the United States which is often considered as discount stores and makes profit through high volume of purchases and low markup on profits (Parnell, 2008). Wal-Mart with its low cost and ever expanding strategy has made a dramatic impact since 1962 when Sam Walton first started his business. With this strategy, Wal-Mart has now over 4000 stores and outlets in US and other countries through acquisition and mergers.

Question

Comment on the strategy adopted by Wal-Mart.

Source: www.articlesbase.com/strategic-planning-articles/strategic-management-a-case-study-of-walmart-inc-945260.html#ixzz1EC5kw4jX

3.7 Summary

- Planning is essential to survive and grow in a fast changing environment. A plan helps a firm take an advantageous position in the market, in line with its internal capabilities.
- To be useful, planning has to be carried out in a systematic way outlining objectives, developing premises, evaluating options, formulating derivative plans, securing commitment from people and ensuring a suitable follow up.
- Planning helps a firm achieve its goals. It reduces the risks of uncertainty and improves the quality of decisions. It has a healthy impact on people, too.
- To be effective, plans must receive support from people at all levels. They should also know the pay-offs from planning well in advance.
- Planning can take many forms and styles in practice. Both long-range and short-range plans have to be combined effectively to produce results. Also, there must be effective monitoring to see whether everything is on track or not.
- Objectives have to be set in key areas in every organisation, such as market standing, innovation, productivity, resources, performance etc.
- To be useful, these must be set in an atmosphere of close participation, mutual trust and confidence.
- The strategic management techniques have to be applied to make the implementation of the plan effectively.

3.8 Keywords

Functional strategies: Functional strategies include marketing strategies, new product development strategies, human resource strategies, financial strategies, legal strategies, supply-chain strategies, and information technology management strategies. The emphasis is on short and medium term plans and is limited to the domain of each department's functional responsibility.

Planning: an act of formulating a program for a definite course of action

Strategic business unit: It is a semi-autonomous unit that is usually responsible for its own budgeting, new product decisions, hiring decisions, and price setting. An SBU is treated as an internal profit centre by corporate headquarters.

Strategy: an elaborate and systematic plan of action.

Notes

3.9 Self Assessment

Fill in the blanks:

1. An initial idea about corporate objectives may have to be ..... if there is no feasible implementation plan that will meet with a sufficient level of acceptance.
2. ..... systems should be used to share information and create common goals.
3. Formulation and ..... of strategy must occur side-by-side rather than sequentially.
4. ..... involves adapting the organisation to its business environment.
5. Traditional goal setting was initiated in 1800s by…….industry.
6. A plan is a ..... for accomplishment.
7. A strategic business unit is a ..... unit that is usually responsible for its own budgeting, new product decisions, hiring decisions, and price setting.
8. Alternate plans to be used in case of failure of original plans are called……plans.
9. ……plans are related to short term goals.
10. ……of the strategy refers to the overall rationale of the strategy.

3.10 Review Questions

1. 'Future keeps on moving. It may not be possible to predict future changes accurately and provide for them in plans'. Discuss.
2. Discuss the essential features of a good plan that you developed to make your project(s) successful.
3. Which kind of plan – tactical or operational, should an organisation develop first? Why?
4. 'Planning and forecasting are inextricably intertwined'. Comment.
5. Almost by definition, organisations cannot accomplish all of their goals. Why?
6. Think of examples of each type of operational plan you have used at work, in your college work or even in your personal life.
7. A new business venture has to develop a comprehensive business plan to borrow money to get started. Companies leading the industry assert that they did not follow the original plan very closely. Does that mean that developing the plan was a waste of time for these eventually successful companies?
8. What will you do when a project does not come to fruition as expected, because of inefficient planning?
9. What do you perceive to be the role of a city planner in private practice? In public service?
10. Do your personal values support the concepts of successful planning? If so, how?
11. Can you recall a time when important plans were changed? What did you do?
12. Comprehensive planning emerges as a relatively new concept these days in management arena. On the basis of the knowledge you gained from this unit, how would you define the concept and its significance?

13. What do you think as the reason behind so few companies thinking about operations as strategically as they think about marketing, branding, and leadership?

14. How should a business decide whether or not to outsource?

Notes

Answers: Self Assessment

1.	altered	2.	Knowledge management
3.	implementation	4.	Strategic management
5.	manufacturing	6.	forecast
7.	semi-autonomous	8.	contingent
9.	tactical	10.	sustainability

3.11 Further Readings



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Unit 4: Forecasting and Premising

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Objectives

After studying this unit, you will be able to:

- State the meaning and significance of forecasting
- Discuss techniques of business forecasting
- State the advantages and limitations of business forecasting

Introduction

Forecasting is the process of estimation in unknown situations. Business forecasting is a systematic attempt to probe into the future, so as to identify the threats and opportunities and achieve goals successfully by making and implementing well designed plans of action. Business forecasting helps in analysing the economic, political and market information to reduce the risks involved in making business decisions and long-range plans. Forecasts make management think ahead and give singularity of purpose to planning by concentrating attention on the future. Business forecasting involves a 'look ahead' approach in business.

4.1 Forecasting

Business forecasting involves a wide range of tools, including simple electronic spreadsheets, Enterprise Resource Planning (ERP) and Electronic Data Interchange (EDI) networks, advanced supply chain management systems, and other Web-enabled technologies.

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4.1.1 Essential Components in Business Forecasting

Redfield, in a famous article in Harvard Business Review, identified the following essential elements in business forecasting:

1. ***Developing the groundwork:*** The known and available information regarding the growth of the company, the industry in which the company is positioned, the growth of the product lines of the company, etc., is put to investigation in the first stage. The basic purpose is to prepare a ground work on which future predictions can be based.
2. ***Estimating future business:*** Against the backdrop of the information collected, an estimate of future prospects of business is made by management. The trends are projected by management after a step-by-step procedure where the information is put to close scrutiny and analysis. These probable trends should not be taken as absolute guides to executive action, they can be taken as intelligent guesses at this stage.
3. ***Comparing the actual with estimated results:*** To ward off dangers arising from wrong anticipation, a periodic comparison of actuals with estimated results is made at this stage. The forecast provides the measurement apparatus and helps in tracking down reasons for major differences resulting in unanticipated gains/losses.
4. ***Refining the forecast process:*** The above three-step process helps executives in gaining proficiency in constructing dependable forecasts. As time progresses they are able to refine, sharpen and adjust the forecasting techniques to meet the changing needs of business.

4.1.2 Determinants of Business Forecasts

1. Political stability;
2. Population trends;
3. Price levels;
4. Government controls and fiscal policy;
5. Employment, productivity and national income;
6. Technical environment – some areas have shown great changes, e.g. computers, and the impact of the speed of developments must be especially noted.

4.1.3 Benefits of Forecasting

The following may be said to be the advantages of business forecasting:

1. Since forecasts are the premises or basic assumptions upon which the manager's planning and decision-making are based, business forecasting supplies vital facts and pertinent information for successful planning.
2. It helps in bringing a singleness of purpose to planning, that cannot exist easily otherwise.
3. It improves the quality of managerial planning.



Example: If a company is able to anticipate the future requirements of customers, it can plan and develop new products in an appropriate way.

4. Forecasting helps in achieving better coordination by focussing attention on the future. It helps in ensuring a singleness of purpose to planning and objectives.

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5. Forecasting helps in minimising the costly planning errors.
6. Effective forecasting helps in identifying the environmental forces and assists in providing for these challenges, though in an imperfect way. Without business forecasting, individuals as well as organisations are at the mercy of future events.
7. Forecasting also helps in preparing the organisation for future crisis and emergencies. The organisation, through adequate planning measures, can buffer itself against many, if not all, of these unexpected changes. It may be impossible to evolve necessary shock absorbers completely guard against business cycles but at least their impact can be fairly assessed, and the unfavourable consequences can be minimised.
8. It supplies vital information regarding the weak spots in the organisation thereby paving the way to appropriate control. Once such areas are spotted, it is easy for managers to establish checkposts for effective control and sound planning thereafter.

4.1.4 Limitations of Forecasting

Forecasts are only estimates of future conditions and not indicators of actual position. Future is shrouded by shadows of uncertainty. It is quite possible that, because of uncertainty, the best possible plan may result in losses and a bad plan in profits. Uncertainty always places severe limitations on the efficacy of forecasting. Forecasting suffers from the following limitations:

1. Reliability of past data. Although past events are analyzed as a guide to the future, a question is raised as to the accuracy of these recorded events.
2. Accurate judgment is needed to identify key factors entering the forecast, interpreting data and selecting methods of analysis and applying them to problems.
3. Single figure forecasts may be unsatisfactory, as there is a need for probability to be attached, thereby evaluating the likelihood of the event occurring.
4. A successful forecast is something of a miracle and often occurs for wrong reasons. Prophesies of future events is hazardous and in the case of business undertakings operating in highly volatile and turbulent environments, forecasting is meaningless.
5. Forecasting is based largely on predictions and assumptions. Guesswork, however perfectly made, cannot eliminate the margin of error, the possibility of mistakes.
6. The forecasting techniques have not been fully developed as yet and there is no fool proof method of predicting the future. Thus forecasting is more of an art than a science. Its success largely depends on how skillfully it is put into practice, how effectively the forecasting techniques have been made, etc.

4.1.5 Techniques of Forecasting

Many scholars have proposed a variety of ways to categorize forecasting methodologies. The following classification is a modification of the classification developed by Gordon over two decades ago:

1. ***Genius forecasting:*** This method is based on a combination of intuition, insight, and luck. Psychics and crystal ball readers are the most extreme case of genius forecasting. Their forecasts are based exclusively on intuition. Science fiction writers have sometimes described new technologies with uncanny accuracy.
2. ***Trend extrapolation:*** These methods examine trends and cycles in historical data, and then use mathematical techniques to extrapolate to the future. The assumption of all these

Notes

techniques is that the forces responsible for creating the past, will continue to operate in the future. This is often a valid assumption when forecasting short term horizons, but it falls short when creating medium and long term forecasts. The further out we attempt to forecast, the less certain we become of the forecast.

3. ***Consensus methods:*** Forecasting complex systems often involves seeking expert opinions from more than one person. Each is an expert in his own discipline, and it is through the synthesis of these opinions that a final forecast is obtained.

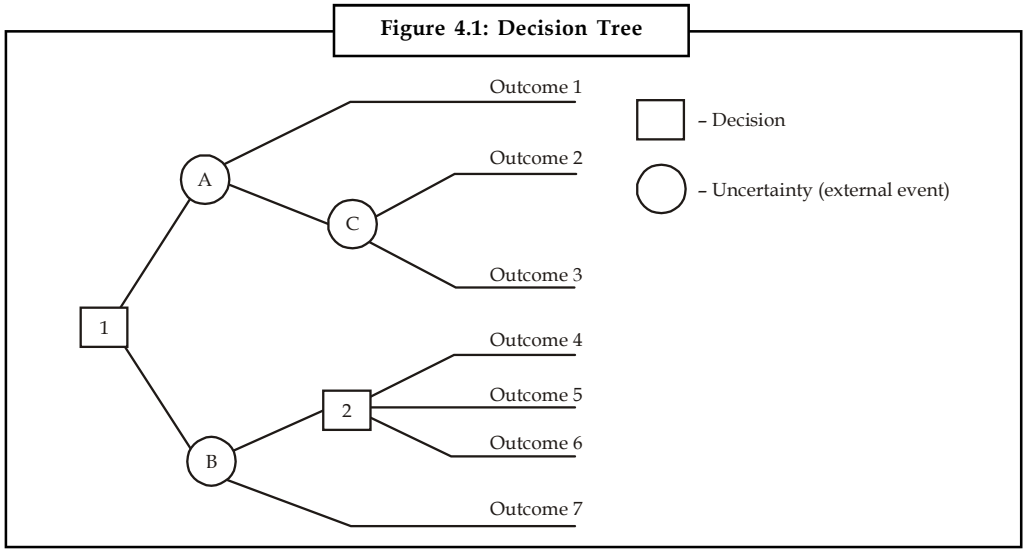
4. ***Simulation methods:*** Simulation methods involve using analogs to model complex systems. These analogs can take on several forms. A mechanical analog might be a wind tunnel for modeling aircraft performance. An equation to predict an economic measure would be a mathematical analog. A metaphorical analog could involve using the growth of a bacteria colony to describe human population growth. Game analogs are used where the interactions of the players are symbolic of social interactions.

5. ***Cross-impact matrix method:*** Relationships often exist between events and developments that are not revealed by univariate forecasting techniques. The cross-impact matrix method recognizes that the occurrence of an event can, in turn, affect the likelihoods of other events.

6. ***Scenario:*** The scenario is a narrative forecast that describes a potential course of events. Like the cross-impact matrix method, it recognizes the interrelationships of system components. The scenario describes the impact on the other components and the system as a whole. It is a "script" for defining the particulars of an uncertain future.

7. ***Decision trees:*** Decision trees originally evolved as graphical devices to help illustrate the structural relationships between alternative choices. These trees were originally presented as a series of yes/no (dichotomous) choices. As our understanding of feedback loops improved, decision trees became more complex. Their structure became the foundation of computer flow charts. An example of a decision tree is illustrated in Figure 4.1.

Figure 4.1: Decision Tree



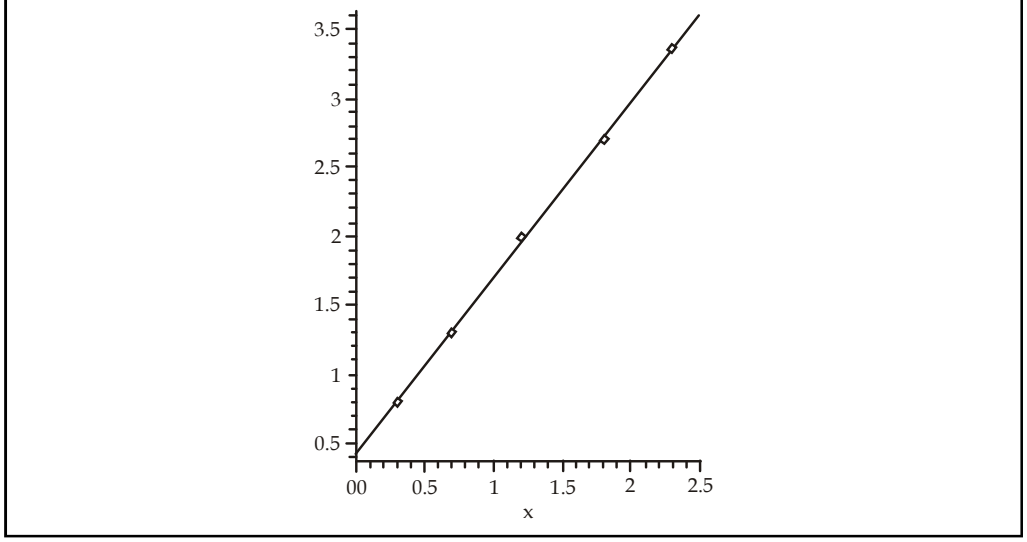
8. ***Economic Forecasting:*** Economic forecasting is one of the common types of external forecasting. The basic aim of economic forecasting is to predict business fluctuations, i.e., fluctuations in general economic activity. Depending on the nature of the business, these fluctuations affect the success or failure of business in various ways.

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There are numerous factors known as indicators such as interest rates, stock prices, level of employment, and many others which are frequently employed to measure the extent of economic activity in a nation. However, the single-most important indicator is the gross national product (GNP). GNP is the value of goods and services produced in the country affects the conditions of many organisations in an economy:

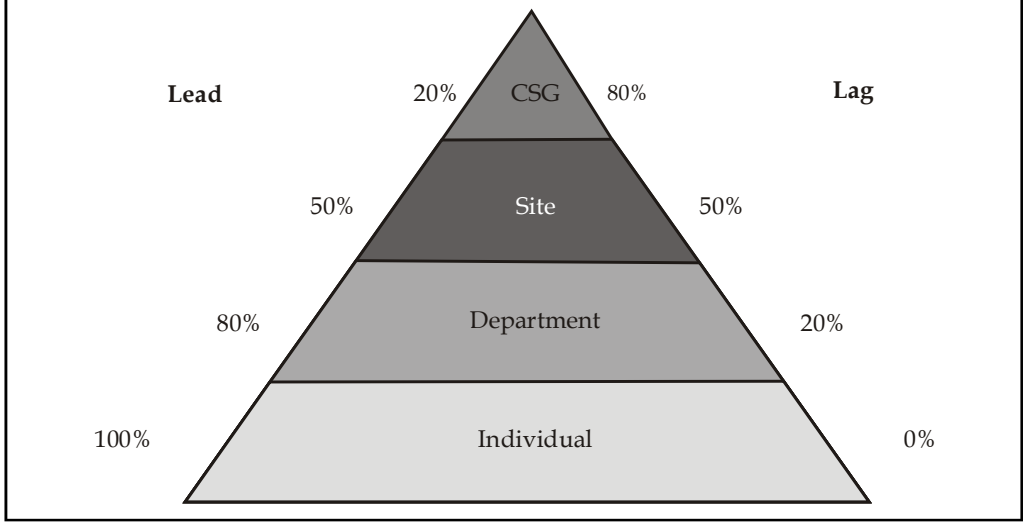
(a) *Extrapolation:* The simplest form of economic forecast is that of extrapolation, which is simply a projection of the current trend into the future. An example of extrapolation is shown in Figure 4.2.

Figure 4.2: Extrapolation



(b) *Lead and lag method:* In this method, the historic behaviour of various indicators is studied. An illustration of Lead and lag method is shown in Figure 4.3.

Figure 4.3: Lead and Lag Method



(c) *Econometrics:* This is a mathematical approach in which the main variables are joined together in a series of equations. It can then be forecasted on the basis of the assumptions developed from these equations.

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4.1.6 Combining Forecasts

It seems clear that no forecasting technique is appropriate for all situations. There is substantial evidence to demonstrate that combining individual forecasts produces gains in forecasting accuracy. There is also evidence that adding quantitative forecasts to qualitative forecasts reduces accuracy. Research has not yet revealed the conditions or methods for the optimal combinations of forecasts.

4.1.7 Difficulties in Forecasting Technology

Clarke describes our inability to forecast technological futures as a failure of nerve. When a major technological breakthrough does occur, it takes conviction and courage to accept the implications of the finding. Even when the truth is starring us in the face, we often have difficulty accepting its implications.

Clark refers to this resistance to change as cowardice, however, it may be much deeper. Cognitive dissonance theory in psychology has helped us understand that resistance to change is a natural human characteristic. It is extremely difficult to venture beyond our latitudes of acceptance in forecasting new technologies.

Clarke states that knowledge can sometimes clog the wheels of imagination. He embodied this belief in his self-proclaimed law:

"When a distinguished but elderly scientist states that something is possible, he is almost certainly right. When he states that something is impossible, he is very probably wrong."

Nearly all futurists describe the past as unchangeable, consisting as a collection of knowable facts. We generally perceive the existence of only one past. When two people give conflicting stories of the past, we tend to believe that one of them must be lying or mistaken.



Caselet

Need for Accurate Forecast

Vikram Patil (Patil), Marketing Manager of Tera Air Cooler Manufacturing, Hyderabad, was going through the sales figures of the company products. He found that there was a significant variation between the sales forecasts and the actual sales figures. As a result, inventory management was becoming a problem.

He began studying the past forecasts and sales figures to understand whether this was a one-time occurrence or it had been a regular feature. He found that in the last three years, the forecasts were always at variance with the actual sales Figures. He then started analyzing the reasons for this, but, he failed to understand why the forecasts were off target so consistently.

In the mean time, he got a call from Anil Deshpandey (Deshpandey), Production Manager asking him about the forecasts for the next six months. Patil told him that it would take some time for him to give the figures because he was thinking of making certain improvements in the forecasting process. Taking this to be an admission, that something was wrong in the way sales were being forecasted by the marketing department, Deshpandey immediately expressed his feelings and narrated the problems his department had been facing because of inaccurate forecasts.

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When the demand was higher than the forecasts, he had to increase production at very short notice, and it was extremely difficult to make arrangements for it. It also involved additional costs towards workers' overtime.

4.2 Premising

Premises are assumptions about the future which provide the basic framework for forecasting and planning activities. As pointed out by Koontz and O' Donnel, 'premises guide planning. They spell out the stage of the expected future event which is believed will exist when plans operate. They are the expected environment plans.'

It is an extremely tough task to fit all the future complexities together to make a forecast. A manager should have some framework to use for analysing the future. He has to identify certain forecasting 'goals' such as:

1. ***General economic premises*** are assumptions about the level of activity in the total economic system. Generally, Gross National Product (GNP) is accepted as an indicator of general business activity.
2. ***Industry premises*** are the assumptions a manager makes about the probability of occurrences in his industry.
3. ***Company premises*** should start with a comprehensive survey of the company in relation to its environment.

Tangible premises are those that can be stated in physical and monetary units like labour hours, production units. Intangible premises defy quantification.



Task

Find the premise behind the following:

1. The demand of sugar is likely to decrease by 12% in the next quarter because people have started preferring sugar free to sugar.
2. Most of the new generation hogging to malls in the festive season, we must increase our supply of the teenage garments during the festive season.



Case Study

LG Electronics Ltd.

In a bid to expand the market and boost sales, LG Electronics Ltd. identified institutional sales as a focus area in the calendar year 1999. It plans to triple the target turnover to ₹ 150 crores from institutional sales. LG has honed its institutional sales strategy by identifing and proactively targeting five different segments to push the LG range: brand promotions; the welfare segment (factory workers and office staff); government sector; direct users (hospitals, hotels); and the canteen stores departments (CSD) of the armed forces.

A distinct strategy has been tailored for each of the five segments. In brand promotions for example, the perceived value of the products given as gifts is important, whereas for the welfare segment aspirational value, convenience and easy financing are prime factors.

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Meanwhile, hotels represent a price sensitive segment requiring specially customized products.

Welfare: In this segment, LG is targeting a consumer base – the aspirational consumer, mostly factory staff – that most companies ignore, but which has considerable clout in terms of generating volumes. This segment is being targeted on the convenience and easy finance platform. LG has just tied up with Birla Global Finance Ltd., part of the Aditya Birla Group, for the purpose. Under the tie-up, LG will unit-wise cover all the Birla companies. This amounts to over two lakh employees.

This is a lucrative segment, claims LG, because of the high hit-rate; out of a potential base of 1,000 factory workers, there is an assured sale of at least 10 to 20 percent.

Hotel Segment: In this segment, LG is targeting the five-star and middle-level hotels (50–110 rooms) by offering customized products. For example, LG offers a special 'hotel-mode TV' model with an auto volume leveler, which ensures that other guests are not disturbed. Another attraction for hotels is the cricket game TV model that would also prove to be popular and an interactive option with Internet, video/audio or room service menu facilities. LG claims to have sent out mailers to 1,200 hotels, and bagged at least 100 orders, besides the 'Palace on Wheels' luxury train, for providing TV sets in its 52 cabins. Now, LG is reading a range of interactive televisions for this segment, offering remote-controlled features like: the hotel menu, local facilities, billing, room service, video on demand, internet, multilingual options.

Canteens and the Government Sector: "We are perhaps the only company offering our entire range of products in CSD canteens," feels the product manager, of LG. In the government sector, which operates through tenders, significant orders so far included an order for 200 TVs for Himachal Tourism bungalows in the State and over 2,000 TVs for primary schools in rural areas in Maharashtra.

The company has a five-memeber Institutional Sales Division, with each devoted exclusively to one segment. It has 50 institutional sales dealers and a ring of sales representatives when interact with the dealers and conduct demonstrations when needed. Its infrastructure consists of 20 mobile vans with glass windows to display the product range. These vans cover at least 500 km every month in both rural and urban markets.

Questions

1. Do you think such a field sales force is adequate to harness the market potential in the Institutional market?
2. Would you recommend focusing on one or two segments out of the given five? Justify your answer.

Source: IGNOU, *Management Programme*, Term-End Examination, June 2008.

4.3 Summary

- Developing a business forecast provides management with strategic and operational insight leading to improved business performance.
- It is the basis of budgeting and provides the information that allows managers to manage.
- Without a business forecast a business is simply responding to the day to day operating environment and has limited capacity to maximize future opportunities or minimize potential risk.

Notes

- A business forecast provides a high level strategic budget overview, assists in the identification of business opportunities and risks, and provides a quantifiable framework for the development of business strategies and actions.
- Forecasting forces executives to look ahead, think through the future and improve their mental faculties.
- Also very important for forecasting is the concept of premising which means a proposition supporting or helping to support a conclusion.

4.4 Keywords

Econometrics: Econometrics is derived from several disciplines, including mathematical economics, statistics, economic statistics, and economic theory. The goal of econometrics is twofold: to give economic theory empirical data and to empirically verify it.

Forecasting: Forecasting is the process of estimation in unknown situations.

Futurist: Futurists, are those who speculate about the future.

Premise: A proposition antecedently supposed or proved; something previously stated or assumed as the basis of further argument.

4.5 Self Assessment

Fill in the blanks:

1. The ..... become guides for business planning.
2. ..... give way to opinions.
3. ..... premises are concerned with the general business climate.
4. When a major technological breakthrough does occur, it takes ..... and ..... to accept the implications of the finding.
5. Historians often ..... their own beliefs and biases when they write about the past.
6. ..... forecasting technique is appropriate for all situations.
7. Decision theory is based on the concept that an ..... of a discrete variable.
8. ……should act as a pre-stage of budget preparation.
9. Forecasting based on intuition is referred to as……..forecasting.
10. ……forecasts give more accurate figures for future.

4.6 Review Questions

1. After going through the above unit, what do think is the difference between budgeting and forecasting in cost accounts?
2. A firm uses simple exponential smoothing with a = 0.1 to forecast demand. The forecast for the first week of February was 500 units, whereas actual demand turned out to be 450 units.
   (a) Forecast the demand for the second week of February.
   (b) Assume that the actual demand during the second week of February turned out to be 505 units. Forecast the demand for the third week of February.

Notes

3. What are possible benefits and problems when using the Delphi method to forecast new products?
4. "A sales forecast is often regarded both as a plan and as a premise." Comment.
5. Summarised income and expenditure forecasts for the months of March to August 2007 are given below:

Month	Sales	Purchase	Wages	Overheads
March	60,000	36,000	9,000	10,000
April	62,000	38,000	8,000	9,500
May	64,000	33,000	10,000	11,500
June	58,000	35,000	8,500	9,000
July	56,000	39,000	9,500	9,500
August	60,000	34,000	8,000	8,500

You are required to prepare a starting on 1st May, 2007 taking into account the following additional information

(a) Cash balance on 1st May, 2007, is ₹ 8,000.

(b) Sales and purchase are on credit basis.

(c) Plant costing ₹ 16,000 is due for delivery in July. 10% is payable on delivery and the balance after 3 months.

(d) Advance tax installments of ₹ 8,000 each are payable in March and June.

(e) The period of credit allowed by suppliers is 2 months and that allowed to customers is 1 month.

(f) Lag in payment of all expenses one month.

6. How will you handle an employee who is extremely productive inside the organisation but who's activities outside, can jeopardize your company's tangible premises?
7. What would be the meaning of the GNP forecast showing a high level of activity and growth for the coming year?
8. Do you agree with the statement that we fail to forecast technological futures due to our failure of nerve? Why/Why not?
9. What will you do to reveal the relationships between events and developments that are not possible to be taken care of by univariate forecasting techniques?
10. Have you ever used a simulation method to forecast something? Suggest an illustrative simulation for a game situation of your choice.
11. Do you think that genius forecasting is helpful for modern mangers? Why/Why not?
12. What do you think as the reason behind all the extrapolation techniques to have failed to forecast the incidence of swine flu in India? Was it really a forecasting failure?
13. Give examples to discuss how industry premises help managers to improve further industry growth.
14. Examine the significance of internal premises of a firm for itself as well as its immediate environment.

Notes

Answers: Self Assessment

1.	premises	2.	Facts
3.	External	4.	conviction, courage
5.	interject	6.	no
7.	expected value	8.	Business forecasting
9.	Genius	10.	Combined

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Unit 5: Decision-making

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Objectives

After studying this unit, you will be able to:

- State meaning and importance of decision-making
- Discuss the decision-making process
- Describe models of decision-making

Introduction

Individuals in organisations make decisions. That is, they make choices from among two or more alternatives. Decision-making is almost universally defined as choosing between alternatives. Decision-making is a critical activity in the lives of managers. The decisions a manager faces can range from very simple, routine matters for which the manager has an established decision rule (programmed decisions) to new and complex decisions that require creative solutions (non-programmed decisions).

The word "decision" is derived from the Latin words "de ciso" which means, "cutting away" or to come to a conclusion. A decision is the selection of a course of action. According to Felex M Lopez, "a decision represents a judgement; a final resolution of a conflict of needs, means or goals; and a commitment to action made in the face of uncertainty, complexity or even irrationality."

According to Philip Marvin, "decision-making may be viewed as the process by which individuals select a course of action from among alternatives to produce a desired result. It is a process made up of four continuous interrelated phases: explorative, speculative, evaluative and selective."

Thus, decision-making is the process by which the decision-maker tries to jump over the obstacles placed between his current position and the desired future position.

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Decision-making occurs as a reaction to a problem. A discrepancy exists between some current state of affairs and some desired state, requiring consideration of alternative courses of action. Moreover, every decision requires interpretations and evaluation of information. Data is typically received from multiple sources and it needs to be screened, processed, and interpreted. What data is relevant to the decision will depend on the perception of the decision-maker.

5.1 Components of Decision-making

Decision-making involves certain components like:

1. ***Decision environment:*** Every decision is made within a decision environment, which is defined as the collection of information, alternatives, values, and preferences available at the time of the decision. An ideal decision environment would include all possible information, all of it accurate, and every possible alternative. However, both information and alternatives are constrained because the time and effort to gain information or identify alternatives are limited. The time constraint simply means that a decision must be made by a certain time. The effort constraint reflects the limits of manpower, money, and priorities. (You wouldn't want to spend three hours and half a tank of gas trying to find the very best parking place at the mall.) Since decisions must be made within this constrained environment, we can say that the major challenge of decision-making is uncertainty and a major goal of decision analysis is to reduce uncertainty. We can almost never have all information needed to make a decision with certainty, so most decisions involve an undeniable amount of risk.

   The fact that decisions must be made within a limiting decision environment suggests two things. First, it explains why hindsight is so much more accurate and better at making decisions that foresight. As time passes, the decision environment continues to grow and expand. New information and new alternatives appear–even after the decision must be made. Armed with new information after the fact, the hindsighters can many times look back and make a much better decision than the original maker, because the decision environment has continued to expand.

   The second thing suggested by the decision-within-an-environment idea follows from the above point. Since the decision environment continues to expand as time passes, it is often advisable to put off making a decision until close to the deadline.

2. ***Effects of Quantity on Decision-making:*** Many decision-makers have a tendency to seek more information than required to make a good decision. When too much information is sought and obtained, one or more of several problems can arise.

   (a) A delay in the decision occurs because of the time required to obtain and process the extra information. This delay could impair the effectiveness of the decision or solution.

   (b) Information overload will occur. In this state, so much information is available that decision-making ability actually declines because the information in its entirety can no longer be managed or assessed appropriately.



Example: A manger spent a day at an information-heavy seminar. At the end of the day, he was not only unable to remember the first half of the seminar but he had also forgotten where he parked his car that morning.

   (c) Selective use of the information will occur. That is, the decision-maker will choose from among all the information available only those facts which support a preconceived solution or position.

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(d) Mental fatigue occurs, which results in slower work or poor quality work.

(e) Decision fatigue occurs, where the decision-maker tires of making decisions. Often the result is fast, careless decisions or even decision paralysis–no decisions are made at all.

3. ***Decision Streams:*** A common misconception about decision-making is that decisions are made in isolation from each other: you gather information, explore alternatives, and make a choice, without regard to anything that has gone before. The fact is, decisions are made in a context of other decisions. The typical metaphor used to explain this is that of a stream. There is a stream of decisions surrounding a given decision, many decisions made earlier have led up to this decision and made it both possible and limited. Many other decisions will follow from it.



Examples:

(a) When you decide to go to the park, your decision has been enabled by many previous decisions. You had to decide to live near the park; you had to decide to buy a car or learn about bus routes, and so on. And your previous decisions have constrained your subsequent ones: you can't decide to go to a park this afternoon if it is three states away. By deciding to live where you do, you have both enabled and disabled a whole series of other decisions.

(b) When you enter a store to buy a VCR or TV, you are faced with the preselected alternatives stocked by the store. There may be 200 models available in the universe of models, but you will be choosing from, say, only a dozen. In this case, your decision has been constrained by the decisions made by others about which models to carry.

5.2 Decision-making Process

Managers have to make decisions, whether they are simple or extremely complex. Making a good decision is a difficult exercise. It is the product of deliberation, evaluation and thought. To make good decisions, managers should invariably follow a sequential set of steps. Decision-making is a process involving a series of steps as shown in the Figure 5.1 below.

First Step: The first step is recognition of the problem. The manager must become aware that a problem exists and that it is important enough for managerial action. Identification of the real problem is important; otherwise, the manager may be reacting to symptoms and fire fighting rather than dealing with the root cause of the problem. In order to monitor the problem situation (decision-making environment), managers may have to look into management reports, check progress against budgets, compare the results against industry competitors, and assess factors contributing to employee efficiency or inefficiency, etc. They have to use judgement and experience in order to identify the exact nature of the problem. In other words, the manager must determine what is to be accomplished by the decision.

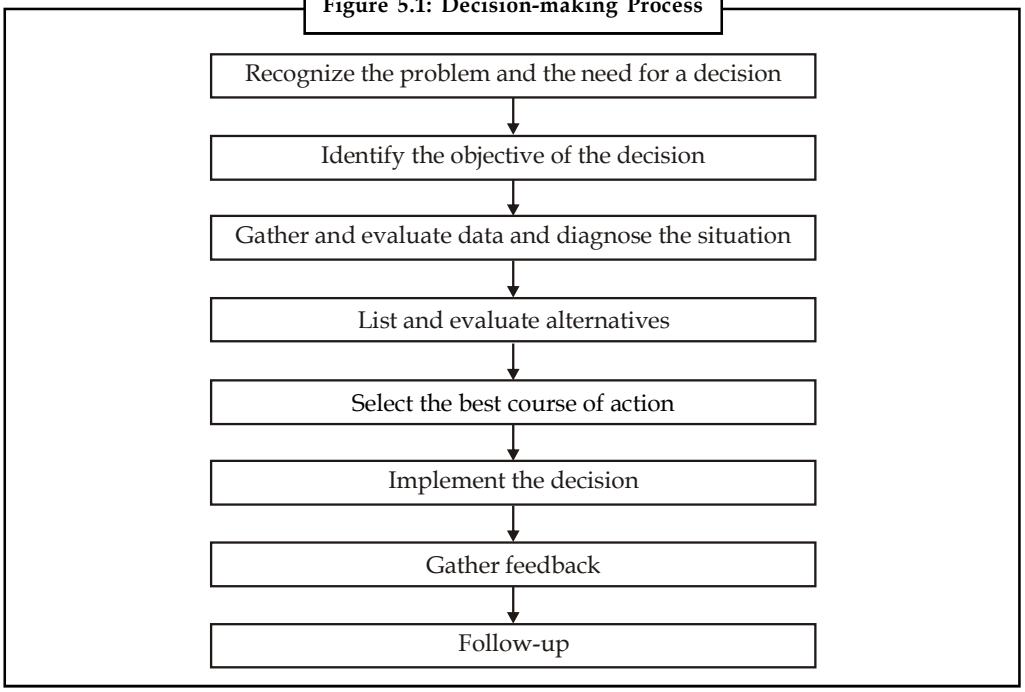
Second Step: The second step in the decision-making process is gathering information relevant to the problem. A successful manager must have the ability to weed out the wheat from the chaff before deciding on a specific course of action. Once aware of a problem, he must state the real problem. He must try to solve the problem, not the symptoms. The manager must pull together sufficient information about why the problem occurred. This involves conducting a thorough diagnosis of the situation and going on a fact-finding mission.

Third Step: The third step is listing and evaluating alternative courses of action. Developing alternative solutions (to the problem) guarantees adequate focus and attention on the problem. It helps managers to fully test the soundness of every proposal before it is finally translated into action. During this step, a thorough "what if" analysis should also be conducted to determine the

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various factors that could influence the outcome. It is important to generate a wide range of options and creative solutions in order to be able to move on to the next step. Therefore, managers should encourage people to develop different solutions for the same problem. The ability to develop alternatives is as important as making a right decision among alternatives. The development of alternatives is a creative, innovative activity. It calls for divergent thinking; it calls for "systems thinking". In other words, managers should try to seek solutions outside the present realm of their knowledge; they are forced to look into all the relevant factors before coming up with a novel solution.

Figure 5.1: Decision-making Process



Source: Debra L Nelson, James C Quick "Organisational Behavior – Foundations, Realities, and Challenges" (Second Edition), West Publishing Company Minneapolis, Page 283.

Fourth Step: Next, the manager selects the alternative that best meets the decision objective. If the problem has been diagnosed correctly and sufficient alternatives have been identified, this step is much easier. Peter Drucker has offered the following four criteria for making the right choice among available alternatives:

1. The manager has to weigh the risks of each course of action against the expected gains.
2. The alternative that will give the greatest output for the least inputs in terms of material and human resources is obviously the best one to be selected.
3. If the situation has great urgency, the best alternative is one that dramatizes the decision and serves notice on the organisation that something important is happening. On the other hand, if consistent effort is needed, a slow start that gathers momentum may be preferable.
4. Physical, financial and human resources impose a limitation on the choice of selection. Of these, the most important resources whose limitations have to be considered are the human beings who will carry out the decision.

Example: A company wants to strengthen its research and development. It has two options, outsource it to a well known company or develop an in-house panel of experts.

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There are pros and cons of both the options. Outsourcing can be cost effective and time saving whereas it might be difficult to control. On the other hand, developing an in-house panel will require a lot of investment but it will be easier for the higher level managers to monitor their performance.

Managers need to weigh each pros and cons and then decide on an alternative. Here, the long term benefit should also be considered.

If the need is urgent, it is better to outsource as the other option will take time to materialise.

Final Step: Finally, the solution is implemented. The manager must seek feedback regarding the effectiveness of the implanted solutions. Feedback allows managers to become aware of the recent problems associated with the solution. It permits managers to monitor the effects of their acts to gauge their success. They can evaluate their own decision-making abilities. Consistent monitoring and periodic feedback is an essential part of the follow-up process.



Task

Discuss an occasion where you had to make a decision on your own? Were you happy with your decision-making process?

5.3 Simon's Model of Decision-making

Recognizing the deficiencies of the rational model, Herbert Simon suggested that there are limits upon how rational a decision-maker can actually be. His decision theory, the bounded rationality model, earned him a Nobel Prize in 1978. The essence of the bounded rationality and satisficing model is that, when faced with complex problems decision-makers respond by reducing the problems to a level at which they can be readily understood. This is because the information processing capability of human beings makes it impossible to assimilate and understand all the information necessary to optimize. Since the capacity of the human mind for formulating and solving simplex problems is far too small to meet all the requirements for full rationality, individuals operate within the confines of bounded rationality.

Simon's model – also referred to as the "Administrative Man" theory – rests on the idea that there are constraints that force a decision-maker to be less than completely rational. The bounded rationality model has four assumptions:

1. Managers select the first alternative that is satisfactory.
2. Managers recognize that their conception of the world is simple.
3. Managers are comfortable making decisions without determining all the alternatives.
4. Managers make decisions by rules of thumb or heuristics.

How does bounded rationality work for the typical individual? Once the problem is identified, the search for criteria and alternatives begins. But the list of criteria is likely to be far from exhaustive. The decision-maker will identify a limited list made up of the more conspicuous choices. Once this limited set of alternatives is identified, the decision-maker will begin reviewing them. But the review will not be comprehensive. That is, not all alternatives will be carefully evaluated. The decision-maker proceeds to review alternatives only until he or she identifies an alternative that satisfies – one that is satisfactory and sufficient. So the satisficer settles for the first solution that is "good enough", rather than continuing to search for the optimum. The first alternative to meet the 'good enough 'criterion ends the search. The Figure 5.2 below illustrates the satisficing model.

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Bounded rationality assumes that managers satisfice; that is, they select the first alternative that is "good enough", because the costs of optimizing in terms of time and effort are too great. Further, the theory assumes that managers develop shortcuts called heuristics, to make decisions in order to save mental activity. Heuristics are rules of thumb that allow manager to make decisions based on what has worked in past experiences. According to March and Simon, it is often too inefficient or too costly to make optimal decisions in organisations.

Example: While selecting a new employee, the organisation can just hire the first applicant who meets all the minimum requirements instead of wasting time and effort looking for an ideal personality. According to Hitt, Middlemist and Mathis, satisficing can occur for various reasons:

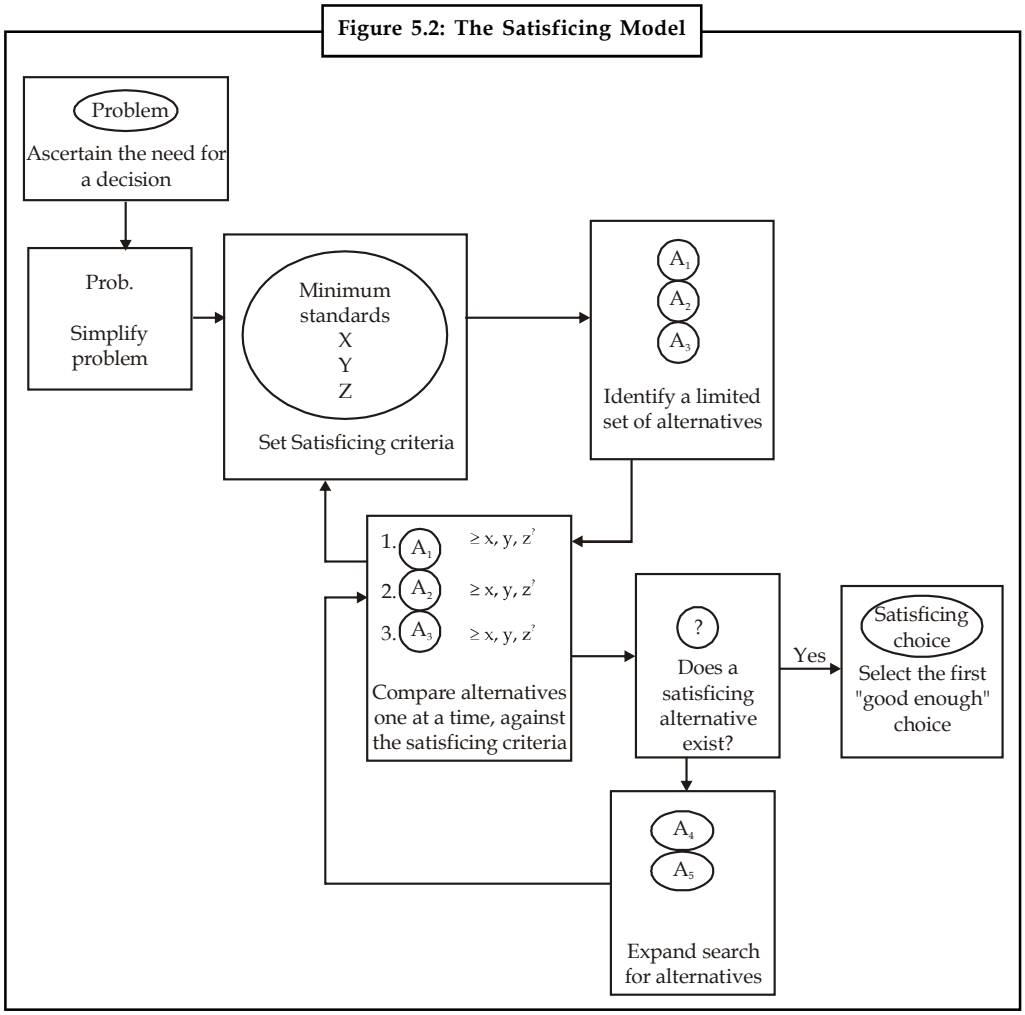
(a) Time pressure.

(b) A desire to sit through a problem quickly and switch to other matters.

(c) A dislike for detailed analysis that demands more refined techniques.

(d) To avoid failure and mistakes that could affect their future in a negative way.

Figure 5.2: The Satisficing Model

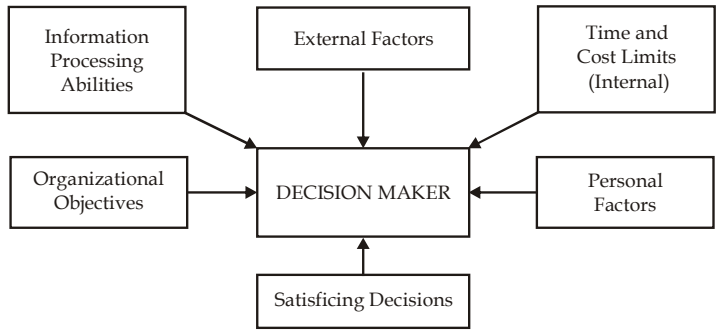


Source: Stephen P Robbins "*Organisational Behaviour – Concepts, Controversies, Application*", Prentice Hall, Englewood Cliffs, NJ 07632 (Seventh Edition) 1996 page 151.

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Satisficing decisions make progress toward objectives, and this progress can be made while continuing to search for the better decision. In other words, satisficing, by recognizing the internal as well as external limitations under which decision-makers operate, provides a flexible approach where objectives can be achieved more easily. The Figure 5.3 below indicates the factors leading to bounded rationality and satisficing decisions.

Figure 5.3: Factors Leading to Bounded Rationality and Satisficing Decisions



Evaluation: Does the bounded rationality model more realistically portray the managerial decision process? Research indicates that it does. One of the reasons that managers face limits to their rationality is because they must make decisions under risk and time pressure. The situation they find themselves in is highly uncertain and the probability of success is not known. The model also highlights the importance of looking into the behavioural aspects in the decision-making process. This knowledge certainly helps in understanding how and why managerial decisions have been made.

Case Study

Mr. Sharma's Decision

Mr. C.S. Sharma joined in 1970 in Indian Institute of Technology – a premier educational institution in the country imparting higher level education in technology. His job demanded higher level and latest knowledge, higher level teaching skill, and other skills in introducing and practising different teaching methods and bringing coordination between the institute and industry. The institute implemented the pay scales in 1976 recommended by the University Grants Commission which were at par with the pay scales of teachers in Universities and Colleges. The demands of the jobs in Universities and Colleges are quite low compared to those of the Institute.

The pay of Mr. Sharma has been fixed at that level of Mr. Singh, who joined the Institute in 1974 as the University Grants Commission did not recommend any weightages for the teachers who put up less than five year's experience. Mr. Sharma was quite unhappy over the parity of salary of the teachers of the institute with those of university teachers and College teachers on the one hand and equalising his pay with his junior Mr. Singh on the other hand.

The Institute again revised the pay scales of the teachers in 1987 based on the pay scales recommended by the University Grants Commission in 1986. University Grants Commission again maintained parity in pay scales of Institute teachers, University teachers and College teachers. The pay scale of Mr. Sharma was revised and it was fixed at ` 3,700 which was equal to the pay of Mr. Singh, Mr. Kulkarni, who joined the institute in 1984 and

Contd...

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Mr. Prasad, who Joined the Institute in 1986. Mr. Sharma rushed to the chambers of the Director of the Indian Institute of Technology on 20th July, 1988 and told him he was quitting the job in the Institute and he was going to join Government Degree College, Rajahmundry. He further said that he was going to get the same salary in a small town. The Director was shocked after listening to Mr. Sharma.

Questions

1. Do you justify the decision made by Mr. Sharma?

Ans. The decision of Mr Sharma seems to be driven by just money factor. That he would be getting same salary in a smaller town is absolutely right but his profession is not only for earning money. He would have joined IIT for the value it has in the industry as well as the satisfaction that he would get from teaching and nurturing some of the best minds in the country. The case does not throw light on this factor. If he draws the same satisfaction from his teaching at the college at Rajahmundry, his decision is right otherwise, he must rethink before making the final say.

2. Do you suggest any measures to stop Mr. Sharma from quitting the job?

Ans. Before taking any decision to stop Mr Sharma from resigning, analysis of his performance should be done. If he is too precious for the organisation to part ways with, the following methods can be adopted to stop him from resigning:

(a) Counselling: about his gains (other than the money) from the current job.

(b) Offering him a few other concessions

5.4 Group Decision-making

Individual decisions are taken by a single individual. These are concerned mainly with routine problems for which broad policies are available. In such, decisions, analysis of various variables is relatively simple. However, in some cases, important decisions may be made by an individual. Group decisions are those taken by a group of persons constituted for this purpose. Decisions taken by the Board of Directors or a committee are examples of group decisions. These decisions are generally important for the organisation. Group Decision-making generally results in more realistic and well-balanced decisions and encourages participative Decision-making. But if involves delay and makes it difficult to fix responsibility for such decisions.

Table 5.1: Advantages and Disadvantages of Group Decision-making

Advantages	Disadvantages
1. More information and knowledge.	1. Waste of time due to delay in decisions.
2. A greater number of alternatives can be Generated due to wider experience, variety of opinions and more thorough probing of facts.	2. Groups create pressures on members to conformity and to compromise on the least common alternative.
3. Participation in Decision-making increases acceptance and commitment to decisions.	3. Domination of the group by one or two powerful and influential members.
4. People understand the decision better.	4. May be costlier than individual decisions.
5. Interaction between individuals helps to improve cooperation and coordination.	5. Tendency to pass the buck or to avoid responsibility.
6. One man control reduced as authority is shared.	6. Disagreement among group members may lead to conflict and ill feelings between them.
7. Fosters creativity and initiative.	

5.5 Creativity Problem Solving

Notes

A large number of techniques have been developed to encourage creative thinking. Some of these techniques are described below:

1. ***Attribute Listing:*** This technique was developed by Robert Crawford. It involves listing of all attributes of an object or problem. Then an attempt is made to modify each attribute or group of attributes in as many ways as possible.
2. ***Brain Storming:*** This is a technique developed by Alex F. Osborn, an advertising agency executive. Under this technique, a group of persons is given a problem and they are encouraged to suggest whatever solutions come to their mind. The discussion is free and uninhibited.
3. ***Garden Technique (Synectics):*** William J. Gordon developed this technique. In order to encourage wider and a more innovative outlook, the participants are kept in dark about the exact nature of the problem. Gordon technique is more unconstrained than brainstorming.
4. ***Nominal Group Technique:*** The nominal group is a group in name only. This technique consists of the following steps:
   (a) the leader explains the problem to the members of the target group;
   (b) each member writes down his ideas silently and independently;
   (c) each member presents his one best idea to the group which is written on a blackboard for all to see;
   (d) a discussion is held to explain and evaluate the idea.
5. ***Delphi Technique:*** This technique is used to collect information from physically dispersed persons by means of a written questionnaire. This technique permits collection of ideas from experts placed in different locations. The members are not influenced by one another, as there is no face-to-face interaction.

Caselet

The Effect of Participative Decision-making

Participative decision making is when the leader involves the members of the organisation. Other perspectives of the situation are discovered because the leader deliberately asks and encourages others to participate by giving their ideas, perceptions, knowledge, and information concerning the decision. The leader maintains total control of the decision because, although outside information is considered, the leader alone decides. The leader is also completely responsible for the good or bad outcome as a result of the decision. The advantages include some group participation and involvement. This is especially valuable when a person is affected negatively by the decision. In most cases, the individual is informed before the decision is implemented (no surprises) and usually feels good about personal involvement. If the leader is a good communicator, and listens carefully to the information collected, he or she will usually have a more accurate understanding of the situation and make a better decision. The disadvantages of this style include a fairly slow, time consuming decision; less security, because so many people are involved in the decision.

Source: http://leadershipmanagement.com/html-files/decision.htm

Notes

5.6 Summary

- Decision-making can be regarded as an outcome of cognitive processes leading to the selection of a course of action among several alternatives.
- Making a decision implies that there are alternative choices to be considered and the best alternative is to be chosen.
- Most decisions are made by moving back and forth between the choice of criteria.
- There is a five step decision-making process involved behind every decision.
- There are many models available to help the managers take timely and effective decisions.
- Group decisions are those taken by a group of persons constituted for this purpose.
- To foster creativity in group Decision-making many techniques are used, such as: attribute listing, brain storming, garden technique, nominal group technique and Delphi technique.

5.7 Keywords

Brainstorming: Group of people are given a problem and suggestions are sought.

Delphi Technique: Getting information from physically dispersed people.

Intuition: It is the apparent ability to acquire knowledge without inference or the use of reason.

Nominal Group Technique: Help generate ideas while letting group members think independently.

Optimizing: Making the best possible

Rationality: Having complete knowledge about all the details of a given situation.

5.8 Self Assessment

1. Choose the appropriate answer:
   (a) In decision-making, one adheres to the following steps: (A) Secure pertinent information. (B) Define the problem. (C) Analyze the facts.

   Of the four choices below, the correct order of these steps is?

   (i) A, B, C (ii) B, A, C (iii) C, B, A (iv) A, C, B

   (b) In which of the following situations should an employee use his own judgment?

   (i) When immediate action is necessary and the rules do not cover the situation.

   (ii) Whenever the rules appear to be unfair in their application.

   (iii) Whenever a situation is not covered by established rules.

   (iv) Whenever a superior is present.
2. State whether the following statements are true or false:
   (a) A decision is the selection of a course of action.

   (b) Decision-making is the process by which the decision-maker tries to jump over the obstacles placed between his current position and the past position.

   (c) The first step in decision-making process is developing the problem.

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(d) If tried, it is very easy to state a problem accurately.

(e) According to rationality model, managers select the first alternative that is satisfactory.

(f) Bounded rationality assumes that managers satisfice.

(g) Satisficing decisions make progress toward work stations.

(h) The Garbage Can Model illustrates the idea that not all organisational decisions are made in a step-by-step.

(i) In brainstorming, the participants are given only an outline of the problem.

(j) In nominal group technique, individuals can independently think about the problem.

(k) Brainstorming reduces the bandwagon effect of majority opinion.

5.9 Review Questions

1. How do you react in a situation where you need to take an immediate decision? What process will you follow for decision-making in such a critical situation?
2. Have you ever faced a situation when you had to take a decision, which did not fall within in your area of responsibility? What decision did you make and how?
3. Have you ever tried to delay any decision-making? What were the consequences of this on both your company and customers?
4. Do you always make decisions on your own without the help of others? In which situations do you seek other's help for decision-making?
5. When a logical approach to a problem is ineffective, how do you come up with a solution?
6. What steps do you take when a customer claims that part of his consignment has not been delivered?
7. If a clash of personalities were to occur with a colleague, what steps would you take to make the working relationship run smoothly?
8. Under what conditions would a majority of one be a satisfactory approach to making decisions? Should a majority of one ever be the basis for action?
9. How many alternative solutions should be considered in making decisions? How do you decide?
10. What would you do in a situation where you are the supreme authority to make a strategically important decision for your organisation. You may take no one's advice in the end but at least get their input. A new angle on the problem may be surprisingly helpful in solidifying the decision or at least the way to go about making the decision work for you. Will you take the help of the others or would rather make the decision on your own?
11. Among securing pertinent information, defining the problem and analysing the facts, which would be your preferred order of activities and why?
12. Should an employee use his own judgement when an immediate action is necessary and the rules do not cover the situation? Support your answer with reasons.
13. Have you ever faced a situation when you had to take a decision, which did not fall within in your area of responsibility? What decision did you make and how?

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14. Think of a time when a colleague/acquaintance strongly disagreed with your views, ideas, or way of working? What kind of relationship can you develop with such a person?
15. Explain Nominal Group Technique. How is it different from brainstorming and garden technique?
16. Group decision-making is a boon or a bane? Justify your answer.

Answers: Self Assessment

1.	(a)	(ii)	(b)	(i)			
2.	(a)	True	(b)	False	(c)	False	(d) False
	(e)	True	(f)	True	(g)	False	(h) True
	(i)	True	(j)	True	(k)	False	

5.10 Further Readings



Books

James G. March, *Primer on Decision-making: How Decisions Happen*, Free Press.

Luis R. Gomez - Mejiz, David B. Balkin, Robert L. Cardy, *Management*, Second Edition, Tata McGraw Hill

Max H Bazerman, *Judgment in Managerial Decision-making*, John Wiley and Sons Publications

PG Aquinas, *Organisational Behaviour*, Excel Books.

Robbins SP and Mary Courter, *Management*, Prentice Hall of India P. Ltd



Online links

http://www.businessballs.com/problemsolving.htm

http://www.thinkingmanagers.com/business-management/decision-making.php

http://www.virtualsalt.com/crebook5.htm

www.the-happy-manager.com/decision-making-styles.html

Unit 6: Management by Objectives and Styles of Management

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Objectives

After studying this unit, you will be able to:

- Discuss management by objectives and management by exception
- Describe different styles of management
- Explain McKinsey's 7-S approach
- State the concept of self-management

Notes

Introduction

We all know that good management is characterised usually by the accomplishment of desired objectives. Management by Objectives or MBO is a technique which helps a manager to achieve his objectives in an efficient manner.

MBO insists that a manager be very clear about his objectives before he starts a task. If a manager is not sure about his destination, he is unlikely to arrive, and in all probability he may not even know whether he is on the right road or not, or if he has arrived or not.

MBO is as old as management itself. In fact, management has to be always with and by objectives. Unfortunately, however, most managers are really not sure about their objectives. They are usually not clear as to what their organisation, department or section should achieve within a particular period of time. If properly implemented MBO can provide the dynamism, purpose and trust that are essential characteristics of effective management. It is like inflating back to shape a tube which has become somewhat flat.

6.1 Core Concepts of MBO

Management by Objectives (MBO) was first outlined by Peter Drucker in 1954 in his book 'The Practice of Management'. It is a systematic and organised approach that allows management to focus on achievable goals and to attain the best possible results from available resources.

MBO aims to increase organisational performance by aligning goals and subordinate objectives throughout the organisation. It managers focus on the result, not the activity. They delegate tasks by "negotiating a contract of goals" with their subordinates without dictating a detailed roadmap for implementation. Management by Objectives (MBO) is about setting yourself objectives and then breaking these down into more specific goals or key results. Ideally, employees get strong input to identify their objectives, time lines for completion, etc. MBO includes ongoing tracking and feedback in the process to reach objectives.

According to Drucker managers should "avoid the activity trap", getting so involved in their day to day activities that they forget their main purpose or objective. Instead of just a few top managers, all managers should:

1. participate in the strategic planning process, in order to improve the implementability of the plan, and
2. implement a range of performance systems, designed to help the organisation stay on the right track.

6.1.1 Setting Objectives

In Management by Objectives (MBO) systems, objectives are written down for each level of the organisation, and individuals are given specific aims and targets. "The principle behind this is to ensure that people know what the organisation is trying to achieve, what their part of the organisation must do to meet those aims, and how, as individuals, they are expected to help. This presupposes that organisation's programs and methods have been fully considered. If they have not, start by constructing team objectives and ask team members to share in the process."

For Management by Objectives (MBO) to be effective, individual managers must understand the specific objectives of their job and how those objectives fit in with the overall company objectives set by the board of directors. "A manager's job should be based on a task to be performed in order to attain the company's objectives... the manager should be directed and controlled by the objectives of performance rather than by his boss."

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6.1.2 Characteristics of Management by Objectives

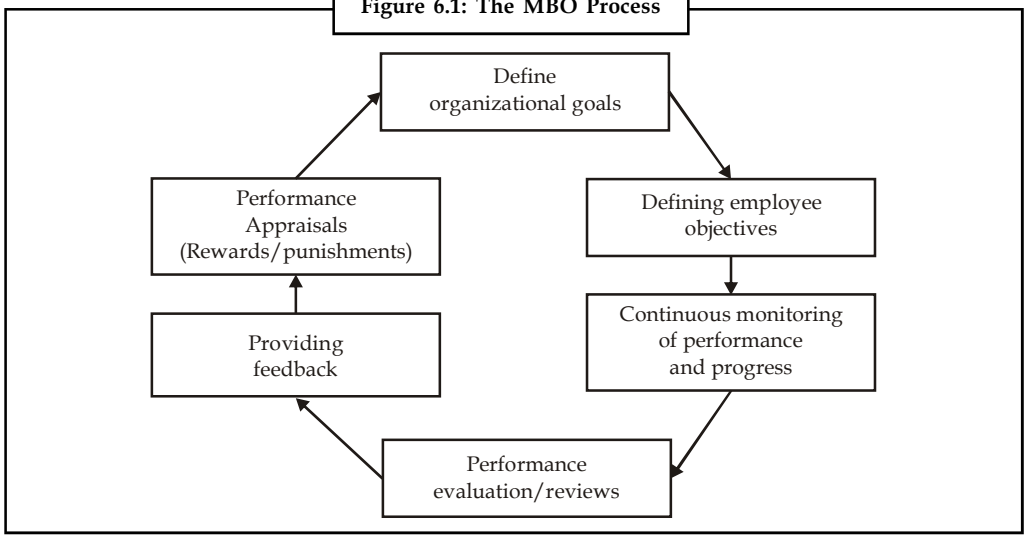
Management by Objectives has following characteristics.

1. MBO emphasises participation in setting goals that are tangible, verifiable and measurable.
2. MBO focuses attention on what must be accomplished (goals) rather than how it is to be accomplished (methods).
3. MBO, by concentrating on key result areas translates the abstract philosophy of management into concrete phraseology. The technique can be put to general use (non-specialist technique). Further, it is 'a dynamic system which seeks to integrate the company's need to achieve its profit and sales growth with the manager's need to clarify and achieve its profit and sales growth with the manager's need to contribute and develop himself.
4. MBO is a systematic and rational technique that allows management to attain maximum results from available resources by focusing on achievable goals. It allows the subordinate with plenty of room to make creative decisions by himself.

6.2 Process of MBO

The process of MBO consists of the following steps, as shown in the figure.

Figure 6.1: The MBO Process



6.2.1 Defining the Goal

Any MBO programme must start with an absolute enthusiastic support of top management. It must be consistent with the philosophy of the management. The long-term goals of the organisation must be outlined initially, like: What is the basic purpose of the organisation? What business are we in and why? What are the long-term prospects in other areas? After these long-term goals are established, management must be concerned with determining specific objectives to be achieved within a given time capsule.

Goal setting is a powerful way of motivating people. Goals provide a clear idea of what we are trying to achieve. Goals allow us to measure our progress. We are able to plan what we need to do to achieve these goals through people, time, resources etc. Keeping all this in mind companies should set SMART goals. S - Specific, M - Measurable, A - Achievable, R - Realistic and T - Time-based.

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6.2.2 Action Plan

The action plan is the means by which an objective is achieved. The action plan gives direction and ensures unity of purpose to organisational activities. It will state in detail, exactly what is to be done, how the subordinate will proceed, what steps will be taken, and what activities will be engaged in as the subordinate progresses. It provides a specific answer to the question: 'What is to be done?' Questions like who is responsible for each activity, what resources are needed, what the time requirements are would also be answered.



Example: Nitin Albert and his sales manager might agree upon the following standards of performance for Nitin:

1. increase sales of mobile phones in the Southern region by 10 percent by the end of the current year; and
2. reduce travelling expenses during the above period.

There are two ways of developing specific action plans: They may be developed by both manager and subordinate or by the subordinate alone. To ensure success, the superior must be willing to sit with each subordinate and review the action plan (such as the above one), once it has been developed. The periodic review process helps the superior to monitor progress towards goal achievement. It helps in finding out better and more efficient methods of accomplishing goals, in finding out the feasibility of implementing the earlier goals uncovering barriers to accomplishment etc. If the subordinate does not appear to be on the right course, the performance objective can be modified or the subordinate can be redirected into more productive behaviours. The emphasis in periodic review sessions should be on checking the progress toward goal achievement. If the performance is not satisfactory, the superior must try to isolate the causes of lack of progress without criticising the subordinate and indicate specific steps, as to how to proceed in future so as to achieve the goals. The emphasis should be on improving performance rather than degrading subordinates.

6.2.3 Final Review

This is the last phase of the MBO programme. In this step, the actual results are measured against predetermined standards. Mutually agreed-on objectives provide basis for reviewing the progress. While appraising the performance of subordinates, the manager should sit with his subordinates and find out the problems encountered while accomplishing the goals. The subordinate, as in the periodic sessions, should not be criticised for failure to make sufficient progress; the atmosphere should not be hostile or threatening. A give-and-take atmosphere should prevail and the appraisal should be based on mutual trust and confidence between managers and subordinates. In actual practice, this type of give-and-take session is extremely difficult to achieve and rarely reaches its potential value, unless managers are gifted with necessary interpersonal skills. Often, appraisal takes place for the purpose of determining rewards and punishments; judging the personal worth of subordinates and not the job performance. As a result, appraisal sessions become awkward and uncomfortable to the participants and intensify the pressure on subordinates while giving them a limited choice of objectives. Insecure subordinates may come to 'dread' the sessions and they may not feel free to communicate honestly and openly, without fear of retaliation. Appraisals can be really useful, if the person being evaluated knows and accepts in advance the grounds upon which he is being appraised.

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6.3 Benefits of Management by Objectives

MBO is hailed as the greatest innovation in years. Advocates argue that "it is the successor to Taylor's 'mental revolution'-a new way of thinking about, and engaging in, collective effort". It is claimed that when an organisation is managed by objectives, it becomes performance-oriented, it grows, develops and becomes socially useful in many ways:

1. ***Clear goals:*** MBO produces clear and measurable performance goals. Goals are set in an atmosphere of participation, mutual trust and confidence.
2. ***Better planning:*** MBO programmes sharpen the planning process. Specific goals are products of concrete thinking.
3. ***Facilitates control:*** MBO helps in developing controls. A clear set of verifiable goals provides an outstanding guarantee for exercising better control.
4. ***Objective appraisal:*** MBO provides a basis for evaluating a person's performance since goals are jointly set by superior and subordinates.
5. ***Motivational force:*** Both appraiser and appraisee are committed to the same objective. It forces managers to think of result oriented planning rather than planning for activities or work.
6. ***Better morale:*** MBO encourages commitment rather than rote compliance. It is at functional in terms of what top management demands and developmental in terms of people at work.
7. ***Result-oriented philosophy:*** MBO is a result-oriented, practical and rational management philosophy.

6.4 Limitations of Management by Objectives

MBO is not a panacea, a cure for all organisational problems. Quite often, many organisations look at MBO as an instant solution to their problems. They fail to recognise that MBO demands careful planning and implementation to be successful.

This technique, like all others, can be no better than the people who try to apply it. Some of the problems preventing MBO from achieving its best results may be catalogued thus:

1. ***Pressure-oriented:*** MBO may prove to be self-defeating in the long run since it is tied with a reward-punishment psychology. It is a clear violation of the integrity of subordinate's personality. MBO programmes sometimes, discriminate against superior performers. It tries to indiscriminately force improvement on all employees and at times, may penalise the very people who are most productive in the organisation.
2. ***Time consuming:*** MBO demands a great deal of time to carefully set objectives, at all levels of the organisation. Initially to instill confidence in subordinates in the 'new system', superiors may have to hold many meetings. The formal, periodic progress and final review sessions also consume time.
3. ***Increases paperwork:*** MBO programmes introduce a tidal wave of newsletters, instruction booklets, training manuals, questionnaires, performance data, reports into the organisation. To stay abreast of what is going on in the organisation, managers may demand regular reports and data in writing, resulting in 'gruelling exercise in filling out forms'. It has created one more 'paper mill'. According to Howell, MBO's effectiveness is inversely related to the number of MBO forms.

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4. ***Goal-setting problems:*** MBO works effectively when important measurable objectives are jointly agreed upon. It works less, when: (i) Verifiable goals are difficult to set. (ii) Goals tend to take precedence over the people who use it. MBO focuses on end results and it may foster an attitude, that any action is acceptable as long as it helps to achieve the goals. Consequently, unwise decisions are made that would ultimately harm the organisation. (iii) Goals are inflexible and rigid. (iv) There is overemphasis on quantifiable and easily measurable results instead of important results. Many important qualitative goals like job satisfaction, employee attitudes are lost sight of (attempts to set measurable goals force managers to search for a magic figure for each area). (v) Overemphasis on short-term goals at the expense of long-term goals. Attempts to show results force managers to curtail costs, in areas where a long-term perspective would be more fruitful to the organisation.

5. ***Organisational problems:*** MBO is not a palliative for all organisational ills. It is not for everybody. MBO creates more problems than it solves when:

   (a) There might be a failure to teach the philosophy to all participants. Too often MBO is introduced across the organisation with little explanation, training or help.

   (b) There might be failure to limit objectives. Too many objectives obscure priorities and create a sense of fear and panic among subordinates.

   (c) It is inconsistent with management philosophies. Under MBO programmes, managers are forced to take a 180° turn from their present ways of thinking and acting. Instead of planning and deciding things for others, they are advised to invite subordinates and plan for work in an atmosphere of participation, much to their dislike.

   (d) The programme is used as a 'whip' to control employee performance.

   (e) It leads to a tug-of-war in which the subordinate tries to set the lowest possible target and superior the highest.

   (f) The seniors might turn MBO into a sham and start 'playing games'.

   (g) Lack of committment and support of top management.



Task

Find out some practical examples of MBO in action.



Case Study

MBO in Action at Microsoft

Microsoft Corporation was founded to develop and sell BASIC interpreters for the Altair 8800. But due to its unique system of management, the company rose to dominate the home computer operating system market with MS-DOS in the mid-1980s, followed by the Windows line of operating systems. It's quite well known that its products have all achieved near-ubiquity in the desktop computer market.

Throughout its history, Microsoft has been the target of criticism, including monopolistic business practices and anti-competitive strategies. But it has always been the most sought after employer among the best talent in the industry.

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The reason for the excellence of Microsoft goes to the leadership of Mr Bill Gates and his policies in which he propagates MBO

1. Eliminate politics, by giving everybody the same message.
2. Keep a flat organisation in which all issues are discussed openly.
3. Insist on clear and direct communication.
4. Prevent competing missions or objectives.
5. Eliminate rivalry between different parts of the organisation.
6. Empower teams to do their own things.

Questions

1. What is the prime reason for the success of Microsoft?

Ans. The foresightedness and MBO techniques of the senior management.

2. Analysing the caselet above, state whether the following are true or false.
   (a) Round table conferences involving the concerned authorities are the best way to solve an issue.
   (b) Competition among different teams within the organisaion increases their productivity.
   (c) The teams should have independence as long as it doesn't hamper their performances.

Ans. (a) True (b) False (c) True

6.5 Management by Exception

Management by Exception is a practice in which only the information that indicates a significant deviation of actual results from the budgeted or planned results is brought to the management's notice. Its objective is to facilitate management's focus on really important tactical and strategic tasks. In this, the decision that cannot be made at one level of management is passed on to the next higher level.

All organisations can use management by exception. When routine work results in acceptable performance, no management attention is required. Managers who have properly trained their subordinates should have no problems delegating authority and allowing people to manage their own work. Managers are then able to devote their expertise and attention to non-routine problems. Some managers have trouble allowing their subordinates to make decisions because of control issues, but this psychological barrier will hamper their careers.

6.6 Styles of Management

Different styles of management exist in different parts of the world. We will discuss the American, Japanese and Indian styles in brief.

6.6.1 American Style of Management

American management style can be described as individualistic in approach, in so far as managers are accountable for the decisions made within their areas of responsibility. Although important decisions might be discussed in open forum, the ultimate responsibility for the consequences of the decision lies with the boss and every other supporter will vanish when things go wrong. But

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tide to this accountability are outstanding rewards that every individual in this world dreams of. Therefore, American managers are more likely to disregard the opinions of subordinates than managers in other, more consensus or compromise- oriented cultures. This can obviously lead to frustrations, which can sometimes seem to boil over in meeting situations.



Did u know? Titles can be very confusing within American organisations with a bewildering array of enormously important-sounding job descriptors on offer (Second Vice-President etc.). Titles, in any case, tend to be a poor reflection of the relative importance of an individual within a company. Importance is linked to power, which could be determined by a number of factors such as head-count responsibility, profitability of sector or strategic importance to the organisation at that point in time.

6.6.2 Japanese Style of Management

Japanese management stresses more on the need for information flow from the bottom of the company to the top. This results in senior management having a largely supervisory rather than hands-on approach. As a result, it has been noted that policy is often originated at the middle-levels of a company before being passed upwards for ratification. The strength of this approach is obviously that those tasked with the implementation of decisions have been actively involved in the shaping of policy. The higher a Japanese manager rises within an organisation, the more important it is that he appears unassuming and not so ambitious. The key task for a Japanese manager is to provide the environment in which the group can grow. In order to achieve this he must be accessible at all times and willing to share knowledge within the group. Instructions from managers can seem extremely unclear to western counterparts and this often causes confusion and frustration. This difficulty is caused, in no short measure, by problems around styles of communication.

6.6.3 Indian Style of Management

India is a very hierarchical society and this, obviously, has an impact on management style. It is imperative that there is a boss and that the manager acts like a boss. The position of manager demands a certain amount of role-playing from the boss and a certain amount of admiring behaviour from his subordinates. Anglo-Saxon concepts of egalitarianism where the boss is the primus inter pares are virtually incomprehensible in a society still dominated by the historical conventions of the caste system.

Therefore, the boss is expected to give explicit instructions which will be followed to the letter - even if everybody knows full well that the instruction is incorrect. Unclear requests for action, with the expectation that staff will show the necessary level of initiative are likely to end in inaction, as staff will be left confused as to the wishes of the manager. Managing people in India requires a level of micro-management which many western business people feel extremely uncomfortable with but, which is likely to bring the best results.



Caselet

Ramadorai's Minimalist Style of Management

S. Ramadorai (Ram) has relinquished the charge of Managing Director of TCS Ltd and has handed over charge to N.Chandrasekaran, (Chandra). Being the CEO of a large company for 13 years and taking it from 100 Million $ sales to 6 Billion dollars is no

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mean achievement. Yet, it is extremely difficult to articulate Ram's management style or identifying any major steps taken by the company or the IT industry to him.

Ramdorai inherited TCS from FCKohli who had already identified and clearly laid down the building blocks for TCS business in software and IT services. The key presence in leading markets like US and Europe was already in place. The business model of hiring engineers and programmers from across India and posting them on projects abroad and earning profits by wage arbitrage was well established. Servicing foreign clients from providing offshore centres in India also began in the late'80s.

In a Business India article which came after Ramadorai took over as the CEO from FCKohli, Mr Kohli had made a terse comment that " Ramadorai had no vision for TCS, but will acquire it over time."

The strategy and business model of TCS from the FCKohli era was scaled up by Ramadorai and his team to levels no one ever thought was possible. Year 2000 presented a great opportunity to scale up this model and create software factories. Even the decision to leverage Y2K was not really a conscious decision by Ram/TCS but being with the flow. The entire Indian IT industry was gearing up for it and having had a headstart in this business TCS and Infosys made the most of it.

There is no clear evidence or information that some of the acquisitions made by TCS were actually driven by any grand vision of Ramadorai. It appears that the CMC acquisition which was part of the disinvestment move of the Govt of India, was a decision thrust on TCS by Bombay House. The merger of Tata Infotech with TCS also appeared to be a Bombay House decision to strengthen an ailing company. Even the decisions of not launching an IPO at the height of the dot-com boom of '99-2000 and finally launching an IPO in 2004 was more a decision of the owners rather than the CEO's.

It has to be said that after TCS ceased to be a division of Tata Sons and became a public limited company and was declaring results Quarter after quarter, visibility of TCS and Ramadorai improved considerably.

Inspite of his frequent appearances in media as MD of TCS or as an elder spokesperson of the IT industry, Ramadorai's statements or quotes had minimal substance and little impact. Even his favourites would not accuse him of having any charisma. Ramadorai and TCS always looked pale in front of the well-oiled PR machinery of Infosys.

In the last five years after the IPO, even though Ramadorai was the CEO, it was becoming increasingly visible that the day-to-day operations and much of the strategic decisions were being made by the top team particularly the current CEO, Chandra. The recent acquisition of Citi BPO or the organisational restructuring of 2007/08 were seen as Chandra's initiatives rather than Ram's.

Ramadorai had a very minimalist style of management. Being at the helm of affairs of such a large company, yet appearing very aloof. Sometimes he went along with the decisions and initiatives taken by his bosses in Bombay House and sometimes by his team. He did not make any grand statements of vision or put his personal prestige behind any major decision. Yet, he did not do anything silly. He may appear like a bystander, but he was very much on the ball in terms of facts and figures. He had the wisdom to know he had a good thing going in TCS.

Ramadorai may not have been anywhere close to the textbook profile of a great corporate leader, yet he leaves the top job at TCS as an extremely successful manager. As Ramadorai moves up as the VC, hoping that Chandra and TCS continue to ride on Ram's luck.

Source: businessbaatein

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Caselet

Azim Premji's Style

If Rahul Bajaj has a rival for the title of India's most hands-on manager, Premji is probably high on the candidates' list. Bajaj, it is famously said, used to sign every check at the two-wheeler company. Premji likes to check the costs of airline tickets and frequent flyer statements.

"Premji makes Uncle Scrooge look like Santa Claus," a Bangalore tech manager was once quoted. "He monitors the number of toilet paper rolls used in Wipro facilities and demands that employees switch off the lights when leaving their offices; Premji himself makes random checks to see that the lights are out at the end of the day.

There are no limos awaiting Premji or Wipro staffers when they arrive at an airport. They take taxis or trains. Premji often takes a three-wheeled autorickshaw from the Bangalore airport when returning from his travels. His only car is a 1996 Ford Escort. While on the road he does his own laundry and stays in three star hotels - and requires his employees to do the same.

On the flip side, people who have left Wipro speak highly of their former boss: a rare tribute in our dog-eat-dog world. Som Mittal, President and CEO of Digital India (Hewlett-Packard) recounts, "I could tell right away that Mr Premji was very demanding, because he interviewed me for eight hours before hiring me and he'd prepared the interview very carefully. During my five years at Wipro, Mr Premji never insisted on a specific workload or strict working hours. But by magic, or by fear of disappointing him, employees exercised self-discipline. When I told him I was leaving, he was really sad. He's very possessive. Today, we run into each other regularly at conventions. I still respect him greatly and, unlike many of his colleagues, would never dare to call him by his first name."

Premji firmly believes that ordinary people are capable of extraordinary things. The key to this is creating highly charged teams. He takes a personal interest in developing teams and leaders and invests personal time in his managers. Managers agree that Premji is happy to work alongside them, making sales calls with the marketing team, and is said to welcome criticism. A just boss, if a stern master. "I demand of others only what I demand of myself," he says.

That's fine if you also happen to enjoy working fifteen hours a day. Mistakes are not penalized but deception is akin to waving a red flag in front of a raging bull. There's a legend (true!) that Premji once preferred to face a tough, three-month strike rather than rehire an employee who had submitted fraudulent expense accounts. "The person said he was traveling in first class, when in fact he was traveling in second class and pocketing the difference," he recalls, "that was unacceptable."

To be able to predict the future and rightly predict it is what differentiates smart managers from managers. And Premji has proved himself as a manager with a finger on the pulse of the world. The future, according to him, will see significant changes in technology, economy and society. "But what will remain unchanged is the need of the customer for an organization with a human face," he said.

Recounting the most defining moment of his life in an interview to the BBC, Premji said, "it happened when I was 21-years-old. I was studying at Stanford University. My father suddenly died so I had to rush back to India and I attended the first annual general meeting of my company. A shareholder, who was articulate and vociferous, gave me sincere advice

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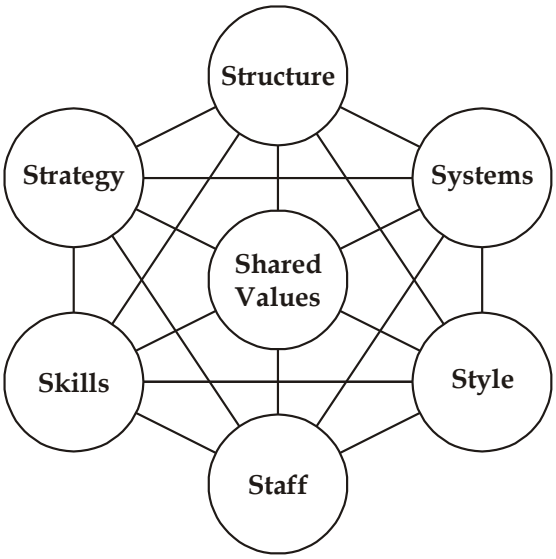
in front of all the shareholders. He said, 'Mr Premji, you should sell your shareholding and give it to more mature management because there is no way a person of your age with your experience can lead this company.' And that really made me more and more determined to make a success of Wipro."

Source: www.moneycontrol.com

6.7 McKinsey's 7-S Model

The McKinsey's 7-S Framework is management model or framework which describes seven factors which should be organised by a company in an efficient and holistic way. The framework suggests that there is a multiplicity of factors that influence an organisation's ability to change and its proper mode of change. These factors describe the way in which a company operates. The manager of the company should take into account every factor equally important and these factors are interdependent on each other. There is no starting point or implied hierarchy in the shape of the diagram, and it is not obvious which of the seven factors would be the driving force in changing a particular organisation at a certain point of time. The critical variables would be different across organisations and in the same organisations at different points of time.

Figure 6.2: McKinsey's 7-S Framework



Source: www.transess.com

1. ***Strategy:*** defines the plans for the allocation of resources, how to reach goals, environment in which to work and so on.
2. ***Structure:*** defines how the various units in the organisation are related to each other: centralized, matrix, top-down approach etc.
3. ***Shared Values:*** defines what the company stands for and what it believes in.
4. ***Systems:*** defines the procedures, processes and other routines to be followed for the project preparation. That is how the work should be done.
5. ***Staffs:*** includes the number and type of people involved in the project and also their profession.

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6. ***Style:*** defines the way in which the manager behaves in achieving the goal.

7. ***Skills:*** determines the capabilities of different person and organisation as a whole.

Strategy, systems and structure are referred to as hard Ss. Hard elements are easier to define or identify and management can directly influence them.

Shared Values, staff, style and skills are referred to as soft Ss. Soft elements can be more difficult to describe, and are less tangible and more influenced by culture.

This model is based on the theory that, for an organisation to perform well, these seven elements need to be aligned and mutually reinforcing. So, the model can be used to help identify what efforts need to be aligned or realigned to improve performance, or to maintain alignment (and performance) during other types of change.

Whatever the type of change – restructuring, new processes, organisational merger, new systems, change of leadership, and so on – the model can be used to understand how the organisational elements are interrelated, and so ensure that the wider impact of changes made in one area is taken into consideration. It's then a question of adjusting and tuning the elements of the 7S model to ensure that your organisation works effectively and well once you reach the desired endpoint.

The McKinsey's 7S Framework can be used for the following purposes:

1. Considering the links between each of the S's one can identify strengths and weaknesses of an organisation. No S is strength or a weakness in its own right, it is only its degree of support, or otherwise, for the other S's which is relevant. Any S's that harmonises with all the other S's can be thought of as strength and weaknesses

2. The model highlights how a change made in any one of the S's will have an impact on all the others. Thus if a planned change is to be effective, then changes in one S must be accompanied by complementary changes in the others.



Caselet

Key Points of McKinsey's 7-S Framework

The McKinsey 7Ss model is one that can be applied to almost any organisational or team effectiveness issue. If something within your organisation or team isn't working, chances are there is inconsistency between some of the elements identified by this classic model. Once these inconsistencies are revealed, you can work to align the internal elements to make sure they are all contributing to the shared goals and values.

The process of analyzing where you are right now in terms of these elements is worthwhile in and of itself. But by taking this analysis to the next level and determining the ultimate state for each of the factors, you can really move your organisation or team forward.

Source: www.gmatclub.com

6.8 Self-management

The self-concept is the accumulation of knowledge about the self, such as beliefs regarding personality traits, physical characteristics, abilities, values, goals, and roles. Beginning in infancy, children acquire and organise information about themselves as a way to enable them to understand the relation between the self and their social world. This developmental process is

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a direct consequence of children's emerging cognitive skills and their social relationships with both family and peers.



Notes Most models and descriptions of the self involve elements of self-perceptions; however, most are unclear as to what aspects of the self the individual holds perceptions of. One of the earliest theorists writing on the nature of the self was William James (1890). He saw the self as consisting of whatever the individual views as belonging to himself or herself, which includes a material, a social, and a spiritual self. The perceptions of the material self are those of one's own body, family, and possessions.

The development of self-awareness does not occur in all-or-none fashion, which would enable us to assume that up to this point, the child does not possess it but beyond this point, he does.

The process of self discovery is actively going on at least as long as the child is developing or discovering new potentialities and in a healthy person, the discovery of self, continues as long as he lives.

6.8.1 Hierarchy of Self-concepts

The organisation of the different self-concept acquired from a wide variety of experience is hierarchical. Each new self-concept is interrelated with those that have already been formed and exerts others that are formed later.

The Primary or First Self-concept

It is shaped up by the social experiences the person has in his home during his early years. The frequency and quality of the child's relationship with family members will determine how important role they play in the formation of his primary self-concept. The primary or first self-concept is shaped by the social experiences the person has in the home during the early years. The primary self-concept in hierarchy is thus a "mirror image" or social self-concept.

Secondary Self-concept

Just about the time the child becomes mature enough to evaluate himself in relation to others, i.e., at the age of 5 to 6 years, in one way, he would express his ability to imagine how he would like to be and this is the beginning of ideal self-concept. The ideal self-concept is influenced by the concept formed earlier. A highly unrealistic ideal self-concept will increase a person's dissatisfaction with his mirror images and basic self-concept.

6.8.2 Pattern of Development

The pattern of development from one person to another is fairly predicable. It can be understood as:

Physical and Psychological Self-concept

Physical self-concept is usually acquired before psychological self-concepts.

The child has an image of his physical characteristics before he is aware of his abilities, disabilities, needs and aspirations etc. Emotions also play a very important role in the development of psychological self-concept.

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Gradually, the images of both psychological and physical concepts fuse. This happens usually during late childhood; the feelings and attitudes accompanying the self-images will be also fused. Physical changes also develop in later childhood and early adulthood, physical self-concept remains fairly stable.



Did u know? At puberty, the individual attention is focused on his rapidly changing appearances. The person approaching old age likewise changes his physical self-concept. The psychological self-concept includes the person's attitudes towards his abilities and disabilities, his special attitudes, his roles in life, his responsibilities and his hopes and aspirations. This self-concept develops later than the physical self-concept.

Social Self-concept

Early social self-concept or mirror images develop in the home, because the child's relationship with the mother is the first significant relationship in life. Later, the young child develops social relationship with other family members; their treatment towards him contributes to his developing self-concept.

Basic Self-concept

To develop a basic self-concept that is free from the influence of mirror images, the person must do three things:

1. He must become psychologically independent.
2. He must make use of his abilities to think and make decisions for himself.
3. He must have broad social contacts with all kinds of people so that he can see himself as an individual distant from the group with which he has been closely identified.

Ideal Self-concept

It begins around the age of 3 years and reaches its peak between 4 and 5 years. The more dissatisfied a person is with himself and the more unsatisfactory the mirror images he has developed in his relationship with others, the stronger his motivation to develop ideal self-concepts.



Task

Observe the behaviour of people of different age groups in your locality and try to analyse how they manage themselves.

6.9 Summary

- MBO aims to increase organisational performance by aligning goals and subordinate objectives throughout the organisation. It managers focus on the result, not the activity.
- Management by Exception's objective is to facilitate management's focus on really important tactical and strategic tasks.
- American management style can be described as individualistic in approach, Japanese management emphasises the need for information flow from the bottom of the company to the top and Indian management system is based on hierarchy.

Notes

- McKinsey's 7-S framework suggests that there is a multiplicity of factors that influence an organisation's ability to change and its proper mode of change.
- The self-concept is the accumulation of knowledge about the self, such as beliefs regarding personality traits, physical characteristics, abilities, values, goals, and roles.

6.10 Keywords

Management by Objectives: Management model that aims to improve performance of an organisation by clearly defining objectives that are agreed.

Management by Exception: Practice in which only the information that indicates a significant deviation of actual results from the budgeted or planned results is brought to the management's notice.

McKinsey's 7-S Framework: Management model which describes seven factors which should be organised by a company in an efficient and holistic way.

Self-concept: Accumulation of knowledge about the self, such as beliefs regarding personality traits, physical characteristics, abilities, values, goals, and roles.

6.11 Self Assessment

Fill in the blanks:

1. MBO is……..with management philosophies.
2. Action plans may be developed by both manager and ……...
3. Specific goals are products of ……..
4. The objective of…….is to facilitate management's focus on really important tactical and strategic tasks.
5. In……..style of management, individual personality and forcefulness are not seen as the prerequisites for effective leadership.
6. Strategy, systems and…….are three hard Ss as per McKinsey's 7-S model.
7. ……, ……and …….are three components of self concept.
8. …….self concept corresponds to the real self.
9. Your ……. self may not be consistent with what actually happens in your life or your experiences.
10. Primary self concept is shaped up by the …….. experiences the person has in his home during his early years.

6.12 Review Questions

1. "MBO is as old as management itself." Comment
2. What do you mean by the phrase-"Managers should "avoid the activity trap"?
3. Discuss the concept of MBO and highlight its usefulness.
4. Explain the process of MBO.
5. Analyse the pros and cons of MBO.
6. Write a short note on- Management by exception.

Notes

7. Compare and contrast the Japanese, American and Indian style of management.
8. 'The various self-concepts develop in accordance with a predictable pattern'- Discuss.
9. Explain the concept of self and its various forms.
10. Analyse the relevance of self development and management in modern business world.
11. Suppose the objective of a departmental store is to improve the customer satisfaction score. How can it use MBO and goal setting procedure to attain their objective?
12. A company has set goals for the coming month. They are as follows-
    (a) Show improved performance
    (b) Give highest level of satisfaction to the customers
    (c) Make sales worth ₹ 10 Crores (Given that average sales last year were ₹ 1 Crore/ month)

    Do you think that their goals are SMART? Why, or why not?
13. A company that is seeking to get people to work more collaboratively than individually gives its people objectives that they cannot achieve alone. There is no explicit requirement to work together, but the people soon find that they only way to succeed is to collaborate. Why does this happen?
14. MBO may help employees understand how their performance will be evaluated and measured. By allowing them to contribute to goal setting, it may increase the motivation and productivity of a small business's employees. How does MBO achieve these?

Answers: Self Assessment

1.	Inconsistent	2.	Subordinates
3.	Concrete thinking	4.	Management by exception
5.	Japanese	6.	Structure
7.	Perceptual, Conceptual, Attitudinal	8.	Basic
9.	Ideal	10.	Social

6.13 Further Readings



Books

H A Simmons, *The Science of Management Decisions*, Harper and Row, New Delhi

MA Hitt et al, *Management*, Pearson's, New Delhi

PF Drucker, *The Practices of Management*, Allied Publishers, New Delhi



Online links

http://www.referenceforbusiness.com/management/Int-Loc/Japanese-Management.html

http://findarticles.com/p/articles/mi_hb3265/is_n1_v33/ai_n28626001/

www.managementhelp.org/plan_dec/mbo/mbo.htm

www.appraisals.naukrihub.com/mbo.html

Unit 7: Organising

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Objectives

After studying this unit, you will be able to:

- Explain the meaning and process of organisational design and organisational structure
- State the importance and kinds of organisational structure
- Discuss the principles of organisation

Introduction

Organising as a function of management involves division of work among people whose efforts must be co-ordinated to achieve specific objectives and to implement pre-determined strategies. Organisation is the foundation upon which the whole structure of management is built. It is the backbone of management. After the objectives of an enterprise are determined and the plan is prepared, the next step in the management process is to organise the activities of the enterprise to execute the plan and to attain the objectives of the enterprise. The term organisation is given a variety of interpretations. In any case, there are two broad ways in which the term is used.

In the first sense, organisation is understood as a dynamic process and a managerial activity which is necessary for bringing people together and tying them together in the pursuit of common objectives.

When used in the other sense, organisation refers to the structure of relationships among positions and jobs which is built up for the realisation of common objectives.

7.1 Organising – The Process

Organisation is the process of establishing relationship among the members of the enterprise. The relationships are created in terms of authority and responsibility. To organise is to harmonise, coordinate or arrange in a logical and orderly manner. Each member in the organisation is assigned a specific responsibility or duty to perform and is granted the corresponding authority to perform his duty. The managerial function of organising consists in making a rational division of work into groups of activities and tying together the positions representing grouping of activities so as to achieve a rational, well coordinated and orderly structure for the accomplishment of work. According to Louis A Allen, "Organising involves identification and grouping the activities to be performed and dividing them among the individuals and creating authority and responsibility relationships among them for the accomplishment of organisational objectives." The various steps involved in this process are:

1. ***Determination of Objectives:*** It is the first step in building up an organisation. Organisation is always related to certain objectives. Therefore, it is essential for the management to identify the objectives before starting any activity. Organisation structure is built on the basis of the objectives of the enterprise. That means, the structure of the organisation can be determined by the management only after knowing the objectives to be accomplished through the organisation. This step helps the management not only in framing the organisation structure but also in achieving the enterprise objectives with minimum cost and efforts. Determination of objectives will consist in deciding as to why the proposed organisation is to be set up and, therefore, what will be the nature of the work to be accomplished through the organisation.

Notes

2. ***Enumeration of Objectives:*** If the members of the group are to pool their efforts effectively, there must be proper division of the major activities. The first step in organising group effort is the division of the total job into essential activities. Each job should be properly classified and grouped. This will enable the people to know what is expected of them as members of the group and will help in avoiding duplication of efforts. For example, the work of an industrial concern may be divided into the following major functions – production, financing, personnel, sales, purchase, etc.

3. ***Classification of Activities:*** The next step will be to classify activities according to similarities and common purposes and functions and taking the human and material resources into account. Then, closely related and similar activities are grouped into divisions and departments and the departmental activities are further divided into sections.

4. ***Assignment of Duties:*** Here, specific job assignments are made to different subordinates for ensuring a certainty of work performance. Each individual should be given a specific job to do according to his ability and made responsible for that. He should also be given the adequate authority to do the job assigned to him. In the words of Kimball and Kimball, "Organisation embraces the duties of designating the departments and the personnel that are to carry on the work, defining their functions and specifying the relations that are to exist between department and individuals."

5. ***Delegation of Authority:*** Since so many individuals work in the same organisation, it is the responsibility of management to lay down structure of relationship in the organisation. Authority without responsibility is a dangerous thing and similarly responsibility without authority is an empty vessel. Everybody should clearly know to whom he is accountable; corresponding to the responsibility authority is delegated to the subordinates for enabling them to show work performance. This will help in the smooth working of the enterprise by facilitating delegation of responsibility and authority.

7.2 Organisational Design

Organisation design may be defined as a formal, guided process for integrating the people, information and technology of an organisation. Organisation design involves the creation of roles, processes, and formal reporting relationships in an organisation. One can distinguish between two phases in an organisation design process: strategic grouping, which establishes the overall structure of the organisation, (its main sub-units and their relationships), and operational design, which defines the more detailed roles and processes.

It is used to match the form of the organisation as closely as possible to the purpose(s) the organisation seeks to achieve. Through the design process, organisations act to improve the probability that the collective efforts of members will be successful. Thus it may said to be a process for improving the probability that an organisation will be successful.

7.2.1 Hierarchical Systems

Western organisations have been highly influenced by the command and control structure of ancient military organisations, especially those of USA and by the turn of the century introduction of Scientific Management. Most organisations today are designed as a bureaucracy in whom authority and responsibility are arranged in a hierarchy. Within the hierarchy, the laws, policies, and procedures are uniformly and impersonally applied to exert control over member behaviours. Activity is organised within departments in which people perform specialized functions such as manufacturing, sales, or accounting. People who perform similar tasks are clustered together.

Notes

The same basic organisational form is assumed to be appropriate for any organisation, be it a government, school, business, church, or fraternity. It is familiar, predictable, and rational. It is what comes immediately to mind when we discover that ...we really have to get organised!

As rational as the functional hierarchy may be, there are distinct disadvantages to blindly applying the same form of organisation to all purposeful groups. To state a few,

1. different groups wish to achieve different outcomes.
2. different groups have different members, and that each group possesses a different culture.

These differences in desired outcomes, and in culture, should alert the mangers to the danger of assuming there is any single best way of organising. To be complete, however, also observe that different groups will likely choose different methods through which they will achieve their purpose. Service groups will choose different methods than manufacturing groups, and both will choose different methods than groups whose purpose is primarily social. One structure cannot possibly fit all.

7.2.2 Organising on Purpose

The purpose for which a group exists should be the foundation for everything its members do – including the choice of an appropriate way to organise. The idea is to create a way of organising that best suits the purpose to be accomplished, regardless of the way in which other, dissimilar groups are organised.

Only when there are close similarities in desired outcomes, culture, and methods should the basic form of one organisation be applied to another. And even then, only with careful fine tuning. The danger is that the patterns of activity that help one group to be successful may be dysfunctional for another group, and actually inhibit group effectiveness. To optimize effectiveness, the form of organisation must be matched to the purpose it seeks to achieve.

7.2.3 The Design Process

Organisation design begins with the creation of a strategy – a set of decision guidelines by which members will choose appropriate actions. The strategy is derived from clear, concise statements of purpose, and vision, and from the organisation's basic philosophy. Strategy unifies the intent of the organisation and focuses members toward actions designed to accomplish desired outcomes. The strategy encourages actions that support the purpose and discourages those that do not.

Creating a strategy is planning, not organising. To organise we must connect people with each other in meaningful and purposeful ways. Further, we must connect people with the information and technology necessary for them to be successful. Organisation structure defines the formal relationships among people and specifies both their roles and their responsibilities. Administrative systems govern the organisation through guidelines, procedures and policies. Information and technology define the process(es) through which members achieve outcomes. Each element must support each of the others and together they must support the organisation's purpose.



Example: Many organisations including GP have used evolutionary computational methods to optimize various kinds of systems in ways that rival or exceed human capabilities. It has produced optimization results for a wide variety of problems involving automated synthesis of controllers, circuits, antennas, genetic networks, and metabolic pathways.

Notes

7.2.4 Exercising Choice

Organisations are an invention of man. They are contrived social systems through which groups seek to exert influence or achieve a stated purpose. People choose to organise when they recognize that by acting alone they are limited in their ability to achieve. We sense that by acting in concert we may overcome our individual limitations.

When we organise we seek to direct, or pattern, the activities of a group of people toward a common outcome. How this pattern is designed and implemented greatly influences effectiveness. Patterns of activity that are complementary and interdependent are more likely to result in the achievement of intended outcomes. In contrast, activity patterns that are unrelated and independent are more likely to produce unpredictable, and often unintended results.

The process of organisation design matches people, information, and technology to the purpose, vision, and strategy of the organisation. Structure is designed to enhance communication and information flow among people. Systems are designed to encourage individual responsibility and decision making. Technology is used to enhance human capabilities to accomplish meaningful work. The end product is an integrated system of people and resources, tailored to the specific direction of the organisation.

7.3 Organisation Structure

An organisation structure shows the authority and responsibility relationships between the various positions in the organisation by showing who reports to whom. Organisation involves establishing an appropriate structure for the goal seeking activities. It is an established pattern of relationship among the components of the organisation. March and Simon have stated that- "Organisation structure consists simply of those aspects of pattern of behaviour in the organisation that are relatively stable and change only slowly." The structure of an organisation is generally shown on an organisation chart. It shows the authority and responsibility relationships between various positions in the organisation while designing the organisation structure, due attention should be given to the principles of sound organisation.

7.3.1 Significance of Organisation Structure

1. Properly designed organisation can help improve teamwork and productivity by providing a framework within which the people can work together most effectively.
2. Organisation structure determines the location of decision-making in the organisation.
3. Sound organisation structure stimulates creative thinking and initiative among organisational members by providing well defined patterns of authority.
4. A sound organisation structure facilitates growth of enterprise by increasing its capacity to handle increased level of authority.
5. Organisation structure provides the pattern of communication and coordination.
6. The organisation structure helps a member to know what his role is and how it relates to other roles.

7.3.2 Determining the Kind of Organisation Structure

According to Peter F Drucker-"Organisation is not an end in itself, but a means to the end of business performance and business results. Organisation structure is an indispensable means; and the wrong structure will seriously impair business performance and may even destroy it.

Notes

Organisation structure must be designed so as to make possible to attainment of the objectives of the business for five, ten, fifteen years hence". Peter Drucker has pointed out three specific ways to find out what kind or structure is needed to attain the objectives of a specific business:

1. ***Activities Analysis:*** The purpose of 'activities analysis' is to discover the primary activity of the proposed organisation, for it is around this that other activities will be built. It may be pointed out that in every organisation; one or two functional areas of business dominate. For example, designing is an important activity of the readymade garments manufacturer. After the activities have been identified and classified into functional areas, they should be listed in the order of importance.
2. ***Decision Analysis:*** At this stage, the manager finds out what kinds of decisions will need to be made to carry on the work of the organisation. What is even more important, he has to see where or at what level these decisions will have to be made and how each manager should be involved in them. This type of analysis is particularly important for deciding upon the number of levels or layers in the organisation structure.
3. ***Relations Analysis:*** Relations Analysis will include an examination of the various types of relationships that develop within the organisation. These relationships are vertical, lateral and diagonal. Where a superior-subordinate relationship is envisaged, it will be a vertical relationship. In case of an expert or specialist advising a manager at the same level, the relationship will be lateral. Where a specialist exercises authority over a person in subordinate position in another department in the same organisation it will be an instance of diagonal relationship.

7.3.3 Principles of Organisational Structure

The following are the main principles that a manager has to keep in mind while formulating an organisational structure.

1. ***Consideration of unity of objectives:*** The objective of the undertaking influences the organisation structure. There must be unity of objective so that all efforts can be concentrated on the set goals.
2. ***Specialisation:*** Effective organisation must include specialisation. Precise division of work facilitates specialisation.
3. ***Co-ordination:*** Organisation involves division of work among people whose efforts must be co-ordinated to achieve common goals. Co-ordination is the orderly arrangement of group effort to provide unity of action in the pursuit of common purpose.
4. ***Clear unbroken line of Authority:*** It points out the scalar principle or the chain of command. The line of authority flows from the highest executive to the lowest managerial level and the chain of command should not be broken.
5. ***Responsibility:*** Authority should be equal to responsibility i.e., each manager should have enough authority to accomplish the task.
6. ***Efficiency:*** The organisation structure should enable the enterprise to attain objectives with the lowest possible cost.
7. ***Delegation:*** Decisions should be made at the lowest competent level. Authority and responsibility should be delegated as far down in the organisation as possible.
8. ***Unity of Command:*** Each person should be accountable to a single superior. If an individual has to report to only one supervisor there is a sense of personal responsibility to one person for results.

Notes

9. ***Span of Management:*** No superior at a higher level should have more than six immediate subordinates. The average human brain can effectively direct three to six brains (i.e., subordinates).

10. ***Communication:*** A good communication sub-system is essential for smooth flow of information and understanding and for effective business performance.

11. ***Flexibility:*** The organisation is expected to provide built in devices to facilitate growth and expansion without dislocation. It should not be rigid or inelastic.



Task Choose three organisations of your choice in the FMCG industry.

1. Analyse their organisational design and structure.
2. Differentiate among their productivity on the basis of their structures.
3. Analyse the effect of their different structures on their success.

7.3.4 Formal and Informal Organisation

The formal organisation refers to the structure of jobs and positions with clearly defined functions and relationships as prescribed by the top management. This type of organisation is built by the management to realise objectives of an enterprise and is bound by rules, systems and procedures. Everybody is assigned a certain responsibility for the performance of the given task and given the required amount of authority for carrying it out. Informal organisation, which does not appear on the organisation chart, supplements the formal organisation in achieving organisational goals effectively and efficiently. The working of informal groups and leaders is not as simple as it may appear to be. Therefore, it is obligatory for every manager to study thoroughly the working pattern of informal relationships in the organisation and to use them for achieving organisational objectives.

1. ***Formal Organisation:*** Chester I Bernard defines formal organisation as -"a system of consciously coordinated activities or forces of two or more persons. It refers to the structure of well-defined jobs, each bearing a definite measure of authority, responsibility and accountability." The essence of formal organisation is conscious common purpose and comes into being when persons:

   (a) Are able to communicate with each other

   (b) Are willing to act, and

   (c) Share a purpose.

   The formal organisation is built around four key pillars. They are:

   (a) Division of labour

   (b) Scalar and functional processes

   (c) Structure, and

   (d) Span of control

   Thus, a formal organisation is one resulting from planning where the pattern of structure has already been determined by the top management.

Notes

Characteristic of Formal Organisation

(a) Formal organisation structure is laid down by the top management to achieve organisational goals.

(b) Formal organisation prescribes the relationships amongst the people working in the organisation.

(c) The organisation structures is consciously designed to enable the people of the organisation to work together for accomplishing the common objectives of the enterprise.

(d) Organisation structure concentrates on the jobs to be performed and not the individuals who are to perform jobs.

(e) In a formal organisation, individuals are fitted into jobs and positions and work as per the managerial decisions. Thus, the formal relations in the organisation arise from the pattern of responsibilities that are created by the management.

(f) A formal organisation is bound by rules, regulations and procedures.

(g) In a formal organisation, the position, authority, responsibility and accountability of each level are clearly defined.

(h) Organisation structure is based on division of labour and specialisation to achieve efficiency in operations.

(i) A formal organisation is deliberately impersonal. The organisation does not take into consideration the sentiments of organisational members.

(j) The authority and responsibility relationships created by the organisation structure are to be honoured by everyone.

(k) In a formal organisation, coordination proceeds according to the prescribed pattern.

Advantages of Formal Organisation

(a) The formal organisation structure concentrates on the jobs to be performed. It, therefore, makes everybody responsible for a given task.

(b) A formal organisation is bound by rules, regulations and procedures. It thus ensures law and order in the organisation.

(c) The organisation structure enables the people of the organisation to work together for accomplishing the common objectives of the enterprise.

Disadvantages or Criticisms of Formal Organisation

(a) The formal organisation does not take into consideration the sentiments of organisational members.

(b) The formal organisation does not consider the goals of the individuals. It is designed to achieve the goals of the organisation only.

(c) The formal organisation is bound by rigid rules, regulations and procedures. This makes the achievement of goals difficult.

2. ***Informal Organisation:*** Informal organisation refers to the relationship between people in the organisation based on personal attitudes, emotions, prejudices, likes, dislikes etc. an informal organisation is an organisation which is not established by any formal authority, but arises from the personal and social relations of the people.

Notes

These relations are not developed according to procedures and regulations laid down in the formal organisation structure; generally large formal groups give rise to small informal or social groups. These groups may be based on same taste, language, culture or some other factor. These groups are not pre-planned, but they develop automatically within the organisation according to its environment.

Characteristics of Informal Organisation

(a) Informal organisation is not established by any formal authority. It is unplanned and arises spontaneously.

(b) Informal organisations reflect human relationships. It arises from the personal and social relations amongst the people working in the organisation.

(c) Formation of informal organisations is a natural process. It is not based on rules, regulations and procedures.

(d) The inter-relations amongst the people in an informal organisation cannot be shown in an organisation chart.

(e) In the case of informal organisation, the people cut across formal channels of communications and communicate amongst themselves.

(f) The membership of informal organisations is voluntary. It arises spontaneously and not by deliberate or conscious efforts.

(g) Membership of informal groups can be overlapping as a person may be member of a number of informal groups.

(h) Informal organisations are based on common taste, problem, language, religion, culture, etc. It is influenced by the personal attitudes, emotions, whims, likes and dislikes etc. of the people in the organisation.

Benefits of Informal Organisation

(a) It blends with the formal organisation to make it more effective.

(b) Many things which cannot be achieved through formal organisation can be achieved through informal organisation.

(c) The presence of informal organisation in an enterprise makes the managers plan and act more carefully.

(d) Informal organisation acts as a means by which the workers achieve a sense of security and belonging. It provides social satisfaction to group members.

(e) An informal organisation has a powerful influence on productivity and job satisfaction.

(f) The informal leader lightens the burden of the formal manager and tries to fill in the gaps in the manager's ability.

(g) Informal organisation helps the group members to attain specific personal objectives.

(h) Informal organisation is the best means of employee communication. It is very fast.

(i) Informal organisation gives psychological satisfaction to the members. It acts as a safety valve for the emotional problems and frustrations of the workers of the organisation because they get a platform to express their feelings.

(j) It serves as an agency for social control of human behaviour.

Notes

3. ***Management's Attitude towards Informal Organisation:*** Formal organisation, no doubt is an important part of the organisation but it alone is not capable of accomplishing the organisational objectives. Informal organisation supplements the formal organisation in achieving the organisational objectives. If handled properly, informal organisation will help in performing the activities of the organisation very efficiently and effectively. In the words of Keith Davis, "An informal organisation is a powerful influence upon productivity and job satisfaction. Both formal and informal systems are necessary for group activity just as two blades are essential to make a pair of scissors workable". As both formal and informal organisations are quite essential for the success of any organisation, a manager should not ignore the informal organisation. He should study thoroughly the working pattern of informal relationship in the organisation and use the informal organisation for achieving the organisational objectives.

7.4 Forms of Organisation

Organisation requires the creation of structural relationship among different departments and the individuals working there for the accomplishment of desired goals. Organisation structure is primarily concerned with the allocation of tasks and delegation of authority. The establishment of formal relationships among the individuals working in the organisation is very important to make clear the lines of authority in the organisation and to coordinate the efforts of different individuals in an efficient manner. According to the different practices of distributing authority and responsibility among the members of the enterprise, several types of organisation structure have been evolved. They are:

1. Line organisation
2. Line and staff organisation
3. Functional organisation
4. Committee organisation

7.4.1 Line Organisation

This is the simplest and the earliest form of organisation. It is also known as "Military", "traditional", "Scalar" or "Hierarchical" form of organisation. The line organisation represents the structure in a direct vertical relationship through which authority flows. Under this, the line of authority flows vertically downward from top to bottom throughout the organisation. The quantum of authority is highest at the top and reduces at each successive level down the hierarchy. All major decisions and orders are made by the executives at the top and are handed down to their immediate subordinates who in turn break up the orders into specific instructions for the purpose of their execution by another set of subordinates. A direct relationship of authority and responsibility is thus established between the superior and subordinate. The superior exercises a direct authority over his subordinates who become entirely responsible for their performance to their commanding superior. Thus, in the line organisation, the line of authority consists of an uninterrupted series of authority steps and forms a hierarchical arrangement. The line of authority not only becomes the avenue of command to operating personnel, but also provides the channel of communication, coordination and accountability in the organisation.

Prof. Florence enunciates three principles which are necessary to realise the advantages of this system and the non-observance of which would involve inefficiency.

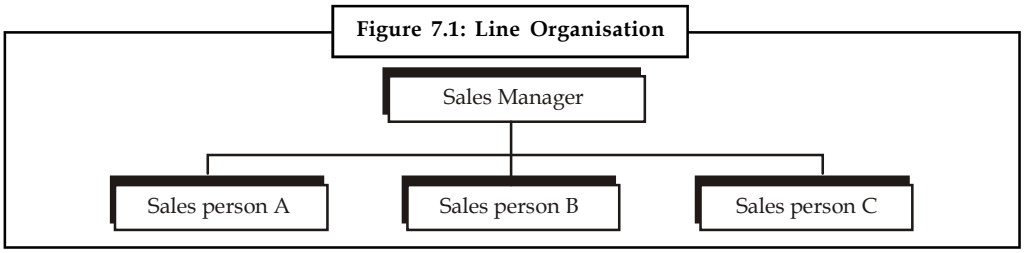
1. Commands should be given to subordinates through the immediate superior; there should be no skipping of links in the chain of command.

Notes

2. There should be only one chain. That is, command should be received from only one immediate superior.
3. The number of subordinates whose work is directly commanded by the superior should be limited.

The following Figure 7.1 depicts the line organisation:

Figure 7.1: Line Organisation



Advantages or Merits of Line Organisation

1. It is the easiest to establish and simplest to explain to the employers.
2. It fixes responsibility for the performance of tasks in a definite manner upon certain individuals.
3. There is clear-cut identification of authority and responsibility relationship. Employees are fully aware of the boundaries of their job.
4. It is most economical and effective.
5. It makes for unity of control thus conforming to the scalar principle of organisation.
6. It ensures excellent discipline in the enterprise because every individual knows to whom he is responsible. The subordinates are also aware of the necessity of satisfying their superior in their own interests.
7. It facilitates prompt decision-making because there is definite authority at every level.
8. As all the activities relating to one department or division are managed by one executive, there can be effective coordination of activities.
9. This system is flexible or elastic, in the sense that, as each executive has sole responsibility in his own position and sphere of work, he can easily adjust the organisation to changing conditions.
10. Under this system, responsibility and authority are clearly defined. Every member of the organisation knows his exact position, to whom he is responsible and who are responsible to him. Because of the clear fixation of responsibility, no person can escape from his liability.

Disadvantages or Demerits of Line Organisation

1. With growth, the line organisation makes the superiors too overloaded with work. Since all work is done according to the wishes of one person alone, the efficiency of the whole department will come to depend upon the qualities of management displayed by the head of that department. If therefore, something happens to an efficient manager, the future of the department and of the concern as a whole would be in jeopardy.
2. Being an autocratic system, it may be operated on an arbitrary, opinionated and dictatorial basis.

Notes

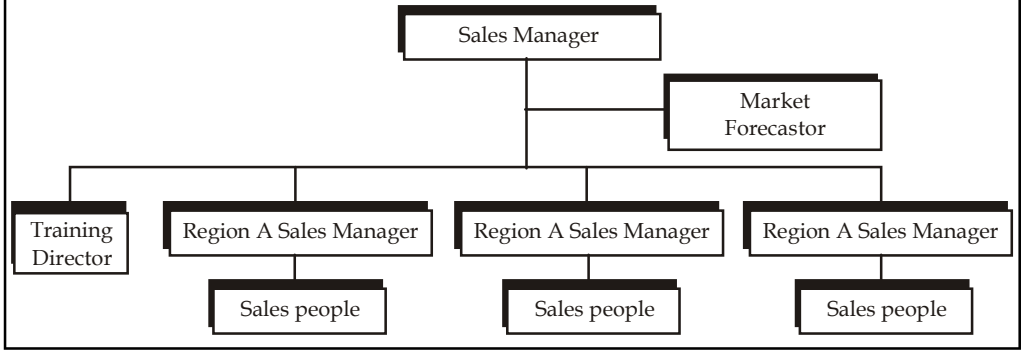
3. Under this system, the subordinates should follow the orders of their superior without expression their opinion on the orders. That means there is limited communication.
4. There may be a good deal of nepotism and favouritism. This may result in efficient people being left behind and inefficient people getting the higher and better posts.
5. The line organisation suffers from lack of specialised skill of experts. Modern business is so complex that it is extremely difficult for one person to carry in his head all the necessary details about his work in this department.
6. Line organisation is not suitable to big organisations because it does not provide specialists in the structure. Many jobs require specialised knowledge to perform them.
7. If superiors take a wrong decision, it would be carried out without anybody having the courage to point out its deficiencies.
8. The organisation is rigid and inflexible.
9. There is concentration of authority at the top. If the top executives are not capable, the enterprise will not be successful.

Prof. Florence, sums up the inefficiencies of the line organisation system under three heads: (i) Failure to get correct information and to act upon it; (ii) red-tape and bureaucracy; (iii) Lack of specialised skill or experts… while commands go down the line under the hierarchical system information is supposed to be coming up the line." In spite of these drawbacks, the line organisation structure is very popular particularly in small organisations where there are less number of levels of authority and a small number of people.

7.4.2 Line and Staff Organisation

In line and staff organisation, the line authority remains the same as it does in the line organisation. Authority flows from top to bottom. The main difference is that specialists are attached to line managers to advise them on important matters. These specialists stand ready with their speciality to serve line mangers as and when their services are called for, to collect information and to give help which will enable the line officials to carry out their activities better. The staff officers do not have any power of command in the organisation as they are employed to provide expert advice to the line officers. The combination of line organisation with this expert staff constitutes the type of organisation known as line and staff organisation. The 'line' maintains discipline and stability; the 'staff' provides expert information. The line gets out the production, the staffs carries on the research, planning, scheduling, establishing of standards and recording of performance. The authority by which the staff performs these functions is delegated by the line and the performance must be acceptable to the line before action is taken. The following Figure 7.2 depicts the line and staff organisation:

Figure 7.2: Line and Staff Organisation



Notes

Types of Staff

The staff position established as a measure of support for the line managers may take the following forms:

1. ***Personal Staff:*** Here the staff official is attached as a personal assistant or adviser to the line manager. For example, Assistant to managing director.
2. ***Specialised Staff:*** Such staff acts as the fountainhead of expertise in specialised areas like R&D, personnel, accounting etc. For example, R&D Staff.
3. ***General Staff:*** This category of staff consists of a set of experts in different areas who are meant to advise and assist the top management on matters called for expertise. For example: Financial advisor, technical advisor etc.

Features of Line and Staff Organisation

1. Under this system, there are line officers who have authority and command over the subordinates and are accountable for the tasks entrusted to them. The staff officers are specialists who offer expert advice to the line officers to perform their tasks efficiently.
2. Under this system, the staff officers prepare the plans and give advise to the line officers and the line officers execute the plan with the help of workers.
3. The line and staff organisation is based on the principle of specialisation.

Advantages or Merits of Line and Staff Organisation

1. It brings expert knowledge to bear upon management and operating problems. Thus, the line managers get the benefit of specialised knowledge of staff specialists at various levels.
2. The expert advice and guidance given by the staff officers to the line officers benefit the entire organisation.
3. As the staff officers look after the detailed analysis of each important managerial activity, it relieves the line managers of the botheration of concentrating on specialised functions.
4. Staff specialists help the line managers in taking better decisions by providing expert advice. Therefore, there will be sound managerial decisions under this system.
5. It makes possible the principle of undivided responsibility and authority, and at the same time permits staff specialisation. Thus, the organisation takes advantage of functional organisation while maintaining the unity of command.
6. It is based upon planned specialisation.
7. Line and staff organisation has greater flexibility, in the sense that new specialised activities can be added to the line activities without disturbing the line procedure.

Disadvantages or Demerits of Line and Staff Organisation

1. Unless the duties and responsibilities of the staff members are clearly indicated by charts and manuals, there may be considerable confusion throughout the organisation as to the functions and positions of staff members with relation to the line supervisors.

Notes

2. There is generally a conflict between the line and staff executives. The line managers feel that staff specialists do not always give right type of advice, and staff officials generally complain that their advice is not properly attended to.
3. Line managers sometimes may resent the activities of staff members, feeling that prestige and influence of line managers suffer from the presence of the specialists.
4. The staff experts may be ineffective because they do not get the authority to implement their recommendations.
5. This type of organisation requires the appointment of large number of staff officers or experts in addition to the line officers. As a result, this system becomes quite expensive.
6. Although expert information and advice are available, they reach the workers through the officers and thus run the risk of misunderstanding and misinterpretation.
7. Since staff managers are not accountable for the results, they may not be performing their duties well.
8. Line mangers deal with problems in a more practical manner. But staff officials who are specialists in their fields tend to be more theoretical. This may hamper coordination in the organisation.

7.4.3 Functional Organisation

The difficulty of the line organisation in securing suitable chief executive was overcome by F.W. Taylor who formulated the Functional type of organisation. As the name implies, the whole task of management and direction of subordinates should be divided according to the type of work involved. As far as the workman was concerned, instead of coming in contact with the management at one point only, he was to receive his daily orders and help directly from eight different bosses; four of these were located in the planning room and four in the shop. The four specialists or bosses in the planning room are:

1. ***Route Clerk:*** To lay down the sequence of operations and instruct the workers concerned about it.
2. ***Instruction Card Clerk:*** To prepare detailed instructions regarding different aspects of work.
3. ***Time and Cost Clerk:*** To send all information relating to their pay to the workers and to secure proper returns of work from them.
4. ***Shop Disciplinarian:*** To deal with cases of breach of discipline and absenteeism.

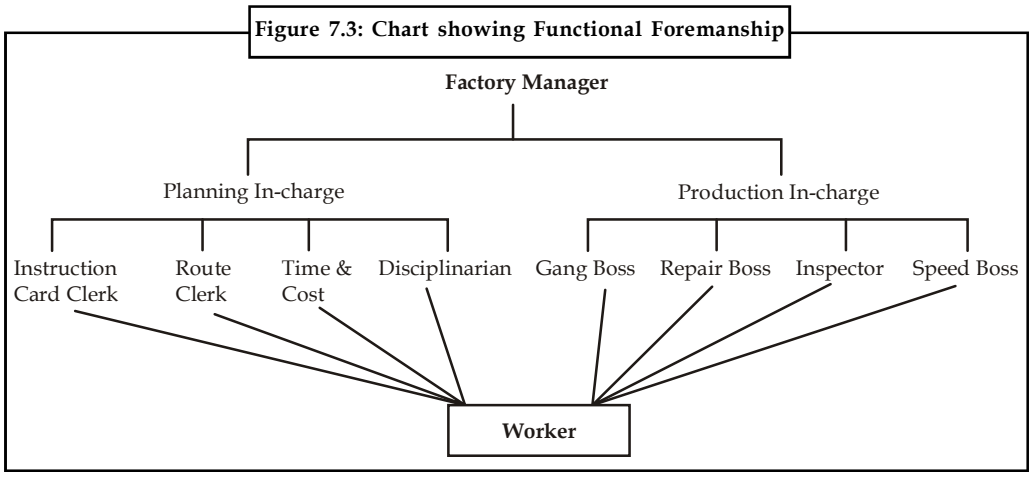
The four specialists or bosses at the shop level are:

1. ***Gang Boss:*** To assemble and set up tools and machines and to teach the workers to make all their personal motions in the quickest and best way.
2. ***Speed Boss:*** To ensure that machines are run at their best speeds and proper tools are used by the workers.
3. ***Repair Boss:*** To ensure that each worker keeps his machine in good order and maintains cleanliness around him and his machines.
4. ***Inspector:*** To show to the worker how to do the work.

Notes

The following Figure 7.3 depicts the functional foremanship:

Figure 7.3: Chart showing Functional Foremanship



It was F.W. Taylor who evolved functional organisation for planning and controlling manufacturing operations on the basis of specialisation. But in practice, functionalisation is restricted to the top of the organisation as recommended by Taylor.

Features of Functional Organisation

The features of functional organisation are as follows:

1. The work of the enterprise is divided into different functional departments and the different functional departments are placed under different specialists.
2. The functional specialist has the authority or right to give orders regarding his function whosesoever that function is performed in the enterprise.
3. Under this system, the workers have to receive instructions from different specialists.
4. If anybody in the enterprise has to take any decision relating to a particular function, it has to be in consultation with the functional specialist.
5. Under this system, the workers have to perform a limited number of functions.

Advantages of Functional Organisation

1. Functional organisation is based on expert knowledge. Every functionary in charge is an expert in his area and can help the subordinates in better performance in his area.
2. Division of labour is planned not incidental.
3. As there is not scope for one-man control in this form of organisation, this system ensure co-operation and teamwork among the workers.
4. This system ensures the separation of mental functions from manual functions.
5. It helps mass production by standardization and specialization.
6. This system ensures maximum use of he principle of specialisation at every work point.
7. As there is joint supervision in the organisation, functional organisation reduces the burden on the top executives.

Notes

8. Functional organisation offers a greater scope for expansion as compared to line organisation. It does not face the problem of limited capabilities of a few line managers.
9. The expert knowledge of the functional mangers facilitates better control and supervision in the organisation.

Disadvantages or Demerits of Functional Organisation

1. It is unstable because it weakens the disciplinary controls, by making the workers work under several different bosses. Thus, functional organisation violates the principle of unity of command.
2. Under this type of organisation, there are many foremen of equal rank. This may lead to conflicts among them.
3. The co-ordinating influence needed to ensure a smoothly functioning organisation may involve heavy overhead expenses.
4. The inability to locate and fix responsibility may seriously affect the discipline and morale of the workers through apparent or actual contradiction of the orders.
5. This system is very costly as a large number of specialists are required to be appointed.
6. A functional manager tends to create boundaries around himself and think only in term of his own department rather than of the whole enterprise. This results in loss of overall perspective in dealing with business problems.
7. It is difficult for the management to fix responsibility for unsatisfactory results.

7.4.4 Committee Organisation

Committee organisation as a method of managerial control has very little practical importance, because it is managed by a senior member of the committee only. But the committee organisations are widely used for the purpose of discharging advisory functions of the management. Committees are usually relatively formal bodies with a definite structure. They have their own organisation. To them are entrusted definite responsibility and authority.

According to Hicks, "A committee is a group of people who meet by plan to discuss or make a decision for a particular subject."

According to Louis A Allen, "A committee is a body of persons appointed or elected to meet on an organised basis for the consideration of matters brought before it."

A committee may formulate plans, make policy decisions or review the performance of certain units. In some cases, it may only have the power to make recommendations to a designated official. Whatever may be the scope of their activities, committees have come to be recognised as an important instrument in the modern business as well as non-business organisations.

Objectives of Committees

Committees are constituted to achieve one or more of the following objectives:

1. To have consultations with various persons to secure their view-points
2. To give participation to various groups of people
3. To secure cooperation of different departments
4. To coordinate the functioning of different departments and individuals by bringing about unity of directions.

Notes

Types of Committees

1. ***Line committee:*** If a committee is vested with the authority and responsibility to decide and whose decisions are implemented, it is known as line committee.
2. ***Staff committee:*** If a committee is appointed merely to counsel and advise, it is known as a staff committee.
3. ***Formal committee:*** When a committee is constituted as a part of the organisation structure and has clear-cut jurisdiction, it is a formal committee.
4. ***Informal committee:*** An informal committee is formed to advice on certain complicated matters. It does not form part of the organisation structure.
5. ***Coordinating committee:*** It is constituted to coordinate the functioning of different departments.
6. ***Executive committee:*** It is a committee which has power to administer the affairs of the business.
7. ***Standing committee:*** are formal committees that are of permanent character.
8. ***Ad hoc committee:*** They are temporary bodies. It is appointed to deal with some special problem and stops functioning after its job are over.

Advantages or Merits of Committee

1. A committee is an effective method of bringing the collective knowledge and experience of a number of persons. Therefore, many multi-dimensional and complex problems of modern enterprises, which cannot be solved satisfactorily by individual managers, can be solved by committees.
2. Committees offer scope for group deliberations and group judgment. Results obtained by group deliberation and group judgment are likely to be better than those obtained by individual judgment.
3. When it is necessary to integrate varying points of view, which cannot conveniently be coordinated by individuals, the committee may be used to bring about coordination.
4. The management can give representation to the employees in various committees. This will motivate the employees for better performance as they feel that they have a say in the affairs of the organisation.
5. A committee form of organisation facilitates pooling of authority of individual managers for making some type of decisions of an inter-departmental nature.
6. A committee form of organisation tends to promote organisational cohesiveness. Group endeavour, team spirit and collective responsibility are control to the philosophy of committees.

Disadvantages of Committee

1. If a manager has an opportunity to carry a problem to a committee, he may take it as a means of avoiding decision-making or to escape the consequences of an unpopular decision.
2. Sometimes, a committee may not be able to take the needed decision because of the conflicting views of the members.

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3. Committees take more time in procedural matters before any decision is taken. In some cases, slowness seriously handicaps the administration of the organisation.
4. Committees are an expensive device both in terms of cost and time.
5. When the committee findings represent a compromise of different viewpoints, they may be found to be weak and indecisive.
6. No member of a committee can be individually held responsible for the wrong decision taken by the committee.
7. It is very difficult to maintain secrecy regarding the deliberations and the decisions taken by a committee, especially when there are many members in the committee.



Notes

Global Organising

Organisational Structure: Organisational structure provides a route and locus for decision making. It also provides a system, or a basis, for reporting and communication networks. The basics of an organisation chart are similar for both domestic firms and international firms. But since international firms have to face complex problems, the form of the organisational structure is specific to them. The structure of an organisation becomes complex with the growing degree of internationalisation.

Co-ordination among the branches/units: The different branches/units need to be well co-ordinated in order to make the organisational structure effective. Proper co-ordination smoothens communication between one branch and another. It is true that there are impediments to effective co-ordination. Managers at different units may have varying orientation. The geographic distance may be too much to ensure effective coordination.

Formal co-ordination can be ensured through direct contact among the managers of different branches/units. It can also be ensured by giving a manager of a unit the responsibility for coordinating with his counterpart in another unit. A number of international firms have adapted the practice of direct reporting to headquarters by managers.



Case Study

The Lowering of the Pirates' Flag at Apple

The combination seemed ideal. Steven P. Jobs, charismatic co-founder and chairman of Apple Computer, Inc., Woos John Sculley, the young, dynamic president of Pepsi-Cola USA, to be president of Apple. While Jobs oversaw technical innovation, Sculley was to boost Apple's marketing expertise and improve its relationship with retailers and customers. The ultimate goal was to break IBM's stronghold on the business market for personal computers. Under Jobs, the company had almost a singular focus on products, and Jobs had piqued the imagination of employees with predictions of "insanely great" new computers. One of Sculley's first moves was reorganising the company's nine product-oriented and highly decentralized divisions into two major divisions, one for the Apple II and one, headed by Jobs himself, for the forthcoming Macintosh. The reorganisation allowed resources to be focused on the company's two major product lines and facilitated Sculley's emphasise on marketing them, particularly to the business community.

Contd...

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With Jobs ensconced in the Macintosh division, the reorganisation seemed to work at first. Jobs devoted his attention to the further development of the Macintosh, which was not selling quite as well as had been expected. Meanwhile, the Apple II division turned in a record sales performance with the less sophisticated, but highly profitable, Apple IIe. Unfortunately, trouble began to develop. The Mac division employees, touted by Jobs as being superstars, viewed themselves as the Apple elite, since they were developing the new technology. Indicative of these feelings, a pirates' flag flew over the building in which the Macintosh division was housed. Morale in the Apple II division was not helped when Jobs addressed the Apple II marketing staff as members of the "dull and boring product division." However, with the largest block of stock (11.3 percent) and the job of chairman, Jobs was an unusually powerful general manager.

Troubles accelerated when sales of personal computers began to slump nationally; the Mac, in particular, continued to sell less well than anticipated. The situation was exacerbated by the fact that the Mac division chronically missed deadlines for the development of crucial parts of the Mac system. Pushed by the board of directors to take greater control, Sculley finally proposed a new organisation structure that would, in effect, eliminate the Mac division and with it the general manager position held by Jobs. The proposal (which was ultimately approved by the board) was aimed in part at reducing the duplication of position, in such areas as marketing, human resources, and manufacturing, that has been necessary under the division by products. It called for a functional structure, which included product operations (comprising R&D, manufacturing, service, and distribution), marketing and sales, finance and management information systems, legal services, and human resources. With the Mac division dissolved, Jobs resigned his position as chairman and left the company.

With 18 months, sales of the Mac, with its technologically advanced desktop publishing capability and its relative ease of use for computer novices, started to take off. But other companies, including IBM, quickly began to develop products to match the Mac capabilities. Although Sculley professed that Job's vision of putting a computer into every person's hands and thus changing the world remained intact, Apple watchers wondered whether Apple could keep innovating under Sculley.

To Foster product innovation further, Sculley purchased a super-computer, doubled the R&D budget, and increased the number of engineers to more than 1000.

Meanwhile, Apple sales had grown from about $580 million in 1984 to more than $5 billon by 1989. The number of employees almost doubled to more than 10,000 worldwide during the same period. This massive growth led Sculley to reorganise once again, this time into major geographic division (Apple USA, Apple Pacific, and Apple Europe) with a separate division for Apple products. The Apple products division was responsible for all aspects of product development, ranging from basic research and product definition all the way to manufacturing, introduction, and coordination of marketing. This integrated approach was aimed at competing with Japan on price and quality while incorporating the latest technology and innovation. The major geographic divisions were responsible for selling and servicing the various products in their respective regions.

Questions

1. Use your knowledge of organisation design to assess the probable effectiveness of Apple's new organisation structure.
2. What evidence of the differential paradox related to innovation is manifested in this situation?

Contd...

Notes

3. Trace the various reorganising efforts by Sculley, and explain his reasons for each reorganisation.

Source: Deborah Wise and Catherine Harris, "Apple's New Crusade", Business Week, November 26, 1984. Page 146 - 156.

7.5 Differentiation

By differentiation one understands the enterprise strategy to segment the market and then purposefully adjust themselves at the needs of individual customer groups, in order to attain advantages in such a way opposite the competitors.

Differentiation is one of the three classical competition strategies. It is aimed at the broad market that involves the creation of a product or services that is perceived throughout its industry as unique. The company or business unit may then charge a premium for its product. Differentiation can take many forms, viz.

1. Prestige or brand image
2. Technology
3. Innovation
4. Features
5. Customer service
6. Distribution network

Differentiation is a viable strategy for earning above average returns in a specific business because the resulting brand loyalty lowers customers' sensitivity to price. Increased costs can usually be passed on to the buyers. Buyers loyalty can also serve as an entry barrier-new firms must develop their own distinctive competence to differentiate their products in some way in order to compete successfully.



Example: Successful use of a differentiation strategy are Hero Honda, Asian Paints, HLL, Nike athletic shoes, Perstorp BioProducts, Apple Computer, and Mercedes-Benz automobiles.

Research does suggest that a differentiation strategy is more likely to generate higher profits than is a low cost strategy because differentiation creates a better entry barrier. A low-cost strategy is more likely, however, to generate increases in market share. This may or may not be true.

7.5.1 Types of Differentiation Strategy

The differentiation strategy has two variants that can be understood as follows:

1. ***Shareholder value model:*** According to the shareholder value model, the timing of the use of specialized knowledge can create a differentiation advantage as long as the knowledge remains unique. This model suggests that customers buy products or services from an organisation to have access to its unique knowledge. The advantage is static, rather than dynamic, because the purchase is a one-time event.
2. ***Unlimited resources model:*** The unlimited resources model utilizes a large base of resources that allows an organisation to outlast competitors by practicing a differentiation strategy. An organisation with greater resources can manage risk and sustain losses more easily

Notes

than one with fewer resources. This deep-pocket strategy provides a short-term advantage only. If a firm lacks the capacity for continual innovation, it will not sustain its competitive position over time.



Notes

Drivers of Differentiation

1. Unique product features
2. Unique product performance
3. Exceptional services
4. New technologies
5. Quality of inputs
6. Exceptional skill or experience
7. Detailed information

7.5.2 Advantages of a Differentiation Strategy

Differentiation strategy provides defenses against various threatening competitive forces like those in the form of rivals, buyers, suppliers, potential entrants, substitutes, etc.

1. ***Rival Competitors:*** Buyers develop loyalty to brand they like best.
2. ***Buyers:*** Mitigates bargaining power of large buyers since other products are less attractive.
3. ***Suppliers:*** Seller may be in better position to withstand efforts of suppliers to raise prices.
4. ***Potential Entrants:*** Buyer loyalty acts as entry barrier.
5. ***Substitutes:*** Better positioned to fend off threats of substitutes based on customers' attachment to differentiating attributes.

What is the significance of Hall's studies in differentiation?

William K. Hall conducted an in-depth study of 64 companies from eight major domestic industries. These industries were mature, faced relatively hostile environments, had below-average profitability and growth. Yet within each of these industries were several very profitable firms.

Hall concluded that the two (non-diversified) top performing companies in each of the eight industries had pursued either a differentiation strategy involving a high product/service/quality position or a low-cost strategy or both.

Although Hall identified two strategic thrusts, there are obviously a wide variety of ways to pursue each of them. In particular, whereas General Motors and Goodyear achieved their low-cost position with high market share and considerable vertical integration, Inland Steel, Whirlpool. Miller, and Philip Morris all relied upon modern, automated process technologies and efficient distribution systems.

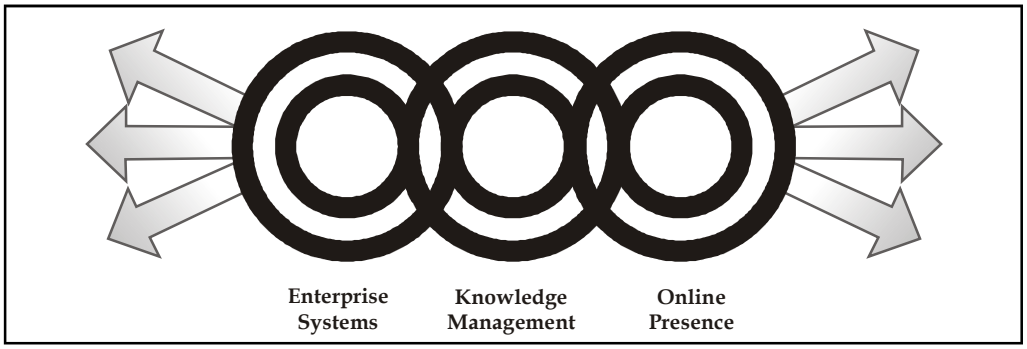
Similarly, the "meaningful differentiation" strategies were based upon a variety of approaches. Prominent were such positioning elements as brand prestige, product quality, product reliability, service, and distribution.

Notes

7.6 Integration

Integration strategy embodies a connected organisation. For organisations and government, integration is totally consistent with financial information strategies and modern comptrollership practices.

The formulation of an integration strategy requires less structured and shorter strategy formulation attempts. This implies that the traditional strategy formulation process needs to give way to continuous experimentation and solutions prototyping. The result is a "connected organisation".



Business integration is not a final endpoint accomplished with a single project. It is about integrated performance information management and connectedness. For a successful integration strategy, organisations need persistent access and leverage to knowledge and information. It focuses on improving the efficiency and effectiveness of the processes that run the business. It includes improving the quality and timeliness of information, and providing information on demand and where it is needed, regardless of the source system. This level of business agility cannot be achieved simply by implementing integration technology on a project-by-project basis without an overall strategy of how it all fits together. Rapid implementation of the business strategy requires an enterprise-level integration strategy. The business integration strategy ultimately reduces the time and cost of managing information as well as resources.

Organisations who take a 'knowledge perspective' to integrate processes and controls across the service delivery chain, end up learning and leveraging knowledge from interactions with clients, suppliers and stakeholders. Integration strategy is about connecting horizontal processes and controls across the organisation through the deployment of your processes, systems, people, finances, geography, and delivery mechanisms to improve service delivery.

Another problem is that business integration is inherently complex. Different types of projects will require different integration technologies. It is not possible to solve all integration needs with a single product or technology. Nor is it possible to solve all present and future integration requirements with a single project. However, using a purely tactical approach will result in the need to integrate the integration technologies at some point.

The purpose of a business integration strategy is to enable the company to work smarter. It provides a coherent and consistent approach to integration that will guide implementation decisions and reduce costs on tactical projects, while laying the groundwork for business agility and future projects. A successful business integration strategy will provide a higher ROI and decrease the total cost of ownership over time.

7.6.1 Types of Integration

Notes

Integration can be of two types that can be understood by the discussion as follows:

1. ***Horizontal integration:*** Horizontal integration is a strategy used by a business or corporation that seeks to sell a type of product in numerous markets. This type of integration occurs when a firm is being taken over by, or merged with, another firm which is in the same industry and in the same stage of production as the merged firm.



Example: A car manufacturer merging with another car manufacturer.

In this case both the companies are in the same stage of production and also in the same industry.

Horizontal integration allows the benefits of economies of scale, economies of scope, economies of stocks and also that of having a strong presence in the reference market.

2. ***Vertical integration:*** Vertical integration unites a company through a hierarchy with a common owner. Usually each member of the hierarchy produces a different product or (market-specific) service, and the products combine to satisfy a common need. It is contrasted with horizontal integration. Vertical integration may be of three types, viz., backward (upstream) vertical integration, forward (downstream) vertical integration, and balanced (horizontal) vertical integration.

   (a) A company exhibits backward vertical integration when it controls subsidiaries that produce some of the inputs used in the production of its products.



Example: An automobile company may own a tire company, a glass company, and a metal company. Control of these three subsidiaries is intended to create a stable supply of inputs and ensure a consistent quality in their final product. It was the main business approach of Ford and other car companies in the 1920s, who sought to minimize costs by centralizing the production of cars and car parts.

   (b) A company tends toward forward vertical integration when it controls distribution centers and retailers where its products are sold.

   (c) Balanced vertical integration means a firm controls all of these components, from raw materials to final delivery.

The three varieties noted are only abstractions; actual firms employ a wide variety of subtle variations. Suppliers are often contractors, not legally owned subsidiaries. Still, a client may effectively control a supplier if their contract solely assures the supplier's profitability. Distribution and retail partnerships exhibit similarly wide ranges of complexity and interdependence. In relatively open capitalist contexts, pure vertical integration by explicit ownership is uncommon – and distributing ownership is commonly a strategy for distributing risk.



Task

Analyse and then enlist the integration examples of at least 4 companies, the products of whom, you use in day- to-day life.

Notes

7.6.2 Barriers to and Advantages of Integration

Integration has to face many barriers to be successful. Such barriers may be:

1. legal, arising from different legal provision for research in different member states
2. institutional, relating to different expectations in different government bodies or research institutions
3. cultural, relating to different cultures in different member states, linguistic
4. professional, concerning different expectations, methods of working, reward schemes and outcomes amongst different professional groups (for instance researchers, and government officials)
5. infrastructural, concerning incompatible platforms for knowledge exchange
6. financial, relating to different ways an levels of funding for research and innovation.

But all these barriers have to be overcome because of the potential benefits of integration. The following are the advantages of integration:

1. ***Networked Business Models*** - connecting value-exchanging entities;
2. ***Sustainable Economies of Scale*** - applicable to both a discrete and integrated basis;
3. ***Focus on Core Competencies*** - acquiring skills and assets where required; and
4. ***Trusted Relationships*** - trust between stakeholders and clients.



Caselet

Office Needs

Office Needs, is a small chain of distributors of good-quality office furniture, carpets and safes. Within each category, the company offers a wide variety of products with a great many variations of each product being offered. For instance, the company currently offers around 42 different designs of chairs and 23 varieties of office desks. The company keeps in touch with advances made in the office furniture field worldwide and introduces those products which are in keeping with the needs of the market in terms of design, workmanship, value for money and technical specifications.

Office Needs trades only in quality furniture which is sturdily constructed. Differences between its products and cheaper, lower quality ones are well known to those who have several years of experience in the business.

An Important feature, the company feels, is the availability of a complete list of components of the furniture system. This enables the customer to add bits and pieces of matching designs and colour in the future. Such components are available for sale separately, Systems are maintained in stock by the company for a number of years, and spare parts for chairs and other furniture are always available.

The trade is currently witnessing a downtrend due to recession and players from local unorganised sector. Office Needs has also experienced the same over the last two years. In addition, it had to trim the profit margins. Last year, it barely broke even and this year it is heading for a small loss for the first time in the company's ten year history.

Source: IGNOU Term End Examination Paper, Management Programme, Dec 2006.

Notes

7.7 Summary

- Organisation is the foundation upon which the whole structure of management is built.
- It is the backbone of management.
- Organising is the process of establishing relationship among the members of the enterprise.
- The relationships are created in terms of authority and responsibility.
- Informal organisation, which does not appear on the organisation chart, supplements the formal organisation in achieving organisational goals effectively and efficiently.
- Organisation requires the creation of structural relationship among different departments and the individuals working there for the accomplishment of desired goals.
- Organisation structure is primarily concerned with the allocation of tasks and delegation of authority.
- The establishment of formal relationships among the individuals working in the organisation is very important to make clear the lines of authority in the organisation and to coordinate the efforts of different individuals in an efficient manner.
- The present times are the times of cut throat competition.
- To succeed and sustain in this environment of business, it is required for the organisations to outdo their competition at all points of interaction.
- For this purpose, two strategies, those of differentiation and integration are adopted by different firms.
- Differentiation offers niche customers a product or service customized to their needs.
- Integration offers varied products under a single entity.
- It helps them earn a competitive advantage and develop a loyal customer base.

7.8 Keywords

Differentiation: Approach under which a firm aims to develop and market unique products for different customer segments. Usually employed where a firm has clear competitive advantages, and can sustain an expensive advertising campaign. It is one of three generic marketing strategies that can be adopted by any firm.

Formal Organisation: The formal organisation refers to the formal relationships of authority and subordination within a company.

Functional Organisation: A functional structure is one that organises employees around skills or other resources.

Horizontal integration: This type of integration implies to the acquisition of additional business activities at the same level of the value chain.

Informal Organisation: The informal organisation refers to the network of personal and social relations that develop spontaneously between people associated with each other.

Manual: A document that carries instructions.

Organisation: An organisation is a social arrangement which pursues collective goals, which controls its own performance, and which has a boundary separating it from its environment.

Notes

Organisation Chart: A diagram that shows the structure of an organisation and the relationships and relative ranks of its parts and positions/jobs.

Organisation Structure: The plan for the systematic arrangement of work is the organisation structure.

Vertical integration: Under this type of integration, companies are united through a hierarchy with a common owner.

7.9 Self Assessment

Fill in the blanks:

1. The staff managers are not accountable for the ..... .
2. Different groups wish to achieve ..... outcomes.
3. Committees are an expensive both in terms of ..... and ..... .
4. Unless the duties and responsibilities of the staff members are clearly indicated by ..... and ....., there may be considerable confusion as regards the same.
5. In the circular chart, top positions are located in the ..... of the concentric circle.
6. ..... committee has the power to administer the affairs of the business.
7. ..... organisation has greater flexibility as compared to that of the others.
8. Committees offer scope for group ..... and group ..... .
9. Organisation structure is primarily concerned with the ..... and ..... .
10. Organisation design begins with the creation of a ..... .
11. ..... and retail partnerships exhibit similarly wide ranges of complexity and .....
12. Differentiation strategy is more likely to generate ..... profits than is a low cost strategy.
13. ..... is a viable strategy for earning above average returns in a specific business.

7.10 Review Questions

1. "Good committee management is through adherence to the basic precepts of the human relations approach to organisation". Do you agree with this? Give suggestions to make committees more effective.
2. "Organisation is the backbone of management". Comment.
3. Compare line, functional and line-staff organisations through examples. Which of these will be appropriate for a large manufacturing enterprise?
4. " A committee is made up of the unfit selected by the unwilling to do the unnecessary". Comment.
5. Why is Organisational structure important? What sort of organisational structure best suited to custom made product produced in a stable environment a mass product produced in unstable environment?
6. How might the organisational design of a research and development firm in the pharmaceutical industry differ from the organisational design of a consumer food products manufacturer?

Notes

7. Discuss the universal perspectives of Organisational Design. Identify the restructuring strategy being adopted by an organisation you are familiar with and make a brief analysis of the contingent factors that have influenced the strategy of the said organisation. Briefly describe the organisation you are referring to.
8. What are some of the problems that you have observed from a bad organisational structure?
9. Is there a simple definition for "organisational structure"? Does it include more than an org chart?
10. Isn't the org chart always going to be a reflection of internal politics or the personalities of key individuals?
11. Can you fix structural problems by simply redesigning the org chart? Why are workflows such an important part of improving structure?
12. How would you determine if organisational structure is impeding your company? What would you do rectify the situation?
13. Define line organisation by the help of examples. Does the government of India make a line organisation?
14. When it is your responsibility to organise and plan a project what steps do you take?
15. Discuss the importance of differentiation strategy in the present competitive environment. Explain taking into consideration its advantages and disadvantages.
16. Differentiation strategy is more likely to generate higher profits than is a low cost strategy. Justify this statement.
17. Business integration is not a final endpoint accomplished with a single project. Comment.

Answers: Self Assessment

1.	results	2.	different
3.	cost, time	4.	charts, manuals
5.	centre	6.	executive
7.	line and staff	8.	deliberations, judgement
9.	allocation of tasks, delegation of authority		
10.	strategy	11.	Distribution, interdependence
12.	higher	13.	Differentiation

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Unit 8: Span of Management

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Objectives

After studying this unit, you will be able to:

- Discuss the Graicunas Theory
- Access the impact of span of management
- Identify factors determining span of management
- Explain the concept of centralisation and decentralisation

Introduction

The term 'span of management' is also known as 'span of control', 'span of supervision' and 'span of authority'. It represents a numerical limit of 'subordinates to be supervised and controlled by a manager. It is an important principle of sound organisation. This principle is based on the theory of relationships propounded by V.A. Graicunas, a French management consultant. Graicunas analyzed superior-subordinate relationship and developed a mathematical formula based on the geometric increase in complexities of managing as the number of subordinates increases.

8.1 Graicunas' Theory

Graicunas showed mathematically that a number of direct, group and cross relationships exist between a manager and his subordinates. The number of these relationships increase ith the increase in the number of the subordinates. He said that an executive having four subordinates

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under him is required to deal with (i) 4 direct single relationships, (ii) 12 cross relationships and (iii) 28 group relationships, i.e., in all forty-four relationships. He derived these on the basis of the following formula:

No. of direct relationships = n

No. of cross relationships = n [n – 1]

No. of group relationships = n [2n-1– 1]

Total No. of relationships = n [2n/2 + (n – 1) or n [2n- + n – 1]

Where n represents the number of subordinates.

The last formula reveals that possible relationships with variable number of subordinates rise very rapidly as shown in the following table:

Table 8.1: Possible Relationships with Variable Number of Subordinates

No. of Subordinates	No. of Relationships
1	1
2	6
3	18
4	44
5	100
6	222
7	490
8	1,080
9	2,376
10	5,210
12	24,708
18	23,59,602

Though, Graicunas gave mathematical formulae for finding out the number of relationships, his approach suffers from various shortcomings, such as ignoring the importance of relationships, frequency of relationships and the factors which determine the span. Moreover, he left out certain possible relationships, particularly in cross relationships. However, his theory gives an important indication that an executive must think twice before increasing his span because increase of one subordinate will increase relationships manifold. Graicunas suggested that an executive can effectively manage 222 relationships which arise out of six subordinates. However, he failed to list factors which govern the span of supervision in practice.



Caution Span of control refers to the number of subordinates an executive can supervise. The concept is central to the classical theory of organisation. Proper span of control is considered a necessity for effective coordination. The view in the traditional theory has been that a small span is better than a large one because an executive must have intimate and direct contact with his subordinates. The ideal ratio was considered to be 15 to 25 subordinates for first level supervision and 5 to 8 subordinates in executive spans.

8.2 Impact of Span of Management

The number of persons an executive supervises has an important influence on the nature of organisation structure. If the span is large, it means that fewer levels are needed in the

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organisation. The structure would tend to be flat and wide. Presumably the possibility of communication blockages would be minimized because more people report directly to the top executive. If the span is small, the structure would be narrow and deep. There would be more levels in the organisation. More people will have to communicate to the top manager through intervening layer of executives. The possibility of communication blockages and distortions would increase.

Example: If there are 256 persons in an organisation and all are reporting to one executive, there will be one level of management. If it is thought that only four subordinates should directly report to the chief executive, then the number of management levels will increase to two as four executives directly report to the top executive and each executive controls 64 persons as shown in Figure 8.1. This structure is flat as the span of control is very large at the lowest level and there are only two layers of management. If it is thought that an executive can manage only 4 subordinates effectively, the number of managerial levels will increase to four as shown in Figure 8.2. This will make the organisation structure look like a tall pyramid.

Wide Span of supervision: When the span of supervision is wider, the number of executives needed to supervise the workers will be less. This will make the organisation structure wide. Such a structure would be less expensive because of less overhead costs of supervision. Since the number of levels is less, there will be better communication between the worker and the management and better coordination. However, the quality of performance is likely to deteriorate because one executive cannot effectively supervise a large number of subordinates. He will not be able to devote sufficient time in directing each and every subordinate.

Figure 8.1 Flat Structure (Span of Control = 64 Workers)

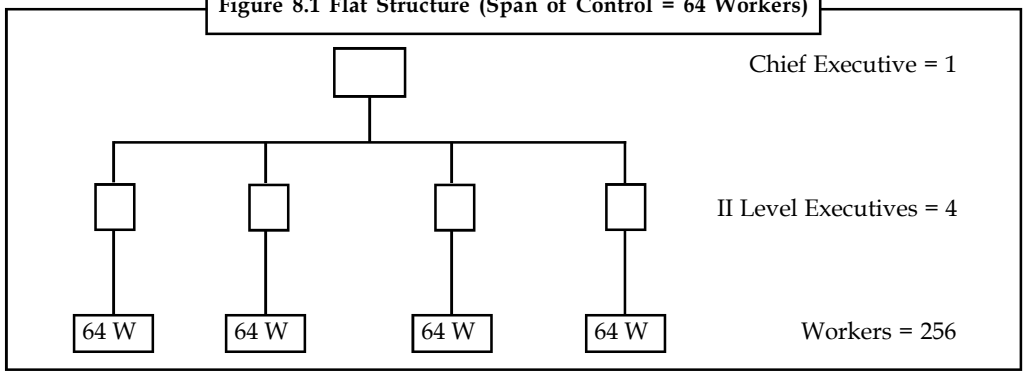
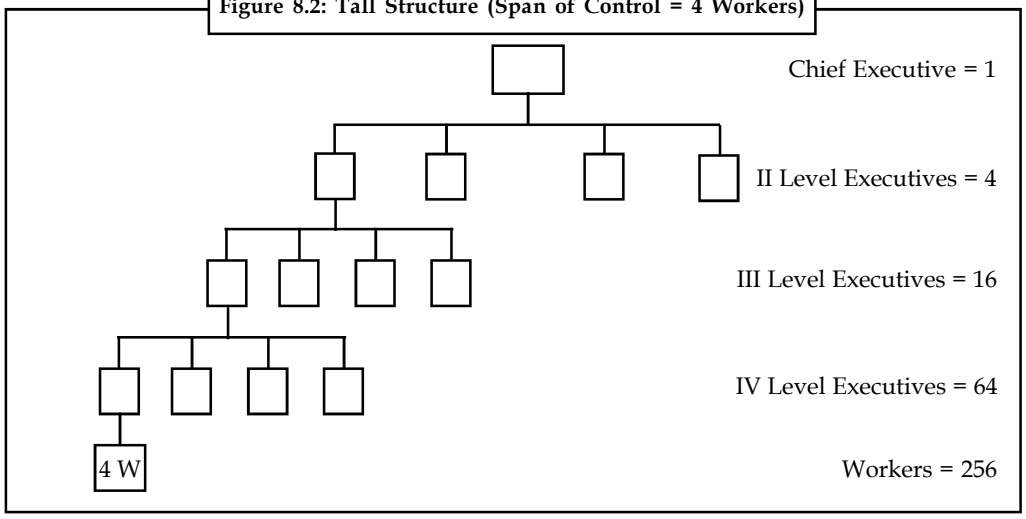


Figure 8.2: Tall Structure (Span of Control = 4 Workers)



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Narrow Span of Supervision: The narrow span of supervision will lead to a tall structure and to an increase in the executive payroll as compared to the flat structure. Another drawback is that the additional layers of supervision will complicate communication from the chief executive down to operative employees and back up the line. There will also be a problem of effective coordination of the activities of different persons in the organisation because of more levels of executives. However, the narrow span of supervision has the benefit of better personal contacts between the supervisors and the subordinates. It facilitates tight control and close supervision. Tall organisation structure gives sufficient time to an executive for developing relations with the subordinates.

In recent years, there has been a controversy about the significance of the concept of span of control. The transformation in the style of decision making has had an inevitable bearing on question relating to the number of people an executive can supervise. Moreover, the use of delegation and decentralization is highly advocated these days. It is realized that narrow span of control is an effective means of forcing the executives to delegate.

It is also argued that if an executive has enough number of subordinates to supervise. Moreover, the use of delegation and decentralization is highly advocated these days. It is realized that narrow span of control is an effective means of forcing the executives to delegate. It is also argued that if an executive has enough number of subordinates to supervise, there is a point beyond which intimate control becomes very difficult. But how this point should be determined is the main question.


Task

Create a hypothetical organisation of your own highlighting its span of management.

8.3 Factors Determining Span of Management

The span of control varies from individual to individual, time to time and place to place. The factors which determine the span of control are discussed below:

1. ***Ability of the Managers:*** Individuals differ in various qualities like leadership, decision making and communication. The span may be wider if the manager possesses these skills in greater degree as compared to others.
2. ***Time available for Supervision:*** The span should be narrow at the higher levels because top managers have less time available for supervision. They have to devote the major portion of their time to planning, organising, directing and controlling. Each top manager will delegate the task of supervision to his subordinates who have to devote comparatively less time on the important functions of management.
3. ***Nature of Work:*** When the spans are narrowed, the levels in the organisation increase. This involves delegation of authority and responsibility. If the work is of a routine and repetitive nature, it can easily be delegated to the subordinates.
4. ***Capacity of Subordinates:*** If the subordinates are skilled, efficient and knowledgeable, they will require less supervision. In such a case, the superior may go in for a wider span.
5. ***Degree of Decentralization:*** Under decentralization, the power to make decisions is delegated to the lower levels. The span of management will be narrow in such cases so as to exercise more and more control.
6. ***Effectiveness of Communication:*** An effective system of communication in the organisation favours large number of levels because there will be no difficulty in transmission of information in spite of a large number of intervening layers.

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7. ***Control Mechanism:*** The span of control also depends upon the control mechanism being followed. Control may be followed either through personal supervision or through reporting. The former favours narrow span and the latter favours a wide span.

To sum up, it can be said that an executive should be expected to supervise a reasonable number of subordinates. What is reasonable depends on a variety of factors like individual differences in executives, number and capacity of subordinates, the nature of work, availability of time, ease of communication, internal checks and controls and degree of delegation in the organisation. If the span of control is narrow, there will be more organisational levels, which in turn may impede communication. If the number of levels is reduced and the span of control is widened, the supervisory load may become too heavy. Sound management requires a proper balance between supervisory load and organisation levels.

8.4 Centralisation and Decentralisation

Centralisation, or centralization (see spelling differences), is the process by which the activities of an organisation, particularly those regarding decision-making, become concentrated within a particular location and/or group.

Decentralisation is an extension of the concept of delegation and cannot exist unless authority is delegated. In decentralisation, a great deal of authority is delegated and more decisions are made at lower levels. It gives added responsibility to managers at all levels below the top.

According to Fayol 'everything which goes to increase the subordinate's role is decentralisation, everything which goes to reduce it is centralisation'.

8.4.1 Centralisation

By centralisation, we mean the concentration of a formal authority at the top levels of a business organisation. It is a tendency aimed at centralised performance. Hence, it is the opposite of dispersal and delegation of authority. It has an important bearing on the processes of policy formulation and decision-making.

The two major areas of management or administration are reserved with the top management in a centralized organisation. Hence, the lower levels of the organisational hierarchy have to look upwards for direction, advice, clarification, interpretation, etc.

Under centralization, even the agencies of the parent organisation do not enjoy any authority of decision-making and hence are fully dependent on the central authority. The agencies are required to implement the decisions in accordance with the pre-determined guidelines as handed down to them by the headquarters operating as the central authority.

Centralisation acquires its acute form when an organisation operates from a single location i.e., when it does not have any field agencies.

In the words of Harold Koont, Centralisation has been used to describe tendencies other than the dispersal of authority. It often refers to the departmental activities; service divisions, centralised similar or specialised activities in a single department. But when centralisation is discussed as an aspect of management, it refers to delegating or withholding authority and the authority dispersal or, concentration in decision making. Therefore, centralisation can be regarded as concentration of physical facilities and/or decision making authority.

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Task

Take example of a centralised organisation and analyse whether the advantages of centralisation to it.

8.4.2 Decentralisation

The term decentralisation is understood differently by different individuals or groups. Louis A. Allen refers to it as one of the most confused and confusing of the administrative techniques that characterises the art and science of professional management. To quote Pfeiffer and Sherwood, "In some respects decentralisation has come to be a 'gospel' of management."

Firstly, it is regarded as a way of life to be adopted as least partially on faith;

Secondly, it is an idealistic concept, with ethical roots in democracy,

Thirdly, it is in the beginning a more difficult way of life because it involves a change in behaviour running counter to historically-rooted culture patterns of mankind.

That is why the new literature of decentralisation dwells on how to bring about change in organisation behaviour. Men find it difficult to delegate, to think in terms of the abstractions required by long-term planning, to listen rather than to give orders, to evaluate other men and their work in terms of overall results instead of irritations and tensions of the moment. Yet this is the very key to the behaviour required of leaders in a decentralised organisation".

It is amply clear that decentralization is not only a device for the delegation or dispersal of administrative authority, but it is also a democratic method of devolution of political authority. Further, in a decentralised organisation it is also essential to adopt the democratic norms. Such norms help the various levels of the administrative organisation to develop a reasonable capability for the exercise of authority to reach the most desired decisions. Moreover, they help to assimilate in them the virtues of greater interactions not only among the various organisational levels but also between the organisation and the clientele among the general public.

It has been opined that decentralisation refers to the physical location of facilities and the extent of dispersal of authority throughout an organisation. Hence, it is an arrangement by which the ultimate authority to command and the ultimate responsibility for results is localized in units located in different parts of the country. It is argued that assigning of functions and responsibility, for their efficient and effective performance, to the subordinates or sub-divisions is the essence of decentralisation.

We may say that in a decentralised organisation lower levels are allowed to decide most of the matters matters and a few cases involving major policies or interpretations are referred to the higher levels of the organisation. Decentralisation covers the political, legal and administrative spheres of authority.


Example: Each store of Tesco has a store manager who can make certain decisions concerning their store. The store manager is responsible to a regional manager.

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Caselet

Hewlett-Packard India (HP)

There are no supervisors in HP, only reality checkers. Employees are allowed to define their own job responsibilities. HP believes that 'people are here to do a great job.' Employees are treated like mature adults. Says one manager 'There is no boss breaking down your neck. You are empowered and are on your own'. Even the bosses proudly proclaim 'my team members are far more knowledgeable about their lines of business. I can only learn from them.' Even a fresh recruit in HP is given all kinds of resource back up and a team to do things in a novel, different way. All such attempts are fully backed up by top management. In the headquarters in New Delhi, open encircles in office encourage informality and ease of communication between employees. Across HP, flexitime is religiously followed, depending on the convenience of the employee. Every attempt is made to provide excellent opportunities for vertical growth of employees. Of course, there are family day annual picnics, kids' days, dial-a-chocolate, wedding gifts, subzi-on-wheels, car servicing facilities to make employee lives lively throughout the year.

As a result, the employee satisfaction is at a high always. Moreover, attrition rate is quite low and productivity is on an all time high as compared to the other major competitors.

Source: BT-Hewitt Study, 21-1-2001

8.4.3 Centralised and Decentralised Organisations

Centralisation and Decentralisation of Organisations need to be viewed as complementary to each other as a fair combination of the two results in stability, accountability, efficiency and effectiveness. It has been said that in order to ensure its existence, an organisation has to perform certain functions which are basically centralising in nature and effect. Moreover, their performance has to be from a central point of authority. Two such major functions are initiation and decision-making in relation to basic management functions like planning, organising, motivating, coordinating and controlling the work of the subordinates as also of the field units. Thus, the higher levels by performing the functions of initiation and decision making tend to reserve the real authority at the central points of the organisation. On the other hand, Earnest Dale points out that the degree of decentralisation greater in the following situations:

1. The greater the number of decisions made at lower level of management hierarchy, the greater the degree of decentralisation.
2. The more important the decisions made at lower level of management, the greater the degree of decentralisation.



Example: The head of the field unit enjoys the authority of sanctioning financial investments or expenditure without consulting any one else.

3. In a decentralised authority structure, more decisions are taken at lower levels which affect most of the functions of the organisation as a whole. Thus, the organisations which permit only operational decisions to be made at separate branch units are less decentralised than those which also permit financial and personnel decisions at branch units.

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4. When less checking is required on the decision. Decentralisation is greater when no check at all is made; it is less when superiors have to be informed of the decision after it has been made; still less if superiors have to be consulted before the decision is made. When fewer are consulted and if they are at a lower level in the organisation's hierarchy, the degree of decentralisation is more.

It is, therefore, clear that the application of the two concepts is greatly influenced by factors more than one.

In modern times when we have a multiplicity of administrative and political organisations, there is a need to use the centralised and decentralized patterns of authority for the maximum benefit of the people.



Example: Functions such as accounting and purchasing may be centralised to save costs. Whilst tasks such as recruitment may be decentralised as units away from head office may have staffing needs specific only to them.

That is a pre-requisite of a welfare or service state. There has been a growing public opinion in favour of decentralisation but at the same time some political forces and the bureaucracy do not favour a decentralised system for obvious reasons. Pfeiffer and Sherwood comment, "Decentralisation will always experience a certain amount of epidemic conflict between those whose purpose is to coordinate and those who resist coordination. What is needed is to learn a way of life in which the coordinating process will be least restrictive, in which people can pursue their individual goals to the maximum and yet work in harmony toward group goals with others who look upon things differently."

Certain organisations implement vertical decentralisation which means that they have handed the power to make certain decisions, down the hierarchy of their organisation. Vertical decentralisation increases the input, people at the bottom of the organisation chart have in decision making.

Horizontal decentralisation spreads responsibility across the organisation. A good example of this is the implementation of new technology across the whole business. This implementation will be the sole responsibility of technology specialists.

Advantages of Centralised Structure For Organisations	Advantages of Decentralised Structure For Organisations
• Senior managers enjoy greater control over the organisation.	• Senior managers have time to concentrate on the most important decisions (as the other decisions can be undertaken by other people down the organisation structure.
• The use of standardised procedures can results in cost savings.	• Decision making is a form of empowerment. Empowerment can increase motivation and therefore mean that staff output increases.
• Decisions can be made to benefit the organisations as a whole. Whereas a decision made by a department manager may benefit their department, but disadvantage other departments.	• People lower down the chain have a greater understanding of the environment they work in and the people (customers and colleagues) that they interact with. This knowledge skills and experience may enable them to make more effective decisions than senior managers.
• The organisation can benefit from the decision making of experienced senior managers.	• Empowerment will enable departments and their employees to respond faster to changes and new challenges. Whereas it may take senior managers longer to appreciate that business needs have changed.

Contd...

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• In uncertain times the organisation will need strong leadership and pull in the same direction. It is believed that strong leadership is often best given from above.	• Empowerment makes it easier for people to accept and make a success of more responsibility.



Case Study

Bajaj Auto

The belief that "tomorrow's CEO must be today's empowered manager" compelled 57 year old Rahul Bajaj, CEO of the two-wheeler giant Bajaj Auto to delegate his responsibility to a successor systematically 5 years back. Both the heirs apparent - his two sons, Rajiv and Sanjiv are qualified enough to exchange the baton smoothly. For a man who took charge of every critical area in the traditional family – managed company, the decision was a bold one. He assumed complete charge of production, finance, design changes, production systems and labour relations at the company, personally overseeing all operations for over two decades (1968-1990).

He never realised the need for delegation of authority and decentralisation of responsibilities. Not surprisingly, the company remained a fat, cost-callous, inflexible giant, although rising sales and burgeoning consumer demand camouflaged the flab. The second line of executives were never groomed to mange at least day-to-day operations. He never allowed others the required freedom to take even simple decisions independently. Additional responsibilities as the chairman of Indian Airlines, CII, AIAM, etc., literally forced him to see the merits in creating a second line of command in his absence.

Meanwhile, with the onset of a recession and the advent of competition, the company had to rewrite the rules of the game quickly, combining delegation with succession planning. Both sons have joined as apprentices initially, selecting their respective areas and undergoing training in those areas. Rajiv in manufacturing and Sanjiv in marketing. Another cousin of Rahul Bajaj, Mathur was made the incharge of HR functions and began to represent Rahul in meetings. Responsibilities were delegated to Mathur slowly but steadily.

Rahul Bajaj started distancing himself from his followers too, after his son Rajiv took charge of the Akrudi plant independently. The report card of the company during the past three years has been quite encouraging – with sales picking up in motor cycle as well as scooter segments.

Questions

1. What do you analyse as the reason behind Bajaj Auto to change its management technique to decentralization?
2. What were the advantages that Bajaj Auto earned from decentralization?
3. How do suggest Bajaj Auto to have benefitted more by a balanced centralisation-decentralisation mix?

8.5 Summary

- The span of management is the number of employees reporting to a superior.
- This principle states that no single executive should have more people working to him for guidance and leadership than he can reasonably be expected to serve.

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- Centralisation and decentralisation, being the two extremes of operations of authority, are relative terms.
- We, today, cannot think of an organisation which is completely centralised or decentralised as in between the operations of the two there is always a continuum of authority.
- Their applications in a democratic setup would depend upon the objectives of the organisation, its life and size, nature of service, etc.
- In centralisation, power and discretion remain concentrated at the top levels.
- Centralisation works well in the early stages of organisational growth and keeps all parts of the organisation moving harmoniously towards a common goal.
- It also helps in handling resources and information very well, in times of emergency. However, when the organisation grows beyond a limit, centralisation comes in the way of proper coordination, communication and control.
- In decentralisation, a great deal of authority is delegated and more decisions are made at lower levels.
- Decentralisation allows subordinates to grow and reduces the burden of the top executives and allows them to focus attention on key issues.
- For a multiproduct enterprise, decentralisation is the only way to offer a balanced emphasis on its profitable product- mix.
- On the negative side, decentralisation may be a costly exercise as more independent centers crop up.
- Conflicts may erupt between competing divisions.
- Remote control from headquarters may prove to be ineffective at times.
- The appropriate mix of centralisation and decentralisation is something to be decided by the organisation taking various factors into account.

8.6 Keywords

Centralisation: The process by which the activities of an organisation, particularly those regarding decision-making, become concentrated within a particular location and/or group.

Conflicts: Actual or perceived opposition of needs, values and interests.

Delegation: Assignment of authority and responsibility to another person (normally from a manager to a subordinate) to carry out specific activities.

Discretion: Ability to make responsible decisions.

Span of management: The number of employees who report to a superior.

Supervision: management by overseeing the performance or operation of a person or group

8.7 Self Assessment

Fill in the blanks:

1. Span of management is sometimes also referred to as span of……..or……..
2. ……..gave mathematical formulae for finding out relationship within span of management.

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3. If the span of management is large, …….levels would be needed in the organisation.
4. If the organisation structure is…… the span of control is very large at the lowest level.
5. ……..span of supervision leads to a…….organisation structure.
6. Empowerment can increase ..... in the lower staff.
7. ..... decentralisation increases the input, people at the bottom of the organisation chart.
8. In a decentralised authority structure, more decisions are taken at ..... levels.
9. Decentralisation refers to the physical ..... of facilities and the extent of ..... of authority throughout an organisation.
10. Centralisation is the opposite of ..... and ..... of authority.

8.8 Review Questions

1. Define the term 'span of management'. How do you determine the optimum span of management in a given situation?
2. Briefly point our Graicunas' prescriptions about the span of management.
3. When you become a manager, what criteria will you favour to determine your span?
4. Absolute decentralization is as hypothetical as absolute centralization. Discuss. Also explain the factors which affect the degree of decentralization which is best. Why?
5. Is decentralization of decision making powers in a company a result of individual incompetence? Support your argument with reasons.
6. When does decentralization make sense and when is centralization more appropriate?
7. What will be the advantages and disadvantages of centralisation and/or decentralisation in a sales oriented organisation?
8. If you are to handle an organsiation in which everything was being run at a centralized level, what will you like to manage it as- in a centralized or decentralized manner?
9. The greater the number of decision at lower level, the greater is decentralisation. Comment.
10. How do you see the impact of political decentralization on the industry?
11. Examine the utility of vertical decentralistion for a manufacturing firm.
12. Suggest a mix of centralisation and decentralisation for a firm that you supposedly inherited from your father and want to grow further.
13. Every employee has a discretion of his own. If all are allowed to make decisions, who will decide who's discretion is better than all the others?
14. Decentralistion will always experience a certain amount of epidemic conflict between those whose purpose is to coordinate and those who resist coordination. Why so?
15. In tough times, should an organisation opt for centralisation or decentralisation. Support our answer with valid reasons.
16. What can be the possible disadvantages of decentralization?

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Answers: Self Assessment

1.	Supervision, authority or control	2.	Graicunas
3.	Fewer	4.	Flat
5.	Narrow	6.	motivation
7.	vertical	8.	lower
9.	location, dispersal	10.	dispersal, delegation

8.9 Further Readings



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Online links

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Unit 9: Delegation, Authority and Power

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Objectives

After studying this unit, you will be able to:

- State the meaning and features of delegation
- Discuss the principles and issues regarding delegation
- Explain the types of authority
- State the sources of power

Introduction

Power and authority are the 'currency' of organisations, they enable an individual or group to get things done, through others-or in competition with others. Because organisations require controlled performance, the flipside of authority is responsibility. Trends such as empowerment

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make this a hot issue: how do you share power and retain control? Delegation is the managerial process through with authority flows down the scalar chain; it is one of those good things that, in practice, are difficult for managers to get right.

9.1 Concept of Delegation

Many companies fail in their specific businesses because of their lack of effective delegation. Delegation is not just telling an employee to answer a call or to fill out some paperwork for a manager or make him do such easy task; rather, it is about assigning challenging jobs.

The reason why most companies find it hard to delegate difficult tasks is the lack of confidence in their employees. Delegation is very important for a business to prosper. Effective delegation allows you to trim down your tasks so that you can concentrate on the major areas of your business. Now the question is: What is delegation?

9.1.1 Meaning of Delegation

Delegation is the process by which the manager assigns a portion of his total workload to others. Effective delegation permits managers to tackle higher-priority duties while helping to train and develop lower-level managers. Thus delegation is a process whereby a superior passes to a subordinate part of his or her own authority to make decisions.

Delegation is necessary because:

1. Managers have limited workload capacity.
2. Managers need to be free for higher-level tasks.
3. Delegation can enhance employee satisfaction, flexibility, responsiveness to customers.



Notes The process of delegation involves certain steps like:

1. Specify task object, constraints, targets and standards: check understanding.
2. Formally assign responsibilities, specifying scope and area of authority: gain agreement.
3. Allocate necessary resources (including help when requested): then back off!
4. Maintain supportive contact: review and feedback according to agreed schedule.

9.1.2 Features of Delegation

A manager alone cannot perform all the tasks assigned to him. In order to meet the targets, the manager should delegate some tasks or duties to subordinates, since management means getting work done through others. Delegation of Authority means division of authority and powers downwards to the subordinate. Delegation is about entrusting someone else to do parts of your job. Delegation of authority can be defined as subdivision and sub-allocation of powers to the subordinates in order to achieve effective results. Some of the important features of delegation may be listed thus:

1. ***A co-operative relationship:*** Delegation is a co-operative relationship. It is a demanding function; it requires sacrifices from both, the delegator and the one to whom the responsibitlity/task has been delegated to.

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2. ***Act of mutual reliance:*** Delegation is an act of mutual reliance, an expression of dependence and trust on another person's abilities. This also involves an assumption on the part of the one who is delegating the authority that the individual to whom duties have been delegated possesses the necessary skill and strength to be able to discharge those tasks or duties.
3. ***Freedom of thought and action:*** Delegation means freedom of action sufficient to get the tasks accomplished. It means freedom to make decisions, permission to make mistakes and freedom to use one's full capacities. This does not mean that the manager leaves the subordinate on his own to sink or swim. It simply means that the one who has delegated the authority guides the one to whom the delegation has been done, so as to let the latter learn the nuances and succeed by trial and error method.
4. ***A courageous act:*** Delegation of authority or responsibilities is quite a challenging act. The fear of being ultimately responsible compels many managers to indulge in under-delegation.
5. ***Forward-thinking principle:*** Delegation, from a behavioural point of view, is the 'most forward-thinking principle'. It opens a new chapter in superior subordinate relationships. The granting of freedom to act by the superior is evidence of confidence in the subordinate. The subordinate responds by developing a constructive sense of responsibility. He is cognizant of the fact that he is an end in himself, and not simply a means towards the ends of his superior. The acceptance of responsibility by the subordinate means changed responsibilities for the superior, and each finds himself playing a new dynamic role.

9.1.3 Principles of Delegation

The principles of delegation are as follows:

1. ***Principle of result excepted:*** Suggests that every manager before delegating the powers to the subordinate should be able to clearly define the goals as well as results expected from them.
2. ***Principle of parity of authority and responsibility:*** According to this principle, the manager should keep a balance between authority and responsibility. Both of them should go hand in hand.
3. ***Principle of absolute responsibility:*** This says that the authority can be delegated but responsibility cannot be delegated by managers to his subordinates which eans responsibility is fixed.
4. ***Principle of authority level:*** This principle suggests that a manager should exercise his authority within the jurisdiction/framework given.

9.1.4 Advantages of Delegation

Delegation has multiple effects since not only the one delegating benefits, even the staff and the company. The one delegating reduces his workload and can focus his efforts and energy into something that needs his/her skills more. The manager delegating is giving himself more time to analyze business trends, anticipate issues, plan and be in tuned with the vision of the company. These are just some of the aspects worth of every manager's focus to be effective as a leader. The first and most obvious is that the more tasks managers are able to delegate, the more opportunities they have to seek and accept increased responsibilities from higher level managers. Thus managers will try to delegate not only routine matters but also tasks requiring thought and initiative, so that they will be free to function with maximum effectiveness for their organisations. In addition, delegation causes employees to accept accountability and exercise judgment. This

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not only helps train them – an important advantage of delegation – but also improves their self confidence and willingness to take initiative.

Another advantage of delegation is that it frequently leads to better decisions, because employees closest to 'where the action' is are likely to have a clearer view of the facts. For example, a West Coast sales manager would be in a better position to allocate California sales territories than a New York based vice president of sales.

Effective delegation also speeds up decision making. Valuable time can be lost when employee must check with their managers (who then may have to check with their managers) before making a decision. This delay is eliminated when employees are authorized to make the necessary decision on the spot.

9.1.5 Issues regarding Delegation

Delegation of tasks or responsibilities or even authority is never an easy job. It is quite challenging a task and requires handling a lot of issues. The following present the main issues presenting hurdle in the process of delegation.

1. ***What to delegate and what not to delegate:*** By virtue of his position in the hierarchy, a superior is usually in a position to handle tasks better than a subordinate. There is a natural tendency for managers to resist delegating adequate authority and do everything themselves. After a time, the manager is certain to find himself buried in detail and busy 'fighting fires' instead of concentrating on key issues. What to delegate, in fact, is not a simple question to answer. Before trying to solve the puzzle, a manager needs a realistic picture of his personal strengths and weaknesses so that he can avoid the temptation to transfer his mistakes and limitations to others.
2. ***To whom should authority be delegated:*** Clearly, delegation should be directed toward those who have the capacity for accomplishment, the talents and abilities needed, the practical experience of meeting responsibilities and the courage to face challenges. As a matter of fact, managers delegate to those they trust and respect, and whose performance they have observed.
3. ***Reluctance to delegate:*** Managers offer numerous explanations in support of their conservative outlook:
   (a) Better performance
   (b) No trust
   (c) Subordinate may get credit
   (d) Continuous guidance difficult
   (e) Who will face the music
4. ***Reluctance to accept delegation:*** Delegation may prove to be a futile exercise, in situations where the boss is ready to delegate but the subordinate is unwilling to accept the delegation. Normally, the following of the delegatee attitudes hinder the delegation process:
   (a) Easy to ask
   (b) Fear of criticism
   (c) Lack of information resources
   (d) Too heavy
   (e) Lack of self-confidence

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Case Study

Deemed University Concept needs Right Direction

The ongoing issue with regard to certain deemed universities must not hijack a sound concept envisaged by Dr S. Radhakrishnan. Based on the Dr Radhakrishnan Committee's report, provisions were made in the University Grants Commission Act, 1956 for declaring higher institutions of learning with quality as Deemed to be University.

Since 2005, the Government of India has notified 108 institutions as Deemed Universities, and in Tamil Nadu alone the number of private deemed universities has increased from 18 in 2005 to 35 in 2008 and many are in the queue. Despite the Supreme Court issuing a notice in 2006 on a PIL opposing the manner in which the Central Government granted Deemed University status, between May 2006 and March 2009 over 50 institutions have been granted Deemed University status. The increase in the number of Deemed Universities should not, however, be at the cost of quality.

UGC vs. AICTE

The strength and weakness of a system does not totally lie in the guidelines or rules and regulations but in their meticulous implementation. The UGC Act was enacted to maintain the norms and standards in universities and Section 3 of the Act empowers the University Grants Commission (UGC) to recommend to the Government institutions to be declared as Deemed Universities.

At the same time, statutory councils have come into existence by way of Central legislation. These councils have to be respected at least to the extent the Act demands.

As per present guidelines, an applicant institution will be inspected by a committee constituted by the UGC with a representative from the respective statutory council. However, Section 10(t) of the All India Council for Technical Education Act (AICTE) confers power on the AICTE to "advise the Commission for declaring any institutions imparting technical education as Deemed Universities".

The AICTE also prescribed detailed guidelines in regard to conferment of Deemed University status as early as 1996 and subsequently revised them during 1999-2000. The AICTE Act does not provide for any delegation of authority and going by it, in respect of technical institutions, it is only the AICTE that should recommend to the UGC for consideration of Deemed University status.

The UGC guidelines for award of Deemed University status must be as good as, if not better than, that of the statutory council. The AICTE laid down norms and standards for establishment of educational institutions back in 1995 and this author was a member of the Committee.

Support Facilities

For a University, to properly function with all academic and support facilities, a minimum of 50 acres of land is required and this requirement is location independent. With respect to building area, for an intake of 360 students per annum, the AICTE prescribes 11,236 sq. mts. as the required academic area; in comparison, the UGC prescribes 10,000 sq.mts. without mentioning the student strength.

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The prescribed value of ₹ 2 crore in respect of equipment, books and journals for the faculties of engineering and medicine for conferment of Deemed University is low considering that even ordinary professional colleges are expected to have facilities of this magnitude.

The original AICTE guidelines for conferment of Deemed University status stipulated that the institution shall be engaged in conducting UG and PG degree for a period of not less than 10 years and five years from the graduation of first batchrespectively. The UGC has now reduced the net minimum period of existence of the institution from 15 to 10 years.

The minimum research requirement has not been prescribed in the UGC guidelines. The AICTE's guidelines requires the applicant institution to complete five significant projects of value of ₹ 8 lakh each or more per year, at least five students should be guided towards doctoral degree in each department and 50 publications in the last five years involving sizeable number of disciplines, departments and faculty members in respect of research.

De novo Institutions

In respect of de novo institutions, the AICTE guidelines clearly stipulate that the institution must satisfy all the regulations of the AICTE in regard to grant of approval for establishment of an institution as laid down under Section 10(k) of the AICTE Act. If all other criteria are made good within a year of making the application, then the application may be considered for Deemed University status under de novo category.

Frequent Reviews

The UGC must also refrain from the practice of appointing review committees within short periods. Even before the original inspection committee's report is considered by the UGC/Ministry of Human Resource Development (MHRD), another review committee is sent.

The UGC must also refrain from granting conditional Deemed University status which is against a Madras High Court order.

Some institutions conferred with Deemed University status in the last three years were advised to strengthen infrastructure, faculty quality, research activities, etc. The purpose of conferring Deemed University is to reward institutions with demonstrated excellence and not to motivate them to satisfy basic conditions. Moreover, Deemed University status conferred to many institutions after 2003 is only temporary and subject to review. Such time-bound grant must also be discouraged.

Sister-institution Route

The attempt to bring in other sister-institutions within the ambit of the declared Deemed University is clearly a backdoor entry mechanism. A dental or arts and science college obtains Deemed University status and brings its constituent engineering or medical college under the ambit of the original deemed university, and then takes undue advantage under the shelter of the Supreme Court order in the Bharathidasan University case. In this case, the Supreme Court held that in respect of universities that want to offer professional courses regulated by AICTE, prior AICTE approval is not necessary.

Every application must meet the requirements laid down in respect of infrastructure, staff, corpus fund, land, number of year's existence, etc. It has to be borne in mind that the character of the constituent unit is at a par with the parent university for all practical purposes.

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A number of unapproved centres have been started by Deemed Universities in various locations, claiming affiliation under the parent Deemed University. Such centres are not approved by UGC or the MHRD and are only exploiting the gullible middle class.

Question

Do you think, the AICTE act should provide for some delegation of authority with respect to technical institutions?

Source: www.thehindubusinessline.com

9.2 Authority

If I have authority over you, I can expect that when I make a decision you will go along with that decision, even if I don't take the time to explain it to you and persuade you that it is indeed right. In turn, your acceptance of me as an authority implies that you have already agreed to be persuaded, implicitly, and won't demand explicit explanations and reasons.

Once I begin to explain my reasoning process and get you to agree that my conclusion was the proper one, then you have reached your own decision. When you act, it won't be because of me enforcing my will over you, nor will it have anything to do with the legitimacy of my power. Instead, it will simply be you exercising your will for your own reasons.



Example: Suppose a manager is the sole authority of an organisation. This manager has the legitimate power to see that his vision and plans are enforced in the matter desired by him. His work will be done because his staff have implicitly accepted that the manager does not need to patiently reason with each one of them in turn in order to get them to independently agree to the decisions in question.

Why doesn't the manager explain everything? There can be many reasons – perhaps members of the organisation lack the sophisticated training necessary in order to understand them, or maybe there just isn't enough time. What's important is that the manager could explain things, but doesn't – authority means not having to explain everything but being able to wield legitimate power anyway.

9.2.1 Meaning of Authority

Authority is the right to take action, utilise organisational resources and exact obedience from subordinates. It has some important features as:

1. Authority enables a position holder to regulate the behaviour of his subordinates in a legitimate manner.
2. Authority allows the position holder to make and enforce decisions. He can obtain information, use resources and put people on various tasks and get results through them.
3. Authority gives the right to order and the power to exact obedience.
4. Authority represents the relationship between the senior and the sub ordinate.

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9.2.2 Types of Authority

Various analysts have given various theories to categorise authority. A few of the classifications are as under:

1. ***Traditional authority:*** Traditional authority is legitimated by the sanctity of tradition. The ability and right to rule is passed down, often through heredity. It does not change overtime, does not facilitate social change, tends to be irrational and inconsistent, and perpetuates the status quo.
2. ***Charismatic authority:*** Charismatic authority is found in a leader whose mission and vision inspire others. It is based upon the perceived extraordinary characteristics of an individual.
3. ***Legal-rational authority:*** Legal-rational authority is empowered by a formalistic belief in the content of the law (legal) or natural law (rationality). Obedience is not given to a specific individual leader – whether traditional or charismatic – but a set of uniform principles.
4. ***Technical Authority:*** Technical Authority is entrusted upon a person to establish, monitor and approve technical products and policy. Technical authority increases the responsibility and sets accountability.
5. ***External Authority:*** External authority authority comes from sources outside the organisation. An organisation operates legitimately because it is part of the government, operating in accordance with the laws passed by the Parliament, which, in turn, is elected by people, who are the ultimate source of all authority.



Task

Match the following:

Column A	Column B
Charismatic	People are willing to accept the legitimacy of the authority of others because it is derived from formal rules and laws
Traditional	People are willing to accept the legitimacy of the authority of others because of historical precedent
Rational legal	can be said to have traditional authority
Hitler, Gandi and Jesus	can be said to have had charismatic authority
Tony Blair	can be said to have rational legal authority
Queen Elizabeth II	People are willing to accept the legtimacy of the authority of others because of their special personal qualities

9.2.3 Advantages and Disadvantages of Authority

Like everything else, authority also has its advantages and disadvantages. Let us look at them one by one.

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Advantages

1. Authority fits with a superior's needs.
2. Work is processed in an orderly and consistent manner, throughout the organisation.
3. Authority might bring out discipline among people working at various levels.
4. Authority might be used to get things done quickly, especially when work is not progressing as per expectations.

Disadvantages

1. Authority implies resistance if not exercised properly.
2. Authority may not be used in a right way. It might be used to suit personal needs.
3. Authority alone may not get results. Much depends on the competence of the person exercising authority.
4. Indiscriminate use of authority might prove to be disastrous for the entire organisation.
5. When authority is used as a 'whip', people tend to ignore/discount/depreciate the person using the same.

9.3 Concept of Power

German sociologist, Max Weber defined power as "the probability that one actor within a social relationship will be in a position to carry out his own will despite resistance." Along similar lines, Emerson suggests that "The power of actor A over actor B is the amount of resistance on the part of B which can be potentially overcome by A." Power appears to involve one person changing the behavior of one or more other individuals – particularly if that behavior would not have taken place otherwise.

9.3.1 Meaning of Power

Power is the potential ability to influence the behaviour of others. It is, in other words, "the capacity that A has, to influence the behaviour of B, so B does something he would not otherwise do" (Robbins). It is the ability to make things happen or get things done the way you want. Power may involve use of one's potential that need not be actualised to be effective.



Example: A football coach has the power to bench a player who is not performing up to par. The coach seldom has to use this power because players recognise that the power exists and work hard to keep their starting positions.

Power also represents one's dependency. The greater B's dependence on A, the greater is A's power in the relationship. A person can have power over you only if he controls something you desire. Where an employee is not dependent on the supervisor for receiving rewards then, truly speaking, the supervisor has no power over such employee.

Another feature of power is that it is specific in the sense that it can be exercised by some people, that too, in some circumstances. Power can not be exercised by all people all times.

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9.3.2 Types of Power

In conjunction with the authority, a manager uses power to influence others towards the accomplishment of goals. He can use power for personal gains or for the good of the organisation. However, if his subordinates believe that he uses power for personal gain, he will soon suffer an erosion of that power. On the other hand, if subordinates believe he uses power to accomplish the organisational goals, his power to influence them will become stronger. His power will also become stronger when you share it through delegation of authority. Of the six types of power—reward, coercive, legitimate, informational, referent, and expert—he may use one or more in various combinations. Each situation will determine the one or ones he uses.

1. ***Reward Power:*** Reward power stems from a manager's use of positive and negative rewards to influence subordinates. Positive rewards range from a smile or kind word to recommendations for awards. Negative rewards range from corrective-type counseling to placing a person on report. A manager will find one of the best ways to influence his subordinates through the use of reward power.

   As a chief, a manager is responsible for starting the positive reward process. Frequent use of positive rewards will amplify the effect of a negative reward. One must give positive rewards freely, but should use restraint in giving negative rewards.

   If a manager uses negative rewards frequently, subordinates begin to expect a negative reward. Their expectation of a negative reward will lessen your power.

2. ***Coercive Power:*** Coercive power results from the expectation of a negative reward if a manager's wishes are not obeyed. Coercive power works, but is not the preferred method of leading subordinates. It works best if used when all else fails and you feel sure you can carry through with a threat.

3. ***Legitimate Power:*** Legitimate power comes from the authority of a manager's rate and position in the chain of command. Although legitimate power increases with added responsibilities, one can decrease that power if one fails to meet all of your responsibilities. Also, when a subordinate wishes to assume some of your responsibilities, formally delegate those responsibilities to the subordinate. That makes the subordinate accountable to you. You then increase the subordinate's power while retaining your power.

4. ***Informational Power:*** Informational power depends on your giving or withholding of information or having knowledge that others do not have. Use informational power when giving orders to subordinates. Give orders in such a manner that your subordinates presume the order originated at your level. When forced to comply with orders you do not agree with, don't introduce the order by saying "The senior management said. . ." and present the order in a manner that leaves no doubt you initiated it.

   Rely on your own resources to stay fully informed instead of depending on others. Subordinates may present unreliable information in a manner that makes it appear to be true. Superiors may become so involved with projects they forget to keep you informed of tasks being assigned or upcoming inspections. Information is power. Stay informed!

5. ***Referent Power:*** Referent power derives from your subordinates' identification or association with you. You have this power by simply being "the chief." People identify with the ideals you stand for. The chief has a pre-established image. You can enhance that image by exhibiting charisma, courage, and charm. An improved image increases your referent power. Always be aware of how others will perceive your actions. A negative image in the eyes of others will lessen your power and render you ineffective. Maintain a positive image!

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6. ***Expert Power:*** Expert power comes from your knowledge in a specific area through which you influence others. You have expert power because your subordinates regard you as an expert in your rating. Subordinates may also have this type of power. When you combine expert power with other types of power, you will find it an effective tool in influencing others. However, when you use it by itself, you will find it ineffective.

9.4 Distinction between Authority and Power

According to Jackson and Carter, "power is about getting someone to do something irrespective of their desire to do it or the extent of their resistance to doing it, while authority rest on assumptions that the person is willing to obey, and accepts the right of the person doing the ordering to expect compliance."

Thus power is the ability to affect change while authority is the right to make any given decision. It's easy to see how these are different: the person actually doing the work has all the power while the person who signed off has the authority. Sometimes these things are embodied in the same person.

Power is the ability to get things done by others. The principle of power is to punish and reward. Power can exist with or without authority whereas authority is the power to enforce law and take command, and to expect obedience from those without authority.



Example: An armed robber has power but no authority.

Authority can exist with or without power,



Example: A teacher has authority over the pupils but no real power.



Task

Analyse the concepts of authority and power and list the similarities between them.



Caselet

Bringing Kids into the Family Business

Bringing offspring into the family business can be a source of pride for parents who are business owners; it can also be a sore spot, a source of destructive politics for everyone involved. Employees may automatically question a young family member's talent or commitment to the business. Senior managers may worry about the security of their jobs as the person rises in rank at the company. "They may feel their own chances for advancement are now limited, or they may be worried about being caught in the middle of family conflicts, such as, getting one set of directions from the older generation and another set from the younger one," explains Jeff Wolfson, an attorney who specializes in family business at the Boston law firm of Goulston and Storrs.

Should parents who own businesses avoid hiring their children, or hide their children's identity once they are hired? Of course not. But Wolfson says they can prevent or end destructive politics in a number of ways.

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First, they can hire offspring at an entry level in the company, as did Miles Ezell, Jr., and his brother Bill, who own Purity Dairies Inc., based in Nashville, Tennessee. Three sons, a daughter, and a son-in-law who joined the company now hold management positions, but they started "small". "Because they came here directly out of college and hadn't worked elsewhere first, they spent at least three years working in different areas, getting a feel for them," says Miles. "They worked in some of the worst jobs, like cleanup detail in the milk plant or in the garage, and they spent six months running milk routes." The Ezell offspring never displaced another worker, and it became clear early on that favouritism was not going to be a problem.

Wolfson agrees that children of founders or owners must learn the business from the bottom up, even if they are assured of succession. "The second generation needs to show some patience," he advises.

Mentoring can also help avoid destructive politics, as long as the mentor is not a family member. A trusted or long-term manager can help acquaint the young person with the company in an unobtrusive manner, sometimes even acting as a go-between with the young person and other workers.

Referent power with the young family member can work both ways. The young family member can work both ways. The young person may worry that his or her associations with other employees are based solely on connections with the founding family. But in other cases, it benefits everyone. Gray Langsam, president of Plaut & Stern Inc., a wholesale meat company and meat packing plant in New York City, recalls positive relationships with other employees, even though they knew his father was a company partner. They watched him work his way up from the bottom and grew to trust him. "I would listen to their suggestions and pass them along to my father," he says. "All that helped me ease my way and break down any resentment the workers had at having the boss's kid in their midst".

Hiring the kids doesn't have to be a disaster. It just takes good political strategies that benefit everyone in the organisation.

9.5 Summary

- Delegation is an essential element of any manager's job.
- If used effectively delegation provides real benefits to every one involved.
- Major indicator of justified use of power is delegation of authority by the management.
- It is the process through which a manager gives authority to their subordinates in order to accomplish certain assignments.
- The work culture, which utilizes the delegation of authority, improves the job satisfaction motivation and morale of employees.
- Further it is helpful in satisfying the employee's need for recognition, responsibility freedom and autonomy.
- "Power" is the ability to affect change while "authority" is the right to make any given decision.

Notes

9.6 Keywords

Delegation: The process by which the manager assigns a portion of his total workload to others.

Expert power: It comes from the knowledge in a specific area through which one influences others.

Legitimate power: It comes from the authority of a manager's rate and position in the chain of command.

Power: The potential ability to influence the behaviour of others.

9.7 Self Assessment

Fill in the blanks:

1. Delegation is a process whereby a superior passes to a ..... part of his or her own authority.
2. Effective delegation speeds up ..... .
3. The manager at every level, no matter what is his authority, is always responsible to his ..... for carrying out his task.
4. ..... power results from the expectation of a negative reward if a manager's wishes are not obeyed.
5. ..... authority is entrusted upon a person to establish, monitor and approve technical products and policy.
6. Authority gives the right to order and the power to exact ..... .
7. ..... authority is legitimated by the sanctity of tradition.
8. The fear of being held responsible compels many managers to indulge in……
9. Weber advocated that ……..played a major role in traditional authority systems.
10. If you have…….power, you can increase the power of your subordinates.

9.8 Review Questions

1. Have you been delegated any authority ever? Explain the qualities that you developed due to being entrusted those responsibilities.
2. What do support more – delegation of operating duties or delegation of authorities and why?
3. If you are to be promoted to an additional designation of your boss, what would you like to showcase as a power characteristic to your juniors and why?
4. Is delegation only beneficial? If not, suggest some ways too turn those demerits into merits.
5. What are the main characteristics you would like to imbibe from the most powerful authority you have ever interacted wit and why?
6. Who do you find as the most charismatic (a) political leader and (b) entrepreneur and why?
7. Do you think that power results in authority or is it the other way round?

Notes

8. Is balancing a wrong choice made by authorities?
9. What will happen if the boss holding the referent power does hold the positive image?
10. Give examples of external authority. In which situation will they become legal rational authority?
11. What is more beneficial for an organisation – a charismatic authority or a technical authority and why?
12. What do you think leads to the other – authority/power and why?

Answers: Self Assessment

1.	subordinate	2.	decision making
3.	superior	4.	Coercive
5.	Technical	6.	obedience
7.	Traditional	8.	Under-delegation
9.	Charisma	10.	Legitimate

9.9 Further Readings



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Unit 10: Staffing and Coordination

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Objectives

After studying this unit, you will be able to:

- Describe the concept of Human Resource Management
- Define recruitment and selection
- Explain the concept of coordination
- Discuss process and type of coordination

Notes

- Realise the issue and systems approach to coordination
- Discuss techniques of coordination

Introduction

Human resource is a very broad term with which an organisation, or other human system describes the combination of traditionally administrative personnel functions with acquisition and application of skills, knowledge and experience, employee relations and resource planning at various levels.

Human Resource Management (HRM) is the strategic and coherent approach to the management of an organisation's most valued assets – the people working there who individually and collectively contribute to the achievement of the objectives of the business. Human resource management's objective, on the other hand, is to maximize the return on investment from the organisation's human capital and minimize financial risk. It is the responsibility of human resource managers in a corporate context to conduct these activities in an effective, legal, fair, and consistent manner.

In an organisation, different people come together to work for a single organisational goal. Needless to say, coming from varied backgrounds, the mindsets, values, ethics, skills, behavioral patterns, etc., of these people are bound to be different. Due to this, one of the biggest challenges and responsibilities for a manger becomes top handle such a group of varied people. Taking them all as just human resources also, the "human" concept is still there.

Different people in the same teams have different thinking and working pattern. The difference increases more when it comes to different departments and their heads. The challenge increases manifold if the interaction has to be between the members of varied teams. Here comes the role of coordination.

Coordination is the act of coordinating, making different people or things work together for a goal or effect. Obviously, a manager has to be adept in the art of coordination.

10.1 Human Resource Management

Human resource management can be defined as a collection of those managerial activities that are associated with human resources planning, recruitment, selection, orientation, training, appraisal, motivation, remuneration, etc. HRM aims at developing people through work.

HRM is seen by practitioners in the field as a more innovative view of workplace management than the traditional approach of personnel management. Its techniques force the managers of an enterprise to express their goals with specificity so that they can be understood and undertaken by the workforce, and to provide the resources needed for them to successfully accomplish their assignments. As such, HRM techniques, when properly practiced, are expressive of the goals and operating practices of the enterprise overall. HRM is also seen by many to have a key role in risk reduction within organisations.

Human resource management policies are vital for organisations that are serious about resolving personnel issues and finding human resource solutions. Its features include:

1. Organisational management
2. Personnel administration
3. Manpower management
4. Industrial management

Notes

10.2 Recent Trends in HRM

There are a number of critical trends affecting the employment relationship that further affect how organisations need to manage their employees. Some of these trends pertain to changes taking place in the external environment of the organisation; others pertain to some of the ways organisations are responding internally to such trends. The term 'environment of business' refers to the aggregate of conditions, events and influences that surround and affect it. The prevailing trends have significantly change the way HRM works. The recent trends in HRM can be identified under technological impact, economic challenges and workforce diversity.

10.2.1 E-Human Resource Management

E-HRM is the application of information technology for human resource management. The information technology helps in networking of personnel while discharging their HR activities. E-HRM can be seen as delegating HR functions to management and employees. They access these functions typically via intranet or other web-technology channels.



Notes The internet and the availability of supporting information and communication technologies have brought radical change to corporate recruiting by significantly altering the traditional process of job advertising, CV screening, short-listing and communication with candidates. A contemporary recruitment process happens often with the help of electronic recruitment systems called e-recruitment or ecruitment. Such systems are often connected to external online job and CV databases available on 24/7 basis, which act as labour market intermediaries.

E-HRM works on three levels. These are Operational, Relational and Transformational. At the operational level, with the help of E-HRM administrative functions are discharged e.g. payroll and employee personal data. Relational E-HRM is concerned with supporting business processes by means of training, recruitment, performance management and so forth. Transformational E-HRM is concerned with strategic HR activities.



Did u know? ***What is Kaizen?***

The Japanese word for continuous improvement is Kaizen, which means improving the overall system by constantly improving the little details. Kaizen practitioners look at quality as an endless journey, not a final destination. In order to improve things, they experiment, measure, adjust continuously.

10.2.2 Technology in HRM

In the present competitive world, technological breakthroughs can dramatically influence an organisation's service markets, suppliers, distributors, competitors, customers, manufacturing processes, marketing practices and competitive position. Technological advances can open up new markets, result in a proliferation of new and improved products, change the relative cost position in an industry and render existing products and services obsolete.

New skills required: As new technologies are developed and implemented, there is an urgent need to upgrade existing employee skills and knowledge. It requires continuous modernization and Upgradation in the skill sets of employees as well as hiring employees with required skills and qualifications.

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Downsizing: New Technologies have decimated many lower-end jobs with frustrating regularity. Increased automation has reduced employee head counts everywhere. The pressure to remain cost-effective has also compelled many a firm to go lean, cutting down extra fat at each managerial level.

Collaborative work: Technological change has resulted in hierarchical distinctions being blurred and more collaborative teamwork where managers, technicians and analysts work together on projects. Team based incentive plans have also made it necessary for all classes of employees to work in close coordination with each other.

Telecommuting: The rapid advances in technology have led to the relocation of work from the office to the home. Telecommuting has become the order of the day-where employees work at home, usually with computers and use phones and the Internet to transmit letters, data and completed work to the home office.

Internet and Intranet Revolution: In HR, internets and intranets are being used to handle training, benefits administration, performance management and out placement functions, in recent times. The cumulative impact of new technology is so dramatic that at a broader level, organisations are changing the way they do HRM.



Notes The primary focus of TQM is on continuous improvement or ongoing incremental change. There is a constant search for achieving things in a better way. However, many organisations operate in a dynamic environment characterised by rapid and constant change. Reengineering would yield fruitful results only when the company tunes its HR practices in line with its radically transformed business processes. HR can contribute to reengineering processes by its effect on building commitment to reengineering, team building, changing the nature of work, and empowering jobs. HR can play a great role improving commitment of employees by hiring competent people, offering the right incentives and installing effective two way communication practices. HR can hire people who can work in process-oriented teams sharing their skills and expertise freely. It can also offer additional training to employees so as to improve their 'team-related' skills and make them capable of handling multiple, cross-functional, enriched tasks in a competent way.



Caselet

Nothing should be Accepted as a 'Given'

The contexts in which human resources are managed in today's organisations are constantly, changing. No longer do firms utilise one set of manufacturing processes, employ a homogeneous group of loyal employees for long periods of time or develop one set way of structuring how work is done and supervisory responsibility is assigned. Continuous changes in who organisations employ and what these employees do require HR practices and systems that are well conceived and effectively implemented to ensure high performance and continued success.

1. Automated technologies now-a-days require more technically trained employees possessing multifarious skills to repair, adjust or improve existing processes. The firms can't expect these employees (Gen X employees, possessing superior technical knowledge and skills, whose attitudes and perceptions toward work are significantly

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different from those of their predecessor organisations: like greater self control, less interest in job security; no expectations of long-term employment; greater participation urge in work activities, demanding opportunities for personal growth and creativity) to stay on without attractive compensation packages and novel reward schemes.

2. Technology driven companies are led by project teams, possessing diverse skills, experience and expertise. Flexible and dynamic organisational structures are needed to take care of the expectations of managers, technicians and analysts who combine their skills, expertise and experience to meet changing customer needs and competitive pressures.

3. Cost cutting efforts have led to the decimation of unwanted layers in organisational hierarchy in recent times. This, in turn, has brought in the problem of managing plateaued employees whose careers seem to have been hit by the delayering process. Organisations are, therefore, made to find alternative career paths for such employees.

4. Both young and old workers, these days, have values and attitudes that stress less loyalty to the company and more loyalty to oneself and one's career than those shown by employees in the past, Organisations, therefore, have to devise appropriate HR policies and strategies so as to prevent the flight of talented employees.

10.2.3 Economic Challenges

Nowadays the world is shrinking in all major respects. People, goods, capital and information are moving around the globe as never before. Companies are trying to become global players just to survive; let alone prosper. Coca-cola, a leader in this respect, derives roughly 80 per cent of its profits from foreign sales. IBM, Mobil, Citicorp, Motorola, Gillette too earn more than half of their revenues from operations outside USA. International borders have been ruthlessly ignored or thoroughly discounted when it comes to serving business interests. Todays' managers in big firms are quite comfortable transacting business in multiple languages and cultures. In the new global marketplace HR managers are required to play challenging roles and create a competitive advantage for the firm. Competitive advantage refers to the ability of an organisation to formulate strategies to exploit profitable opportunities, thereby maximising its return on investment. To this end, global firms are continually reorganising their operations and refocusing their energies around their crucial areas of competence.

10.2.4 Workforce Diversity

Handling work force diversity is a major task of HRM today. Diversity in the field of HRM can be defined as the situation that arises when employees differ from each other in terms of age, gender, ethnicity, education, etc. Workforce diversity means that organisations are becoming more heterogeneous in terms of age, gender, race, ethnicity, etc.

Composition: The composition of the workforce is changing in India. Young, skilled and knowledgeable employees are occupying positions of importance. At the same time, thanks to the opening up of the private sector, employees are no more fascinated by secure, less-paying, routine and standardised jobs offered by the public sector and other government-owned and controlled organisations. Organisations now cannot discriminate on the basis of age. They must listen to their experienced employees, to draw from their expertise and initiate programmes that meet these needs.

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Changes in Employee Roles and their Values: The changing structure of the workforce has led to the introduction of new values in organisations.

Among these are moves towards (a) emphasis on quality of life rather than quantity; (b) equity and justice for the employees over economic efficiency; (c) pluralism and diversity over uniformity and centralism; (d) participation over authority; (e) personal convictions over dogma; and (f) the individual over the organisation. Alienation from the job, increasing counter-productive behaviour, rising expectations and changing ideals of employees are some of the other factors responsible for the changing values and roles of human force.

Managing International Workforce: Managing people in international settings requires human resources to address a broader range of functional areas. If requires more involvement in the employee's personal life. The firm should establish different human resource management systems for different geographic locations. It must closely watch the moves made by external constituencies including foreign governments, political and religious groups. A host of other issues relating to employee compensation, health, safety, welfare etc., need to be monitored carefully. Employees on international assignments represent valuable assets and hence need to the managed systematically and strategically so that they can easily adapt, survive and flourish in diverse cultures and environments.


Task

Take example of two companies and show the impact of government policies on their HRM practices.

10.3 Recruitment

Organisations have to recruit people with requisite skills, qualifications and experience, if they have to survive and flourish in a highly competitive environment. While doing so, they have to be sensitive to economic, social, political and legal factors within a country. To be effective, they need to tap all available sources of supply, both internal and external. Internal promotions and transfers boost the morale of people who have served the firm loyally for a number of years. External sources, too, need to be explored regularly to bring qualified people with lots of ideas into a firm.

10.3.1 Meaning of Recruitment

Recruitment is the process of locating and encouraging potential applicants to apply for existing or anticipated job openings. It is actually a linking function, joining together those with jobs to fill and those seeking jobs. Recruitment, logically, aims at (i) attracting a large number of qualified applicants who are ready to take up the job if it's offered and (ii) offering enough information for unqualified persons to self-select themselves out (for example, the recruitment ad of a foreign bank may invite applications from chartered accountants who have cleared the CA examination in the first attempt only).

10.3.2 Sources of Recruitment

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The sources of recruitment may be broadly divided into two categories: internal sources and external sources. Let us understand each of them one by one.

Sources of Managerial Recruitment

A	B
Internal Sources	**External Sources**
1. Promotions	1. Engineering Colleges and Technical Institutions
2. Transfers	2. Press Advertisement
3. Internal notification (advertisement)	3. Management Consultancy Services and Private Employment Exchanges
4. Retirements	4. Deputation of personnel or Transfer from one enterprise to another.
5. Recalls	5. Management Training Schemes
6. Formal Employees	6. Walk-ins, Write-ins and Talk-ins
	7. Miscellaneous Sources such as use of profession associations, etc.

Source: www.kalyan-city.blogspot.com

Persons who are already working in an organisation constitute the 'internal sources'. Retrenched employees, retired employees, dependents of deceased employees may also constitute the internal sources. Whenever any vacancy arises, someone from within the organisation is upgraded, transferred, promoted or even demoted.

External sources imply to those who are not related to the organisation before recruitment.

Internet Recruiting

In recent years most companies have found it useful to develop their own website and list job openings on it. The website offers a fast, convenient and cost effective means for job applicants to submit their resume through the Internet. Infosys Technologies Ltd., for example, gets over 1000 resumes a day from prospective candidates through the Net. The resumes are then converted into a standard format using the software that the company has developed for short listing candidates according to a set criteria such as alma mater, qualifications, experience etc. The HR manager has to key in his or her requirement and 'profiles' of candidates from the company's database get generated. There are a variety of websites available - in addition to a company's own website - where applicants can submit their resumes and potential employers can check for qualified applicants. (such as (i) www.jobsahead.com (ii) www.headhunters.com (iii) www.naukri.com (iv) www.monsterindia.com (v) www.mafoi.com (vi) www.abcconsultants.net (vii) www.datamaticsstaffing.com (viii) www.timesjobs.com etc.) Internet recruiting, as mentioned earlier, generates fast, cost-effective, timely responses from job applicants from different parts of the world. And that's where the problem lies: the website might be flooded with resumes from unqualified job seekers. Applications may also come from geographic areas that are unrealistically far away.

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Case Study

Which is more Important – Recruiting or Retaining?

Uptron Electronics Limited, is a pioneering and internationally reputed firm in the Electronics industry. It is one of the largest firms in the country. It attracted employees from internationally reputed institutes and industries by offering high salaries, perks, etc. It has advertised for the position of an Electronics Engineer recently. Nearly 150 candidates applied for the job. Mr Sashidhar, an Electronics Engineering Graduate from Indian Institute of Technology with 5 years working experience in a medium-sized electronics firm, was selected from among the 130 candidates who took tests and interview. The interview board recommended an enhancement in his salary by ₹ 5,000 more than his present salary at his request. Mr. Sashidhar was very happy to achieve this and he was congratulated by a number of people including his previous employer for his brilliant interview performance, and wished him good luck.

Mr. Sashidhar joined Uptron Electronics Ltd, on 21st January, 2002, with great enthusiasm. He also found his job to be quite comfortable and a challenging one and he felt it was highly prestigious to work with this company during the formative years of his career. He found his superiors as well as subordinates to be friendly and cooperative. But this climate did not live long. After one year of his service, he slowly learnt about a number of unpleasant stories about the company, management, the superior-subordinate relations, rate of employee turnover, especially at higher level. But he decided to stay on as he had promised several things to the management in the interview. He wanted to please and change the attitude of management through his diligent performance, firm commitment and dedication. He started maximising his contributions and the management got the impression that Mr. Sashidhar had settled down and will remain in the company.

After some time, the superiors started riding rough-shod over Mr. Sashidhar. He was over-loaded with multifarious jobs. His freedom in deciding and executing was cut down. He was ill-treated on a number of occasions before his subordinates. His colleagues also started assigning their responsibilities to Mr Sashidhar. Consequently there were imbalances in his family life, social life and organisational life. But he seemed to be calm and contented. Management felt that Mr. Sashidhar had the potential to bear with many more organisational responsibilities.

So the General Manager was quite surprised to see the resignation letter of Mr. Shashidhar along with a cheque equivalent to a month's salary one fine morning on 18th January, 2004. The General Manager failed to convince Mr. Sashidhar to withdraw his resignation. The General Manager relieved him on 25th January, 2004. The General Manager wanted to appoint a committee to go into the matter immediately, but dropped the idea later.

Questions

1. What prevented the General Manager from appointing a committee?
2. What is wrong with the recruitment policy of the company?
3. Why did Mr. Sashidhar's resignation surprise the General Manager?

10.4 Selection

Selection is the process of evaluating the qualifications, experience, skill, knowledge, etc., of an applicant in relation to the requirements of the job to determine his suitability for the job. The

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selection procedure is concerned with securing relevant information from applicants and selecting the most suitable among them, based on an assessment of how successful the employee would be in the job, if he were placed in the vacant position.

The selection process has two basic objectives:

1. To predict which applicant would be the most successful if selected for the job, and
2. To sell the organisation and the job to the right candidate.

Selection Process

The selection process is based on the organisational objectives, the job specification and the recruitment policy of the organisation. The various selection processes are initial screening, application forms, selection tests, group discussions, interviews and reference checks.

To facilitate a near accurate prediction of an applicant's success on the job, the selection methods should meet several generic standards of reliability, validity, utility and legality. The application form is a formal record of an individual's application for employment. It is usually used in the preliminary screening of job applicants.

The filled-in application forms provide pertinent information about the individual and are used in the job interview and for reference checks to determine the applicant's suitability for employment. There are two methods of evaluating these forms - the clinical method and the weighted method. Selection tests, which are widely used include intelligence tests, aptitude tests, achievement tests, situational tests, interest tests, and personality tests.

Interviews help managers to fill the gaps in the information obtained through the application blanks and tests. Interviews also enable the management to make an impact on the job applicant's view of the organisation, apart from assessing his job-related behavior and attitude. Interviews may be classified as preliminary, selection and decision-making, based on their timing and purpose.

The process of interviewing consists of several steps such as preparation for the interview, ensuring a setting, and conducting, closing and evaluating. The selection process also uses background investigation or reference checks to check the authenticity of the information provided by the applicant. Finally, after an applicant is selected, the offer is made to him and on acceptance, the placement process starts.

At most of the organisations, selection involves usually a series of steps. Each one must be successfully cleared before going to the next. The time and emphasis placed on each step will of course vary from one organisation to another and, indeed, from job to job within the same organisation. The sequencing of steps may also vary from job to job and organisation to organisation. General steps in recruitment and selection process are as follows:

1. ***Reception:*** A company is known by the people it employs. In order to attract people with talent, skills and experience, a company has to create a favourable impression on the applicants right from the stage of reception. Whoever meets the applicant initially should be tactful and able to extend help in a friendly and courteous way. Employment possibilities must be presented honestly and clearly. If no jobs are available at that point of time, the applicant may be asked to contact the HR department after a suitable period of time has elapsed.
2. ***Screening Interview:*** A preliminary interview is generally planned by large organisations to cut the costs of selection by allowing only eligible candidates to go through the further stages in selection. This 'courtesy interview', as it is often called, helps the department

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screen out obvious misfits. If the department finds the candidate suitable, a prescribed application form is given to the applicants to fill and submit.

3. ***Application Blank:*** Application blank or form is one of the most common methods used to collect information on various aspects of the applicants' academic, social, demographic, work-related background and references. It is a brief history sheet of an employee's background, usually containing the following things:

   (a) Personal data (address, sex, identification marks)

   (b) Marital data (single or married, children, dependents)

   (c) Physical data (height, weight, health condition)

   (d) Educational data (levels of formal education, marks, distinctions)

   (e) Employment data (past experience, promotions, nature of duties, reasons for leaving previous jobs, salary drawn, etc.)

   (f) Extra-curricular activities data (sports/games, NSS, NCC, prizes won, leisure-time activities)

   (g) References (names of two or more people who certify the suitability of an applicant to the advertised position)

Weighted Application Blanks (WABs)

To make the application form more job-related, some organisations assign numeric values or weights to responses provided by applicants. Generally, the items that have a strong relationship to job performance are given high scores.



Example: For a medical representative's position, items such as previous selling experience, marital status, age, commission earned on sales previously, etc., may be given high scores when compared to other items such as religion, sex, language, place of birth, etc.

The total score of each applicant is obtained by summing the weights of the individual item responses. The resulting scores are then used in the selection decision. The WAB is best suited for jobs where there are many workers, especially for sales and technical jobs and it is particularly useful in reducing turnover.

Selection Testing: Another important decision in the selection process involves applicant testing and the kinds of tests to use. A test is a standardised, objective measure of a person's behaviour, performance or attitude.

Selection Interview: Interview is the oral examination of candidates for employment. This is the most essential step in the selection process. In this step, the interviewer tries to obtain and synthesise information about the abilities of the interviewee and the requirements of the job.

Medical Examination: Certain jobs require physical qualities like clear vision, acute hearing, unusually high stamina, tolerance of arduous working conditions, clear tone of voice, etc. Medical examination reveals whether or not a candidate possesses these qualities.

Reference Check: Once the interview and medical examination of the candidate is over, the personnel department will engage in checking references. Candidates are required to give the names of two or three references in their application forms. A good reference check, when used sincerely, will fetch useful and reliable information to the organisation.

Hiring Decision: The Line Manager concerned has to make the final decision now – whether to select or reject a candidate after soliciting the required information. The line manager has to

take adequate care in taking the final decision because of economic, behavioural and social implications of the selection decisions.

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Did u know? Gate hiring (where job seekers, generally blue collar employees, present themselves at the factory gate and offer their services on a daily basis), hiring through contractors, recruiting through word-of-mouth publicity are still in use – despite the many possibilities for their misuse – in the small scale sector in India.

10.5 Concept of Coordination

According to Mooney and Reiley, "Coordination is the orderly arrangement of group efforts to provide unity of action in the pursuit of a common purpose."

According to Henry Fayol, "To coordinate, means to unite and correlate all activities".

According to McFarland, "Coordination is the process whereby an executive develops an orderly pattern of group efforts among his subordinates and secures unity of action in the pursuit of common purpose."

On the basis of the above stated definitions, we can state the following as the essential elements of coordination:

1. Coordination implies deliberate efforts to bring fulfillment of goal.
2. Coordination applies to the synchronised arrangement of the productivity of a group and not any individual.
3. Coordination is needed only when there is an involvement of a group over a task. It would not be required if an individual were to work in isolation.
4. Coordination is a continuous effort which begins with the very first action, the process of establishment of business and runs through until its closure.
5. Coordination is necessary for all managerial functions. In organising work, managers must see that no activity remains unassigned. In staffing, managers must ensure the availability of competent people to handle assigned duties. In directing organisational activities, managers must synchronise the efforts of subordinates and motivate them through adequate rewards. In controlling organisational activities, managers must see that activities are on the right path, doing right things, at the right time and in the right manner. Thus, coordination transcends all managerial functions.

10.5.1 Need for Coordination

The need for coordination arises from the fact that literally all organisations are a complex aggregation of diverse systems, which need to work or be operated in concert to produce desired outcomes. In a large organisation, a large number of people process the work at various levels. These people may work at cross purposes if their efforts and activities are not properly coordinated. To simplify the picture, one could decompose an organisation into components such as management, employees, customers, suppliers and other stakeholders.

The components perform interdependent activities aimed at achieving certain goals. To perform these activities, the actors require various types of inputs or resources. It may be difficult to communicate the policies, orders and managerial actions on a face-to-face basis. Personal contact is, rather, impossible and formal methods of coordination become essential.

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Usually, in an organisation, work is divided along functional lines, resulting in specialists taking care of manufacturing, financing, personnel, marketing functions. Over a period of time, these specialists tend to limit their ability to look beyond their own narrow speciality and become are more interested in developing their own departments. Coordination between such employees is must so as to let them mingle with the others in various departments.

10.5.2 Importance of Coordination

Coordination is important to the success of any enterprise. It helps an organisation in the following ways:

Coordination pulls all the functions and activities together. Waste motions, overlapping and duplication of efforts, misuse of resources are, thus, prevented. Coordination, enables an organisation to use its resources in an optimum way. The resources flow through productive channels, paving the way for required quality and quantity of output. Efficiency is thus improved.

Coordination brings unity of action and direction. Members begin to work in an orderly manner, appreciating the work put in by others. They understand and adjust with each other by developing mutual trust, cooperation and understanding. They move closer to each other. In short, it improves human relations.

According to Fayol, where activities are well-coordinated, each department works in harmony with the rest. Production knows its target; maintenance keeps equipment and tools in good order; Finance procures necessary funds; Security sees to the protection of goods and service personnel and all these activities are carried out in a smooth and systematic manner. Coordination, thus, creates a harmonious balance between departments, persons and facilities. This in turn, helps in meeting goals efficiently and effectively.

The importance of coordination, largely lies in the fact that it is the key to other functions of management like planning, organising, staffing, directing and controlling. The different elements of a plan, the various parts of an organisation and phases of a controlling operation must all be coordinated. Coordinating makes planning more purposeful, organisation more well-knit, and control more regulative and effective.

10.6 Principles of Coordination

Mary Parker Follet has brought forth various principles of coordination in the following fashion:

1. ***Principle of direct contact:*** In the first principle, Mary Parker Follet states that coordination can be achieved by direct contact among the responsible people concerned. She believes, that coordination can be easily obtained by direct interpersonal relationships and direct personal communications.
2. ***Early stage:*** Coordination should start from the very beginning of planning process. At the time of policy formulation and objective setting, coordination can be sought from organisational participants. Obviously, when members are involved in goal-setting, coordination problem is ninety percent solved.
3. ***Reciprocal relationship:*** As the third principle, Mary Follet states, that all factors in a situation are reciprocally related. In other words, all the parts influence and are influenced by other parts.
4. ***Principle of continuity:*** The fourth principle, advocated by Follet, is that coordination is a continuous and never-ending process. It is something which must go on all the times in the organisation. Further, coordination is involved in every managerial function.

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5. ***Principle of self-coordination:*** In addition to the four principles listed by Follet above, Brown has emphasised the principle of self-coordination. According to this principle, when a particular department affects other function or department, it is in turn, affected by the other department or function. This particular department may not be having control over the other departments.

10.7 Coordination Process

Coordination cannot be achieved by force or imposed by authority. Achieving coordination through executive orders is a futile exercise. It can be achieved through person-to-person, side-by-side relationships. Achieving effective coordination is a sequential process. It is possible only when the following conditions are fulfilled.

1. ***Clearly defined and understood objectives:*** Every individual and each department must understand what is expected of them by the organisation. Top management must clearly state the objectives for the enterprise, as a whole. As pointed out by Terry, "there must be commonness of purpose, in order to unify efforts". The various plans formulated in the enterprise must be interrelated and designed to fit together.
2. ***Proper division of work:*** The total work must be divided and assigned to individuals in a proper way. Here, it is worth noting the principle, 'a place for everything and everything in its place'.
3. ***Good organisation structure:*** The various departments in the organisation must be grouped in such a way that work moves smoothly from one phase to another. Too much specialisation may complicate the coordination work.
4. ***Clear lines of authority:*** Authority must be delegated in a clear way. The individual must know, what is expected of him by his superior(s). Once authority is accepted, the subordinate must be made accountable for results, in his work area. There should be no room for overlapping of authority and wastage of effort(s).
5. ***Regular and timely communication:*** Personal contact is generally considered to be the most effective means of communication for achieving coordination. Other means of communication such as records, reports, may also be used in order to supply timely and accurate information to various groups in an organisation. As far as possible, common nomenclature may be used so that individuals communicate in the 'same language'.
6. ***Sound leadership:*** According to McFarland, real coordination can be achieved only through effective leadership. Top management, to this end, must be able to provide (i) a conducive work environment, (ii) proper allocation of work, (iii) incentives for good work, etc. It must persuade subordinates, to have identity of interests and to adopt a common outlook.

10.8 Types of Coordination

On the basis of scope and flow in an organisation, coordination may be classified as internal and external; vertical and horizontal.

1. ***Internal and external coordination:*** Coordination between the different units of an organisation is called 'internal coordination'. It involves synchronisation of the activities and efforts of individuals, in various departments, plants and offices of an organisation. The coordination between an organisation and its external environment, consisting of government, customers, investors, suppliers, competitors, etc., is known as 'external coordination'. No organisation operates in isolation. In order to survive and succeed, it must set its house in order, and interact with outside forces in a friendly way.

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2. ***Vertical and horizontal coordination:*** Coordination between different levels of an organisation is called 'vertical coordination'. It is achieved by top management, through delegation of authority. When coordination is brought between various positions, at the same level in the organisation (i.e., between production, sales, finance, personnel, etc.) it is called 'horizontal coordination'. Horizontal coordination is achieved through mutual consultations and cooperation.


Task

Enlist various types of coordination that you see around you in the organisation that you are currently related to.

10.9 Issues and Systems Approach to Coordination

The systems approach decomposes an organisation into three broad components of actors, goals and resources. The actors, comprising of entities such as management, employees, customers, suppliers and other stakeholders perform interdependent activities aimed at achieving certain goals.

Multiple actors and interactions, resources and goals need to be coordinated if common desired outcomes are to be achieved. Viewed from the need to maintain perspective and solve problems that might arise from these multiplicities, coordination links hand in glove with the concept of systems thinking. Actors in organisations are faced with coordination problems. Coordination problems are a consequence of dependencies in the organisation that constrain the efficiency of task performance.

Organisations are systems in the sense that they comprise of elements that interact to produce a predetermined behavior or output. Change in a constituent part of a system may constrain efficient functioning of other parts of the same system or alter required input or output specifications.

The solution to coordination problems, according to coordination theory, lies in the actors performing additional activities called coordination mechanisms. The theory maintains that dependences and mechanisms to counter them are general in the sense that they arise in one form or another in nearly every organisation.

A simplified typology of the kind of dependences that call for coordination in an organisation may be:

1. ***Task-task:*** Tasks may have overlapping, conflicting or outputs with the same characteristics; Common inputs for tasks may be shareable, reusable or non-reusable; the output of one task may be the input of other tasks or a prerequisite for performing subsequent tasks. There may be conflict in specifications that need coordination.
2. ***Task-resource*** i.e. resources required by a task.
3. ***Resource-resource:*** A situation in which one resource depends on another resource. Each of these dependences requires an appropriate coordination mechanism to manage it.

In conclusion, solution to organisational problems, implementation of change or formation of a new organisation involves the management of numerous dependences among tasks, resources and goals.

10.10 Techniques of Coordination

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The following are the important techniques of co-ordination which are widely used by modern management:

1. ***Co-ordination by common purpose:*** The oldest as well as the most important device for achieving co-ordination is the supervisor. The main duty of a supervisor is to see that his subordinates are working in an efficient manner. He directs them, commands them and controls their efforts. According to Webber, by commanding, managers and supervisors can co-ordinate the efforts of their instructions and by direction and motivation they can co-ordinate their efforts. If the span of management is limited, this technique will be very effective in comparison to others.

   In the words of L.A. Allen, "A manager, in managing, must co-ordinate the work for which he is accountable, by balancing, timing and integrating it."

2. ***Co-ordination through managerial functions:*** Of the different phases of managerial functions, some aspects like communication, leadership and authority delegation also have unique contribution towards co-ordination. Effective communication is basic to proper co-ordination. Communication of information is necessary both for making adjustments in plans and for preparing programmes for future.

   (a) *Planning* is necessary to ensure proper utilization of human & non-human resources. In this pursuit, it brings about coordination in the organization.

   (b) *Organizing* relates to determining & providing human and non-human resources to the organizational structure. For this, coordination is needed.

   (c) *Staffing* involves manning the organization structure through proper and effective selection, appraisal & development of personnel to fill the roles designed in the structure. Effective staffing involves coordinating these sub-functions effectively.

   (d) *Direction* is that inert-personnel aspect of management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals, one of which is coordination.

   (e) *Controlling* is the measurement & correction of performance activities of subordinates in order to make sure that the enterprise objectives and plans desired to obtain them as being accomplished. Effective controlling paves way for effective coordination.

3. ***Co-ordination by simplified organisation:*** Organisation is a very important device for achieving co-ordination. In the modern large-scale organisations, there is tendency towards over-specialisation. It leads to bureaucracy and division in different departments. So, some benefits of specialisation should be sacrificed and such an organisational structure should be developed in which the authority and functions of several departments will be clearly defined but interacting. Re-arrangement of departments may also be considered to bring about a greater harmony among the various wings of the organisation.

4. ***Harmonised programmes and policies:*** Excellent opportunities for co-ordination are provided by the process of planning. The plans prepared by different individuals and departments should be checked up for consistency. The management must ensure that all plans add up to the unified programme.

5. ***Co-ordination by group meetings:*** Group meetings are also effective for achieving a high quality of co-ordination. Such meetings bring the officials together and provide opportunities for co-ordination.

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6. ***Co-ordination through liaison men:*** For external co-ordination it is a very important and a popular device nowadays. Mostly, large organisation employs liaison officers to maintain relations with government and other agencies.

7. ***Voluntary co-ordination:*** Co-ordination by self-co-ordination was proposed by A. Brown and Sinon. Co-ordination should not be imposed from the above. Ideal co-ordination is the voluntary co-ordination. This can be secured by installing dominant objectives among people, developing, generally accepted customs, encouraging informal contacts, providing for inter-personal and inter-departmental contacts and using committees for informal exchange of ideas and views.


Task

Give some instances and situations that demanded voluntary coordination on your part.


Case Study

Wendt India: Strategy Marries Organisational Structure

Wendt India is a joint venture, and a publicly held, listed Company started in 1983 by Wendt Germany. In 1991, Wendt India went into a strategic collaboration with the US $2 billion Murugappa Group. Wendt India is a manufacturer of different types of high tech cutting and grinding tools with the latest technology. When it comes to grinding applications, Wendt is recognized as the foremost technology solution provider in the industry. It operates from the state of the art production facility in Hosur, its sole manufacturing unit in India. However, the company has marketing offices in Bangalore, Baroda, Chandigarh, Chennai, Coimbatore, Delhi, Faridabad, Hosur, Hyderabad, Kolkata, Mumbai, Pune and Nasik.

Organizational Structure: An Overview

Wendt India's framework is a hybrid structure with the departments organised along functional lines at the top management level. But the manufacturing department is further classified on the basis of product lines. There are a total of 14 product lines, each involving a separate process. Each product has a product manager and a production manager whose functions are detailed later.

Similarly, the marketing department is organised based on the geographical segments. The entire landscape is carved into seven different zones, each headed by a regional head and assisted by territory heads and the sales-force. Such an elaborate arrangement allows Wendt to cater to specific industries located in these regions.

The administrative functions in the organisation have been clubbed under the direct control of the CFO. This structure provides relatively shorter lines of communication. This improves the interaction among the different administrative departments and in turn increases the coordination amongst these departments.

Production Process

How is it that Wendt manages to produce customized products with only a 7-day lead time? Although the products supplied to clients are differentiated, 90% of the production processes are similar across product lines. This helps Wendt in two ways. Firstly, these

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economies of scope help Wendt in starting the manufacturing process even before the actual order is received from the client. Once the order is received, Wendt runs the final customized processes to get the product as per customer specifications. Secondly, the commonalities in the production processes also help in minimizing the risk that entails transaction-specific investment.

Wendt's clients usually specify the geometric dimensions of the tool required. Using these output specifications, the Production Manager decides on the material and the design required for the product. He then chooses one out of the seven standard processes used for production and subsequently allocates resources in the manufacturing unit. The USP of this process is the ability of the industry to leverage the knowledge systems of Wendt and thereby help the production engineers create value for the company.

The actual blue-collared workforce of the company is machine-skilled. This is significant because Wendt does not enjoy economies of scale. To meet the customer specifications for each product, the workers will have to perform slightly differentiated tasks, and be able to operate their machines accordingly. Although overall volumes are substantial, they do not encourage division of labour due to the customization of products which calls for product-specific reconfiguration of the process.

Wendt minimizes its market-based transactions (outsourcing) due to time constraint, with the only exception of routine lathe jobs that can be completed overnight. An interesting feature is that Wendt does not employ contract outsourcing which is common in manufacturing units. Instead it directly accesses the market, which gives it the advantage of time and control with the tradeoff being marginally higher costs.

Client Relationships

Wendt India has more than 150 competitors, but none who supply the entire range of products that Wendt manufactures. Competition is based more on precision than on price, because the product is custom-made. Here, Wendt has an advantage over its competitors as it has always been a leader in the quality of manufactures produced.

Involving the principles of game theory, we see that the only hold Wendt has over its customers is through the quality of goods it produces. If there is any decrease in the quality of the products supplied, there will be a considerable decrease in the volume of business, as customers will switch over to competitors who provide better prices for the compromised quality.

It is also a fact that the clients perceive a need to maintain their reputation capital as well. Clients are outsourcing the production of a very critical component in their assembly line to Wendt, and if they renege on their agreement towards the end of the production cycle when Wendt has invested in the specific transaction, Wendt will be less inclined to accept orders from that particular client from then on, who thus loses out on the quality of products offered by Wendt.

It is thus interesting to observe a multiple-period game in which both parties stand to lose valuable reputation capital if they do not fulfil their sides of an unwritten agreement. Relationships in such an industry, therefore, are trust-based. Indeed, one of the responsibilities of the CEO is to manage relationships with clients.

Uncertainty: How is it dealt with?

The uncertainty in the environment is kept in check largely by the territorial Heads of Sales and the Product Manager. They effectively do the role of boundary spanning by passing on the required information.

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The territorial heads are the vanguard of the organization and are the representatives of the firm to potential customers. Their main responsibility is to maintain extremely good relationships with their clients so that the customer base is maintained. They also assess the demand for the various products in the market.

The Product Managers are the rearguard of the organisation. They look for new product opportunities and obtain information on product variations expected by customers. They hold regular meetings with existing customers to discuss how better processes can be implemented. They organize seminars to apprise clients on the latest technology that is available. They also perform the role of a liaison officer by ensuring coordination between the marketing and manufacturing department. This helps the company ensure that the requirements of the customer are accurately communicated to the production manager.

Organizational Culture

Wendt has a very unique culture. Wendt recognized early on that success in business depended not only on their world class technology, and their leadership position in different products, but also on their employee performance. Thus, they implemented the 5S Japanese management technique. They also have a very unique concept of Total Employee Involvement (TEI). Employees are combined into small groups who coordinate amongst themselves. There is a Good Morning Meeting everyday when these groups meet, share thoughts and plan the day's schedule. This makes overtime mostly irrelevant. Very often the CEO also addresses the gathering. Regular awards are presented for good work performances. There is a great sense of camaraderie and joie de vivre among the employees.

TEI also removes the problem of communication by ensuring that the entire workforce can interact without the hierarchical limits usually associated with a typical Indian manufacturing company. This is also evident from the fact that the dress code is common across the organization, the use of common canteens and the minimal use of personal secretaries.

Regular training programmes are held in Wendt's own training centre. Here the employees share their experiences, frustrations and knowledge with both colleagues and superiors. There are several events like family days, which help integrate the personal lives of the employees with their work life. This family culture has also rubbed off on the environment with the company having an exemplary environmental policy.

Control Systems

A unique example of the systems in place is the whistle blowing policy. Few companies have such policies in India. At Wendt, any employee can register a complaint. It will be looked into within an hour and action taken immediately on proof of misconduct. For example, a production manager was sacked within half an hour of a complaint being proved. The level of trust is so large that its employees are not frisked even though small diamond cutting tools are in use. Also, union action which is a bane in many a manufacturing company, is virtually redundant. Although a formal union is required as per the law, all wage and other issues are dealt with well in advance. The rewards system implemented in the organisation enhances self esteem. There are also strong belief systems in place - with an emphasis on both the mission and vision of the company.

The indicator which seems to confirm that these systems are working well is the attrition rate which is around 2-3% on an average. This is also because career progression for employees becomes clearer.

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Strategy

Wendt has established many production plants around the world, including Germany, Belgium, US and UK. However, Wendt India is the only plant where the entire range of Wendtâ€™s products is manufactured. This is because Wendt India is a cost-leader for Wendt GmbH, by virtue of the lower labour costs in India. The manufacturing plants in other locations produce only a specific set of specialized products to serve the local markets. Wendt follows a global strategy, with technology principally being developed in Germany, and manufacturing principally carried out in India, the centres of lowest cost for each of these resources.

In the Indian market, Wendt is a differentiator. This is because they manufacture highly customised niche products. Wendt is able to command a high price, with considerable profit margins, as competition is based on the level of precision to which the goods can be manufactured. Margins are about 30% when PBT is considered, and 25% with PAT.

Until recently, the characteristics of Wendt India's strategy were primarily that of a â€œdefenderâ€ù . It created a stable niche for itself in the high end abrasives and cutting tools market by delivering uncompromising quality, excellent customer service and regular contact with their customers for possible improvements in design. Although there was some focus on product development, it was closely related to their existing product lines. All this resulted in incremental growth by penetrating the market and expanding on the peripheries.

However, this also made them vulnerable to sudden shifts in the market. For example, from the manufacturing of grinding tools, Wendt has now shifted its focus to the manufacture of turning tools due to recent changes in technology.

Recently, there has been a small shift in strategy towards expanding their product range to include technology solutions. This has been coupled with some changes in organizational structure. The introduction of the product manager has been necessitated to accommodate a strategy of growth into new domains.

Conclusion

Organizational structure has a tremendous impact on the way an organization can achieve its goals. By describing the various aspects of Wendt's structure, we have tried to lead the readers towards appreciating how the different aspects of an organization can be defined to achieve organizational objectives. The interplay between the strategy, culture and processes as well as the structure of Wendt lends insight into the reasons for the success of desired goals. And this success has been achieved by carefully defining the roles of technology and people in the organization.

Question

Do you think coordination between the strategy, culture and processes holds the key to Wendt's success?

Source: http://tejas-iimb.org/articles/07.php

10.11 Summary

- Organisations and their HR departments are open systems and are affected by the environment in which they operate.
- The workforce is becoming increasingly diverse and organisations are doing their best to address employee concerns and to maximise the benefits of different kinds of employees with diverse educational, cultural and religious backgrounds.

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- Recruitment is the process of locating and encouraging potential applicants to apply for existing or anticipated job openings. Certain influences restrain (the freedom of) managers while choosing a recruiting source such as: image of the company, attractiveness of the job, internal policies, budgetary support, government policies etc.
- Selection is the process of evaluating the qualifications, experience, skill, knowledge, etc., of an applicant in relation to the requirements of the job to determine his suitability for the job.
- The process by which a manager brings unity of action in an organisation is coordination.
- It is a conscious and deliberate blending of activities to achieve unity of action.
- Coordination pulls all the functions and activities together, improves human relations and increases inter-departmental harmony.
- Coordination is easy to achieve through direct interpersonal relationships and communications.
- The process of coordination involves a series of steps: clear goals, proper allocation of work, sound organisation structure, clear reporting relationships, proper communication and sound leadership.

10.12 Keywords

Coordination: The act of coordinating, making different people or things work together for a goal or effect.

Employee referral: A recommendation from a current employee regarding a job applicant.

Executive search: Hiring search firm/head-hunter to track candidates.

Horizontal coordination: linking of activities across departments at similar levels.

Job posting: It is a method of publicising job openings on bulletin boards, electronic media and similar outlets by a company.

Outsourcing: Letting outside vendors provide services

Promotion: Movement of an employee from a lower level position to a higher level position with increase in salary.

Recruitment: The discovering of potential applicants for actual or anticipated organisational vacancies.

Selection: Picking up suitable candidates by rejecting the unsuitable.

Synchronisation: To cause to agree in time and objectives.

Transfer: A lateral movement within the same grade, from one job to another.

Vertical coordination: linking of activities at the top of the organisation with those at the middle and lower levels in order to achieve organisational goals.

10.13 Self Assessment

State whether the following statements are True or False:

1. The recruiting process begins with human resource planning and concludes with evaluation of recruiting efforts.

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2. Recruitment is a mere vacancy-filling function.
3. Employment exchanges are important sources of clerical and managerial personnel.
4. If a job opening to be filled is very attractive, most prospective candidates may turn indifferent and do not even apply.
5. In practice, selection process differ according to job level and skill.
6. The basic purpose of selection is to develop a group of potentially qualified people.

Fill in the blanks:

7. Where activities are well-coordinated, each department works in ..... .
8. People join an organisation to fulfil their ..... needs.
9. Coordination can be achieved by ..... contact among the responsible people concerned.
10. ..... contact is generally considered to be the most effective means of communication for achieving coordination.
11. ..... must be delegated in a clear way.
12. Coordination should start from the very ..... of planning process.

10.14 Review Questions

1. Predict workplace changes that you believe might take place within the next 10 years. What challenges will these changes present to organisations?
2. Assuming that the trend toward robotics and artificial intelligence continues into the next century, how might managers and HR departments be affected?
3. "The government should not be so concerned with the personnel affairs of business. They should reduce some of their laws and let business police itself". Do you agree or disagree? Discuss.
4. If you were responsible for hiring someone for your job, which recruitment sources would you use? Why? Which recruitment sources would you avoid? Why?
5. To facilitate a near accurate prediction of an applicant's success on the job, the selection methods should meet several generic standards. What according to you, should these standards be?
6. As an HR manager, how do see the difference between the recruitment and selection process.
7. Will you prefer the scheme of employee referrals in your organisation? If yes, in which situations, if no, why not?
8. "Management involves coordination and integration of all resources, to accomplish specific results". Explain.
9. "Coordination is the very essence of management". Do you agree? Give reasons.
10. "Coordination is the outcome of information and cooperation". Discuss.
11. Describe your experience with facilities and space planning or coordination.
12. Illustrate the concept of self coordination by the help of an example.

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13. Describe a time when you had to work exceptionally hard to provide great service to a customer or client. What did you do and what was the outcome?
14. As the delegation of authority increases, authority of self diminishes. Do you agree/ disagree with this statement? Give reasons for your answer.
15. Examine the principles of coordination. Would the coordination come to a standstill if one of the principles is stuck to?
16. Suggest a stepwise process to coordinate a team of technicians who has to work on producing multi colour cartons to be ready for a shipment due next week.

Answers: Self Assessment

1.	True	2.	False	3.	False	4.	False
5.	True	6.	True	7.	harmony	8.	personal
9.	direct	10.	Personal	11.	Authority	12.	beginning

10.15 Further Readings



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Unit 11: Performance Appraisal and Career Strategy

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Objectives

After studying this unit, you will be able to:

- Explain the concept of performance appraisal
- Discuss methods of performance appraisal
- Realise concept and elements of career

Introduction

Performance appraisal is also an important management activity. For all important decisions concerning people, like transfer and promotion, remuneration, reward, training and development, so also for long-term manpower planning and organisation development, performance appraisal is necessary. A well documented performance appraisal system helps in understanding the attributes and behaviours of employees. It is also necessary for motivation, communication, strengthening superior-subordinate relationship, target fixing (key performance

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areas/key result areas), work planning and for improving the overall performance of the organisation.

Career is a sequence of attitudes and behaviours associated with the series of job and work related activities over a person's lifetime. Yet in another way, it may be defined as a succession of related jobs, arranged in hierarchical order, through which a person moves in an organisation.

11.1 Concept and Functions of Performance Appraisal

Performance means the degree or extent with which an employee applies his skill, knowledge and efforts to a job, assigned to him and the result of that application. Performance appraisal means analysis, review or evaluation of performance or behaviour analysis of an employee. It may be formal or informal, oral or documented, open or confidential. However, in organisations we find the formal appraisal system in a documented form. It is therefore, a formal process to evaluate the performance of the employees in terms of achieving organisational objectives.

The primary functions of performance appraisal are:

1. To identify and define the specific job criteria. Many organisations at the beginning of the year set key performance areas (KPS) or key result areas (KRAs) for employees based on mutual discussions.
2. To measure and compare the performance in terms of the defined job criteria, KRAs and KPAs are also designed so that they can help in measuring job performance in quantitative or qualitative terms.
3. To develop and justify a reward system, relating rewards to employee performance.
4. To identify the strengths and weaknesses of employees and to decide on proper placement and promotion.
5. To develop suitable training and development programmes for enriching performance of the employees.
6. To plan for long-term manpower requirements and to decide upon the organisational development programmes needed, duly identifying the change areas (for overall improvement of the organisation).
7. To identify motivational reinforcers, to develop communication systems and also to strengthen superior-subordinate relationships.

11.2 Objectives of Performance Appraisal

A performance appraisal system tries to serve various purposes and attain a number of objectives. The major objectives of a performance appraisal system may be classified as remedial, developmental, innovative and motivational.

1. ***Developmental objectives*** stimulate growth of the employees both in their present and future jobs. Thus, it identifies training and development needs, ensures placement and promotion, etc.
2. ***Innovative objectives*** are for discovering ways to deal with a new job and also to identify and develop better ways for existing jobs.
3. ***Motivational objectives*** are for rewards, motivation, effective communication and also for better interpersonal relations.

11.3 Traditional Methods of Performance Appraisal

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Different methods of performance appraisal are followed in different organisations to achieve the above objectives. Since some methods of performance appraisal are complicated and call for adequate knowledge in quantitative techniques, many organisations follow traditional methods of appraisal while others consider modern methods as the basis for evaluating job performance of their employees. Traditional methods of performance appraisal are discussed in subsequent subsections.

Straight Ranking Method

This is the oldest and simplest method of performance appraisal by which employees are tested in order or merit giving some numerical rank and placed in a simple grouping. Such grouping separates employees under each level of efficiency, which may vary from most efficient to least efficient. Since, it is a blunt quantification of performance, it does not account for behavioural parameters and only considers an individual employee's level of efficiency in relation to others. For such obvious deficiency, this system does not provide scientific basis for performance appraisal of employees.

Paired Comparison Techniques

This is a somewhat better method of performance appraisal as each employee is compared with others in pairs at a time. For each performance trait, an individual employee's performance is tallied with others in pairs and then rank order is decided. This system is also not suitable in those cases where the number of employees are usually high. For better comprehension, a sample table of comparison on trait reliability is presented below:

Table 11.1

As Compared To	A	B	C	D	E
A	X	-	-	-	-
B	X	+	-	+	-
C	+	-	X	_	-
D	+	-	+	X	-
E	+	+	-	+	X

Man-to-Man Comparison

Under this method certain factors are selected for analysis, like; leadership, initiative, interpersonal relationship, etc., and a scale is designed by a rater for each such factor. After rating such factors individually and accordingly, the aggregate performance of an individual employee is decided and such aggregative performance is also given a scale. Likewise an individual employee is considered with others. This method is somewhat like factor comparison method and is widely used in job evaluation. Since developing a uniform rating scale is a complicated task, this factor is not much in use in practice for performance appraisal of employees by organisations.

Grading Method

Under this method certain features, which help in understanding the performance of an employee are identified. Such features may be leadership, communication power, analytic ability, job

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knowledge, etc. The raters mark/rate such features here also according to a scale and match an employee's performance compared to his own developed grade definition.



Example: A, B, C, D, E types of grade definitions for each feature may be developed by a rater to indicate, A= Very Significant, B= Significant, C = Moderate, D= Average, E= Poor. Such types of grading are of much use for selection of an employee or grading them in written examinations.

Graphic or Linear Rating Scale

Such a rating scale is normally a continuous scale which enables a rater to mark somewhere along a continuum. Usually a printed form is given to a rater alongwith the factors to be rated, giving a continuous scale against each such factor. This method therefore, enables quantification of performance scores and to analyze its significance using statistical techniques. Since making a rating cluster is difficult for obvious difference in individual characteristics of each job, this system may not always ensure objective appraisal.

Forced Choice Description Method

It is a combination of objective and subjective judgment on an individual employee's performance against each rating element. Positive and negative phrases are given asking the rater to indicate applicability of such phrases as objectives in describing the employee whose performance is rated. For its obvious complexity this system is not much used.

Forced Distribution Method

It is a method to evaluate employees performance according to a predetermined distribution scale.



Example: Under such a method the rater is asked to distribute 5% of the total employees on top of the scale, indicating their superior performance and promotability, 10% may be put immediately under this level, indicating their good performance and future promotability. This system is easy to understand and can be applied to organisations without much hassles.

Checklist Method

It is a mere process of reporting employees' performance, compiling yes/no responses. Final rating is done by the personnel vis-à-vis HRD department based on such reports. Since this is not an objective method of appraisal, it is not free from bias.

Free Essay Method

It is an open ended qualitative appraisal of employees performance, giving an opportunity to the rater to put down his impressions on important job factors. Since it is descriptive and essay type, it is likely to be biased and judgmental errors may crop in.

Critical Incident Method

This method measures employees' performance in terms of certain 'events' or 'critical incidents' instrumental for success or failure on the job. Such critical incidents are identified by the rater

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after in-depth study of the employees' working. As negative incidents get more focused and recording such incidents demands utmost care, it is not free from defects.

Group Appraisal Method

It is an evaluation of an employee by multiple judges. The immediate supervisor of the employee and a few others discuss the performance standards and then evaluate the performance of the employee. The greatest advantage of this method is that it is relatively free from bias even though it is time consuming.

Field Review Method

This type of review is conducted by the HR department by interviewing the supervisor of an employee to understand the subordinate employee's performance.

Normally for such type of appraisal, the appraiser, i.e., the representative of the human resource department gets equipped with certain questions and more in the form of an informal interview, asks those questions about the employees, whose performances are to be reviewed, to their respective supervisors. Since this process of appraisal is an indirect method of appraising the performance, it may not always reflect the true performance level of the subordinate employees. Such an interview always has a sensitizing effect on the interviewee, whose responses may be opinionated generalizations. Moreover, this method keeps the key managerial personnel always busy in appraisals. Despite such defects, this centralized process being simple to administer, most of the organisations prefer to have this type of appraisal for lower level employees.

11.4 Modern Methods of Performance Appraisal

The traditional methods of performance appraisal, discussed above, suffer from a major limitation for their obvious emphasis on assessing individual performance or task, considering it as an isolated factor. To eliminate such a narrow and partial approach, newer techniques of performance appraisal have been developed and are widely practiced by organisations, particularly for managerial and supervisory employees. Some of the modern techniques are discussed in following subsections.

Management by Objectives

Management by Objectives (MBO) is a comprehensive management approach which is adopted for performance appraisal and so also for organisational development. When MBO is used for performance appraisal only, its primary focus is on developing objective criteria for evaluating the performance of the individuals. Identification of common goals is jointly done by the superior and subordinate managers of an organisation. After such identification, each individual's major area of responsibilities is defined. Such defined responsibility becomes the basis for evaluating the performance of the individual employee.

Most of the organisations emphasize on developing KRA's through the MBO exercise, as this approach necessitates joint meeting of the supervisor and the employee to define, establish and set goals or objectives, which the individual employees would achieve, within a prescribed time limit (mostly it is in the form of early targets). Such an exercise also establishes ways and methods to measure performance. Goals are mostly work related and career oriented and are integrated with overall organisational objectives.

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Periodic evaluation of employees' performances is done in terms of goals and if required, goals may be revised. MBO also calls for superior-subordinate interaction and supportive role of the supervisor (which includes counselling/coaching).

However, the MBO system lays more stress on tangible goals and hence, intangible goals like morale, good interpersonal relations, commitment to the job etc, are often ignored. Moreover, the MBO exercise requires too much time and money.

Assessment Centre Method

This method is to test candidates in a social situation by a number of assessors, using a variety of criteria (which may be a paper pencil test, interviews, in-basket exercise, business game, role playing incident or a leaderless discussion). The assessors or evaluators are drawn from experienced executives, working at different levels of management. Under this method performance of employees is evaluated both individually and collectively. This method is useful in measuring interpersonal skills, organising and planning ability, creativity, resistance to stress, work motivation, decision making power, etc.

Human Asset Accounting Method

This method attaches money estimates in the value of manpower of an organisation. The process is somewhat like estimating the goodwill value and can be appraised by developing a procedure to undertake periodic measurement of certain variables. Such variables are either categorized as key or intervening variables. Key variables are policies and decisions of an organisation, its leadership strategies, skills and behaviour of an employee, etc. Intervening variables are loyalties, attitudes, motivations, interpersonal relations, communication and decision making. Measuring such variables over several years, quantification of human assets is difficult for the obvious problem in developing the accounting procedure. It is not a very popular method of performance appraisal.

However, this system is more appropriately used for evaluating the collective performance of an organisation, rather than individual appraisal of an employee. This method is useful for organisational development, as it helps in identifying the changed areas more scientifically than any other method. We have discussed this method in a separate chapter.

Behaviourally Anchored Rating Scales (BARS)

This method helps in measuring and improving job performance more accurately. For each performance area, some standard statements are provided. These are then put on the scales in BARS. While developing such BARS, group discussions are conducted to identify significant job dimensions that need to be evaluated. BARS may be of different types for different job dimensions. Normally BARS are presented vertically with scale points ranging from five to nine. Because of its behavioural orientation, it is considered as the most useful technique of performance appraisal. Moreover, this system provides opportunity to both appraisee and appraiser to interact and participate in developing standards for each performance area. This system being time consuming and painstaking, despite its advantages, organisations try to avoid it.

360 Degree Appraisals

This appraisal method is now largely in use throughout the world. It requires performance feedback from all important stakeholders of the organisation, like, the ratee himself, his superiors, peers, other team members, customers and suppliers. Apart from its effectiveness in reporting

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performance, this method also ensures total employee involvement (TEI) and employee empowerment. This method also reduces subjective evaluation system in an organisation.

Potential Appraisal

Potential appraisal is a holistic approach for studying wholesome qualities of an employee with a given intellect, personal4ity and character. Industry practices apply two widely used approaches for potential appraisal, i.e., helicopter and whole person qualities. Helicopter method tries to measure the potentiality of a person on large as well as on specific issues. Whole person qualities method measures the wholesome qualities/potentialities of a person with a given set of variables, mentioned above, which are already determined for the person. Potential appraisal data is extremely useful for career planning, as the latent abilities of an individual can be captured and matched with the future role and responsibilities. However, in India, we do not have documented practices on potential appraisal in the corporate world.



Task

Based on a few selected performance parameters, evaluate the academic performance of yourself and your friends.

11.5 Steps in Performance Appraisal

Irrespective of the methods applied for performance appraisal, its steps follow more or less a set pattern, which are listed as below:

1. Establishment of performance standards. This is done mostly while developing job descriptions.
2. Communication of standards to the employees.
3. Measurement of performance.
4. Comparison of performance with the job standards.
5. Discussing the appraisal results with the employees.
6. Initiating corrective action, where necessary.



Caselet

The Human Side of Performance Metrics

This has to be alluded to in our statement requirements. For a performance model to work, employee performance appraisal criteria must be aligned with the performance metrics, i.e., if an employee does his task well, this is directly linked to process performance and to ultimate department/division performance and the ultimate goals of the company.

Enthusiastic acceptance, not mere passive understanding is required from managers and employees at all levels of the organisation. Successful metrics must be capable of being cascaded down the line and to reinforce the desired behaviour.

For most businesses, the end objective of profits, brand equity and market valuation are dependent largely on how well the organisation meets and exceed customer expectations.

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Metrics must not therefore be developed to assist internal organisation meet external expectations.

The following process is important to develop a customer focused metrics:

1. Identify your customers and the outputs they require and the processes through which we create the outputs. (Process Block Diagrams or Flowcharts may help at this point.)
2. Determine your customer needs/requirements in terms of quality and service standards, determine the existing gaps in your delivery system.
3. Determine the direct metrics that will help ensure that we meet customer expectations.
4. Cascade these metrics horizontally and vertically through other processes that may impact their performance to develop a full suite of measures that would ensure we achieve customer satisfaction.
5. Establish current performance level, short-term objective, long-term objective, and competitive benchmark that must be attained.

11.6 Concept and Elements of Career

As the literal definition of career focuses on an individually perceived sequence, to be more accurate, career may be either individual-centered or organisation-centered. Therefore, career is often defined separately as external career and internal career. External career refers to the objective categories used by society and organisations to describe the progression of steps through a given occupation, while internal career refers to the set of steps or stages which make up the individual's own concept of career progression within an occupation. For such two different approaches, in organisational context, career can be identified as an integrated pace of vertical and lateral movement in an occupation of an individual over his employment span. Such integrated approach is intended to minimize diversity of hopes and expectations of employees matching individually perceived career with organisation-centered career.

Analyzing the definitional context, it is therefore clear that career has the following important elements:

1. It is a proper sequence of job related activities. Such job related activities vis-à-vis experience include role experiences at different hierarchical levels of an individual, which lead to an increasing level of responsibilities, status, power, achievements and rewards.
2. It may be individual-centered or organisation-centered. Individual-centered (internal) career is an individually perceived sequence of career progression within an occupation.



Example: In medical profession, we have clearly defined stages of education, internship, residency, hospital affiliation, or private practice. Similarly, in college teaching, we have stages like lecturer-ship, readership and professorship. In industrial occupation those who get entry in Indian Administrative and Allied Services also have such clearly defined stages of career.



Example: In Indian Ordnance Factories, Class-I officers start at Assistant Works Manager level and gradually rise to the level of Works Manager, Deputy General Manager, Additional General Manger, General Manager and so on. These being clearly defined stages of career, an individual before joining such services can very well perceive his sequence of career progression. But such clearly defined stages of career progression are not made available for all occupations

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or job titles both in public and private sectors. In such cases, individuals nurture their own perceived stages of career progression.

3. It is better defined as an integrated pace of lateral movement in an occupation of an individual over his employment span. Individual-centered career being not an objective or at times even realistic description of career steps in a given occupation, often goes against the hopes and expectations of employees as organisations may have a different perceived career plan for the employees. Integrated approach, therefore, minimizes such dissonance and ensures a mutually acceptable and satisfying career progression.

11.7 Overview of Career Development

Career development essentially means the process of increasing an employee's potential for advancement and career change. In other words, it is a process of planning the series of possible jobs which an individual may hold in the organisation over time and developing strategies designed to provide necessary job skills as the opportunity arises.

Therefore, career development relates to the readiness for progression through a series of positions during an individual's working life. Career development may be differentiated from career planning and career management. Career development is a systematic process of guiding the movement of human resources of an enterprise through different hierarchical positions, whereas career planning is a process of establishing career objectives for an employee (or by the person himself) and developing planned strategies to achieve them including activities which help in making choices with respect to occupations, organisation's job assignments and self development measures. Career management, on the other hand, relates to specific human resource management activities, such as recruitment, selection, placement, and appraisal to facilitate career development.

Every organisation needs to provide career development opportunities to its employees. The Indian corporate sector, at present, is facing major restructuring to keep pace with the economic restructuring programme of the country.

Market globalization, technology upgradation, import liberalization, delicensing, increased competition together have now prompted Indian companies to restructure their production vis-à-vis organisation. Redeploying the manpower, through proper training, in restructured jobs is one of the important priorities for the organisations, particularly for those who are down the level. But employees with matching skill and knowledge now find them in better bargaining position due to increased job mobility. Most of the foreign and multinational companies are now winning away the employees with matching skill and knowledge from Indian organisations with better offer of pay and career. Therefore, poor career development programme may affect an organisation at least in two ways:

1. High employee turnover, particularly those in their beginning of their career.
2. Decreasing employment involvement.

Recruitment expenses, training expenses and reduced performance during orientation (loss of output, increased wastages, etc.) together add to the cost of employee turnover.

Decreased employee involvement also affects functional efficiency and productivity of the employees. Other important reasons for career development can be listed as follows:

1. Changing environment is now making jobs more complex. A suitable career development programme enables employees to be better prepared for future positions in the organisation. It also gives the opportunity to identify prospective managers from within. Manning vacancies from within is cost efficient and at the same time the system motivates employees.

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2. A suitable career development programme enables the organisation to receive maximum contribution from employees. Since this helps employees to enhance their skills for higher positions, both under utilization of employee's potential work energy and their underemployment can be avoided.
3. Career development makes employees more adaptable to changing requirements of the organisations. The requirements may either change due to new technology [Computer Numerically Controlled Technology (CNC), Numerically Controlled Technology (NCT), Direct Numerically Controlled Technology (DNCT) and Flexible Manufacturing System (FMS)], or new management philosophy and style (like, just-in-time manufacturing, total quality management, etc.).
4. It provides an objective basis to describe the steps of progression in a given organisation, and therefore, minimizes unfair promotion practices of employees reducing the chance of 'promotion by discretion'. Thus, a suitable career development programme avoids employees' resentment on promotion issues, which has now become a major causal factor of industrial disputes in India.
5. Most of the organisations are now also manned by women and other minority classes of employees. A career development programme ensures equitable opportunity for career progression of these classes of employees also. Thus it meets the requirements of equal employment opportunities for all.
6. A career development programme gives opportunities to employees to acquire more skills, obtain desired jobs, share increased responsibility, enjoy scope of job mobility and derive increased job satisfaction.

11.8 Significance and Advantages of Career Development

The significance and advantages of career development both from organisations and employees point of view can be summed up as follows:

1. It reduces employee turnover by providing increased promotional avenues.
2. It improves employee morale and motivation.
3. It enables organisations to man promotional vacancies internally, thereby providing opportunities to reduce the cost of managerial recruitment.
4. It ensures better utilization of employees' skills and provides increased work satisfaction to employees.
5. It makes employees adaptable to the changing requirement of the organisation.
6. It reduces industrial disputes related to promotional matters and thereby provides opportunity to the organisation to sustain harmonious industrial relations.
7. Employees' loyalty and commitment to the organisation can be substantially increased and thereby organisations can enjoy the privilege of increased employee productivity.
8. Career development programmes being an objective description of career progression, ensure equitable promotional decisions even for women and minorities in an organisation.

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11.9 Objectives of Career Development

The objectives of a career development programme, therefore, can be listed as below:

1. To attract and retain effective persons in an organisation.
2. To utilize human resources optimally.
3. To improve morale and motivation level of employees.
4. To reduce employee turnover.
5. To practise a balanced 'promotion from within' policy.
6. To make employees adaptable to changes.
7. To increase employees' loyalty and commitment to the organisations.
8. To maintain harmonious industrial relations.
9. To inculcate equitable employment practices providing equal career progression opportunities to women and minorities.

11.10 Types of Career Development Programmes

In an organisation, there are different types of development programmes to enrich different skills of human resources. These include organisation development, employee development, management development and career development. Organisational development programmes are planned and managed from the top to bring about planned organisational changes for increasing the organisational effectiveness. Management development is concerned with upgrading the manager's skills, knowledge and ability of the employees to enable them to accomplish the additional process of guiding the movement of human resources through different hierarchical levels. Whatever may be the differences, career development is interrelated with other human resource development functions.

11.11 Different Stages or Cycles of Career Development Process

In order to design a suitable career development programme it is necessary to understand the different career stages or development cycles of an individual employee. Actual stages differ from individual to individual due to obvious differences in perceived internal career. However, career development cycle or stages, keeping in view the general requirements of people at different hierarchical stages, may be grouped under the following four categories:

1. ***Exploratory Stage:*** This stage starts when a new employee joins an organisation. An employee with his qualification and knowledge joins an organisation and finds himself in an apparent mismatch condition which cannot be set right with the induction programme of the organisation. It takes quite some time for him after thorough training to adapt to the organisation and more particularly to his job assignment.

   Therefore, it is essential for the organisation to sustain the behavioural as well as operational deficiencies to help him to develop in the course of time. The best solution at this stage is to allow the new entrant to perform some specific job and to confer freedom in functioning. This will help the new entrant to gradually develop according to the requirements of the organisation. Some companies even allow the new entrant to undergo a compulsory job rotation for a reasonable time period. The purpose of such job rotation is to allow the employee to select his preferred job from a wide range of available jobs in the organisation. However, due to obvious functional specialities and different educational requirements, such a scheme is not quite successful in Indian organisations.

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2. ***Establishment Stage:*** After a new entrant chooses his career from different given alternatives (where such options are available), he needs to be provided with regular feedback on his performance. Such performance feedback enables the new employee to understand the effectiveness of his performance and at the same time he can also initiate required corrective action to overcome his functional deficiencies. Performance appraisal and its feedback have also motivational values as the new employee enjoys a sense of accomplishment when he gets feedback on his assignment from management and specifically when he understands that his promotional decision has been taken based on his performance. A successful career development process at establishment stage, therefore, is important to retain employees in the organisation and at the same time to develop a sense of loyalty and commitment to the organisation.

3. ***Maintenance Stage:*** This is a mid-career stage for employees who strive hard to retain their established name and fame. Therefore, at this stage employees need to put their continuous efforts for self-development. For an organisation, career development process at this stage, therefore, calls for renewing and updating the skills of employees particularly in the context of the changing environment to help employees to overcome their mid-career crisis. In many organisations, absence of career development programmes makes employees in this stage of their career to opt for a job switch. Therefore, this stage is crucial and unless the organisation adopts suitable career development programmes, it may face high employee turnover.

4. ***Stage of Decline:*** Employees at this stage, being prepared for retirement, get scared from the possible threat of reduced role or responsibilities in the organisation. Such complexity is behaviourally associated with old age of the employees which, unless set right through a suitable career development programme, may even render such employees inefficient or misfits for the organisation. Career development process at this stage, therefore, should aim at helping the employees to get mentally prepared for retirement rituals, particularly to prepare them to accept a reduced role and responsibilities, so that they can accommodate with their family and the society in the later part of their life.

11.12 Career Anchors

Career anchor is a syndrome of talents, motives and values which gives stability and direction to a person's career. Such talents, motives and values give shape to certain attributes, which an individual derives from his early experiences and which help him to conceptualize his own perceived career. This perceived career anchor, therefore, often goes against organisational career plans and thus, employees develop a sense of dissonance or incongruity about their career plans. Many organisations, therefore, try to identify perceived career anchors for their employees to develop matching career development programmes. Many empirical studies have so far been carried out to identify the perceived career-anchor of different type of employees. Edgar H. Schein, summing up the findings of an empirical study on management graduates, identified five such career anchors for employees.

Managerial Competence

This competence is a fundamental characteristic for those who prefer to rise to the top. Such employees were found to have the following three areas of competence:

1. ***Interpersonal Competence:*** They have the ability and desire to handle a variety of interpersonal and group situations. They can give leadership, resolve group conflicts and also feel at ease while tackling unfavourable situations to their advantage.

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2. ***Analytic Competence:*** This competence helps such employees to identify problems, analyze the same and to develop situations to resolve the problems. Analytical skill being an important prerequisite for success of managers, such competence naturally makes such employees befitting for managerial positions.
3. ***Emotional Competence:*** Employees bestowed with such competence can bear high levels of responsibility and even can afford to remain cool in difficult situations which make them competent to exert leadership powers without much of a problem. Such competence develops empathetic skills in employees leading to a matured decision making power even in a situation of crisis.

All these competencies together develop matured employees who are suitable for managerial positions in an organisation.

Technical/Functional Competence

Persons with such competence prefer to remain in technically satisfying jobs than rising to the higher managerial level. Such technically satisfying jobs may be either engineering, systems analysis or even different functional areas of management like, finance, personnel, marketing etc. In manufacturing units some executives always prefer to remain on the shop-floor as they derive satisfaction from such jobs rather than general managerial jobs at the higher echelon of management. Such people are committed to the profession and consider their work to be of prime importance rather than the benefits and/or future prospects.

Security and Stability

Employees who are anchored in this competence will always get motivated for a career which ensures job security and/or long range stability in the form of good retirement programmes. Such people get motivated only when they are ensured a stable career situation which may not even at times be fitting to their level of knowledge and skills and they may subordinate some personal needs (for example, acceptance of less pay and amenities) to satisfy their perceived security. Effecting transfer and promotion for this type of employees is quite difficult. Most of the employees under this category may be identified in Government and Public Sector Undertakings.

Creativity and Challenge

People with such syndrome are very few in number. They become entrepreneurs more for the sake of creating something new and to have their own identity than for making money. Such people when employed in an organisation always want to be functionally autonomous to exercise their own special talents. They crave for independence. Such type of employees being anchored for creativity and developing something new, should be always given challenging work assignments and scope for their identification through innovative product designs.

Freedom and Autonomy

There are some people in the organisation who always like to work at their own pace. Organisational constraints like fixed working hours, lack of variety of work, defined working conditions etc., prevent them from becoming functionally autonomous and independent. Such people, due to absence of freedom or independence in their organisation, often leave the job to start their own consultancy and freelancing. Teachers, professors, advertising professionals like, artists and copywriters, management consultants etc., fall under this category.

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Other Anchors

The complexity of behavioural parameters, has of late identified some other career anchors which we find are very much related to different occupations. A separate class of people may have a strong craving for identity.



Example: Those who are in military organisations get such identity as their occupational title, which they use as a prefix to their names, like, Major, Colonel, Brigadier, etc. Such identification is so visible that they get special uniforms matching their levels in the organisation.

Affiliate needs and interpersonal talents to work for a cause is yet another anchor which we find in some persons. The search for power, influence, control and job variety are examples of other career anchors which people try to achieve in their occupational roles. Knowledge of these career anchors are essential for any organisation in order to plan for career development. Each employee who nurtures specific career anchors (internal motives and values), should make it explicit to the organisation so as to find matching occupational roles without much of behavioural dissonance. Such a matching process, therefore, is the principal task of planning for career development.



Task

Interview some people in your locality to find out how they planned their career and their plans for the future.

11.13 Steps in the Career Planning Process

The career planning process involves the following different activities or steps in an organisation:

Preparing Personnel Skills Inventories

The first step is to prepare personnel skills inventories, which contains data on employees skills and career goals. In addition, there are required data banks, which provide the following information.

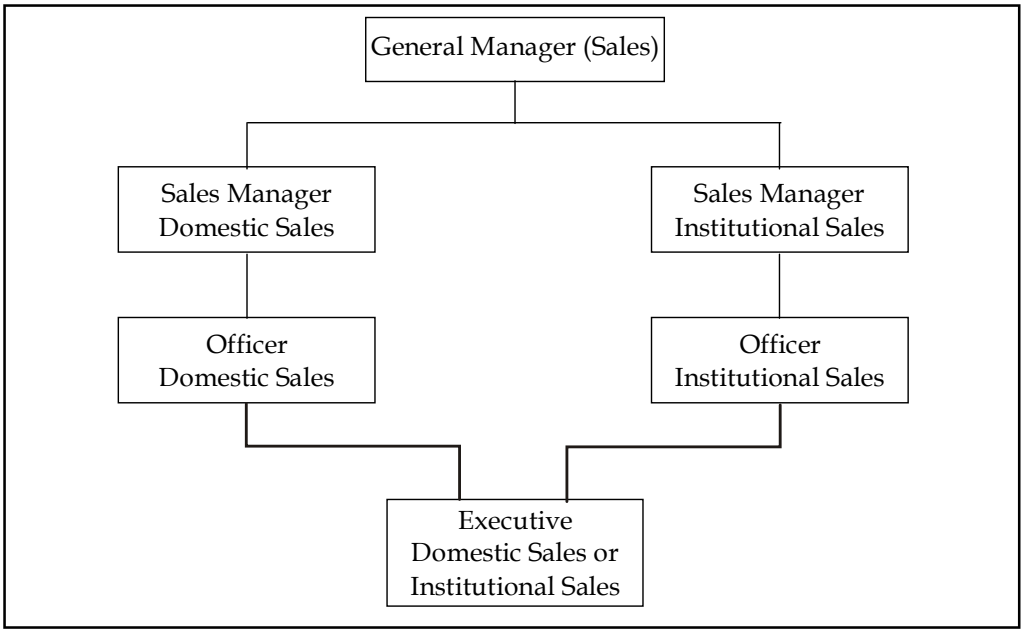
1. The organisation structure and the persons manning different positions in the organisation, their age, education, experience, training and career goals, status, duties and responsibilities.
2. The performance record and ratings, interpersonal abilities of the employees.
3. Their preferred location, desires and constraints.
4. Whether the present strength is short or surplus to the requirements, if it is short, the extent of shortage at different levels and the organisational resources available to make good such shortages in future. If it is surplus, the measures are available to redeploy them through proper restructuring.
5. Future requirement of manpower for expansion or diversification of the company or for natural wastages like, death, disability, retirement, discharge and dismissal, resignation, etc.

In most of the organisations, such information is computerised and periodically reviewed and updated. After preparation of personnel skill inventories and additional data, it is necessary to develop career paths for employees.

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Developing Career Paths

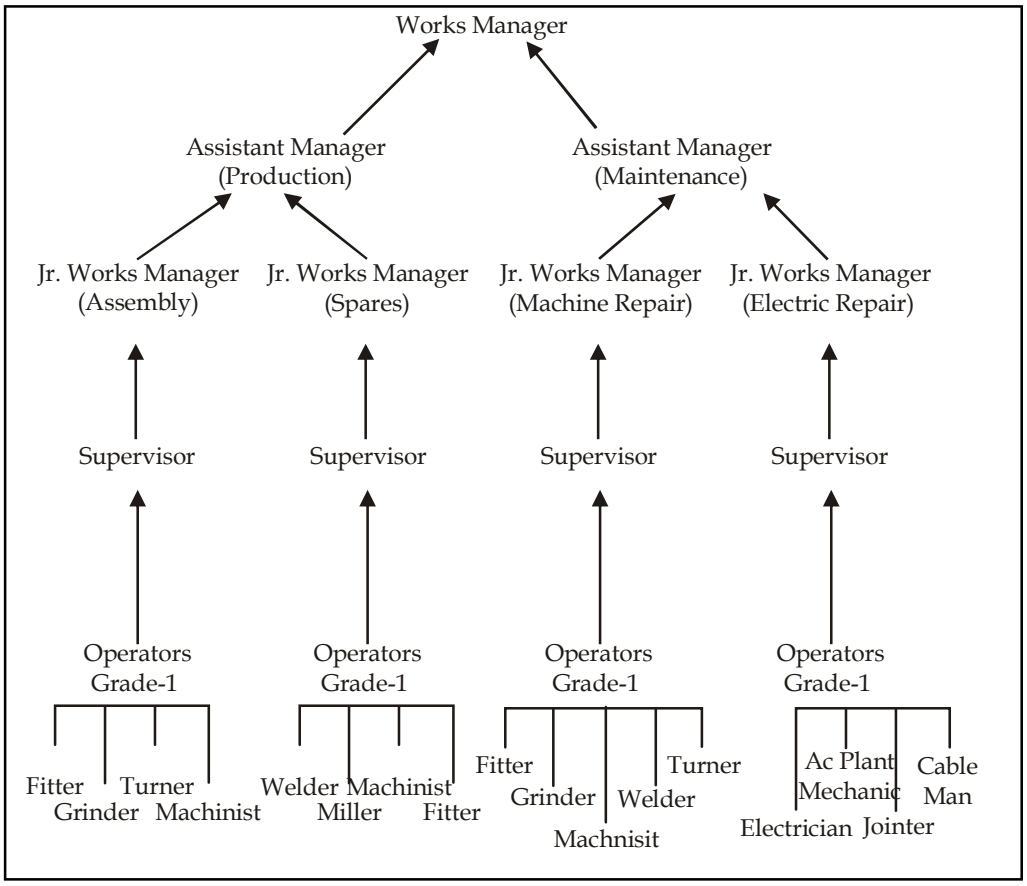
Career paths are logical mapping out of jobs, which represent a potential progression tract that an employee may follow over time. Such mapping of job progressions is done in the form of career ladders by clubbing together similar lines of occupations in job families. Job families are groups of homogenous jobs, i.e., jobs with similar characteristics. An illustrative model of career paths for marketing jobs is presented in figure, which shows a simple job ladder:



However, in all cases, career paths are not so simple. For example, in manufacturing jobs having multiple feeder posts down the level, career paths are more complex than the earlier one. In above figure, an illustrative model of career paths for production department of a manufacturing unit is presented. For successful mapping out of career paths, at the outset, it is essential to identify the job families. After such identification, requisite skills for all the positions along these paths need to be determined. This helps in developing such skills in employees where these are deficient and selecting the person with such skills for different positions in the organisation. However, the most distinguishing feature of career paths is that it need not always be linear or straight. Similarly, it also does not always indicate upward movement in the organisation's hierarchy. Some organisations often redesignate employees down he level only to prepare them for future promotion.

Example: Highly skilled workmen may be redesignated as master craftsmen in a manufacturing organisation without any effect on their pay packets only to elevate them gradually to supervisory positions later. Thus, lateral movement within the levels is also a distinguishing feature of the career paths.

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Put the Right Man at the Right Place

The third step in the career planning process is to identify suitable employees who have the ability, potential and willingness to take up higher responsibilities and rise up the organisational ladder. For this, most of the organisations have performance appraisal and merit rating system. This system enables organisations to compare the performance measures of different individuals in terms of job requirements and helps in identifying training requirements, selecting for promotions, providing financial rewards, etc.

Impart Training

The next step in the career planning process is formulation and implementation of training and development programmes. Such programmes should be designed, in such a manner that they can improve technical and conceptual skills of employees, particularly in those areas, which have been identified as deficient through the performance appraisal system. For continuous change in environment, it is also necessary to constantly renew and update the knowledge and skills of the employees to make them adapt to the changing requirements. Most of the Indian organisations today impart training to their employees on quality circles (small group activities), value engineering technique, total quality management principles, ISO:9000, etc.

Review and Counselling

In addition to the above, career planning process is also concerned with developing suitable promotion and transfer policies, periodic review of career development plans and career

counselling. Career Counselling provides guidance to the employees on occupational training, education and career goals.

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Case Study

Future of Career Planning and Development in India

In India, we do not have any empirical studies worth the name on career planning and development. New challenges like, competition, market globalization, deregulation and total quality management have now made it imperative for organisations to restructure their career planning and development programmes to retain best talents. Companies like, Bajaj Auto, Arvind Mills, Gujarat Ambuja, Essar Gujarat, Reliance Industries, Bombay Dyeing, Hindustan Lever, Crompton Greaves, Tatas, etc., have now brought in many perceptive changes which can be listed as below:

1. Most of the companies now consider employees as their important assets. The concept of total quality management considers every employee as customers (internal) to the organisation. Making employees entrepreneurs for the organisation and empowering them, is now compelling the organisations to re-design career progression tracks to attract and retain the best employees. Making people psychologically prepared for ownership, some organisations are also experimenting with flatter organisation structure with adequate decentralization.
2. For manning senior executive positions, organisations are now giving more importance to knowledge than functional skills. This perhaps is the only reason for selecting people even in their early thirties for senior managerial posts.
3. Organisations are now keen to get rid of those employees who are now redundant due to changing requirements, by offering golden handshake, rather than developing these persons for better redeployment.
4. Merit is now getting overriding priority than seniority. This, therefore, renders career progression paths less important. Many, however, feel that even with greater priority of merit over seniority, career progression paths do not become completely meaningless, since for even promotion by merit, the lines of progression paths are relevant. For any succession planning or promotion planning this is still important.

In addition, organisational restructuring programmes are now rendering many employees surplus and it has become a major problem for the organisations to redeploy employees in restructured jobs. Career panic has now become a global issue. Most of the organisations, fearing employee turnover, are now working on designing jobs which can offer employees recognition, creativity (by lateral transfers etc.), challenges and empowerment.

Question

How do you see the future of career development in our country?

11.14 Summary

- The performance appraisal process provides an opportunity for introducing organisational change.
- It facilitates the process of change in the organisational culture.

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- The interactive sessions between the management and the employees, the mutual goal setting and the efforts towards the career development of the employees help the organisation to become a learning organisation.
- Conducting performance appraisals on a regular basis helps it to become an ongoing part of everyday practice and helps employees to take the responsibility of their work and boosts their professional development.
- Career planning and development is a holistic approach for objective description of the career progression path for all levels of employees in an organisation.
- Even though the two concepts are used with different connotations in some organisations, like, career planning for non-executive level and career development for executive and managerial levels, for our purpose, we have considered both the terms more in the general, rather than specific sense.

11.15 Keywords

Career: It is a sequence of attitudes and behaviours associated with the series of job and work related activities over a person's lifetime

Career Anchor: It is a syndrome of talents, motives and values which gives stability and direction to a person's career

Career Development: It is means the process of increasing an employee's potential for advancement and career change

Performance: It means the degree or extent with which an employee applies his skill, knowledge and efforts to a job, assigned to him and the result of that application.

Performance Appraisal: It means analysis, review or evaluation of performance or behaviour analysis of an employee

11.16 Self Assessment

Fill in the blanks:

1. ……..objectives of performance appraisal are concerned with developing new ways of doing a job.
2. In……..method of performance appraisal, certain features that define performance are identified.
3. ……stresses more on tangible goals and often ignores intangible goals.
4. ……involves feedback on employee performance from all the stakeholders.
5. ……is referred to as jobs in an order as one moves up an organisational hierarchy.
6. ……refers to individuals own steps of progression in an organisation.
7. ……is a systematic process of directing manpower in an organisation through various hierarchical positions.
8. In……of career development, it is in the interest of the company to assign specific jobs to the employee and give him freedom to perform them.
9. ……..helps employees to analyse the problems and suggest appropriate solutions.

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10. Jobs which are similar to each other and require similar abilities to perform them are a part of …….……..

11.17 Review Questions

1. Define performance appraisal. Briefly state its importance and objectives. What are the steps you would like to follow for appraising the performance of a managerial employee?
2. Analyse the different performance appraisal systems followed in an organisation? Select at least five methods and briefly discuss their strengths and weaknesses.
3. Traditional performance appraisal systems emphasize on assessing the individual performance as an isolated factor. Briefly discuss the newer techniques of performance appraisal, critically reviewing the shortcomings of the traditional systems.
4. Discuss the effectiveness of MBO and BARS in performance appraisal. Develop KRAs for a HR manager of an organisation and identify five important performance criteria for assessing the performance on a six point behaviorally anchored rating scale.
5. Explain the concept of career development? Why is it important for an organisation? Does it differ from career planning?
6. Do you think career planning should be individual centered or organisation-centered? Briefly discuss the career planning programme of an organisation you know.
7. Identify the factors you consider important for successful career planning?
8. Discuss the important steps in the career planning process. How would you go about planning your career?
9. Design a Performance Appraisal System in a company of your choice.
10. Discuss the challenges that a HR manager might face while implementing an appraisal process.

Answers: Self Assessment

1.	Innovative	2.	Grading
3.	MBO	4.	360 Degrees Appraisal
5.	Career	6.	Internal Career
7.	Career Development	8.	Exploratory
9.	Analytic Competence	10.	Job Family

11.18 Further Readings



Books

G. Dessler, *Human Resource Management*, Pearson Education 12th edition

Mirza S. Saiyadain, *Human Resource Management*, Tata McGraw Hill, Third edition

P. Subba Rao, *Personnel and Human resource Management*, Himalaya Publishing House, second edition

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Online links

www.appraisals.naukrihub.com

www.careerplanning.about.com/cs/choosingacareer/.../cp_process.htm

www.performance-appraisal.com/intro.htm

www.wisegeek.com/what-is-career-development.htm

Unit 12: Organisational Change

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Objectives

After studying this unit, you will be able to:

- Identify forces of change in organisations
- Describe the forms of change and role of change agents
- Discuss methods organisations can use to manage resistance
- Realise the behavioural reactions to change
- Discuss models of organisational change

Introduction

There is nothing permanent except change. It has become an inescapable fact of life; a fundamental aspect of historical evolution. Change is inevitable in a progressive culture. Change in fact, is accelerating in our society. Revolutions are taking place in political, scientific, technological and institutional areas. Organisations cannot completely insulate themselves from this environmental instability. Change is induced by the internal and external forces. Meeting this challenge of change is the primary responsibility of management. An organisation lacking

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adaptability to change has no future. Adaptability to change is a necessary quality of good management. Modern managers have the responsibility to devise management practices that best meet the new challenges and make use of the opportunities for the growth of the organisation.

The topic of managing change is one that comes closest to describing the totality of a manager's job. Practically everything a manager does is in some way concerned with implementing change.

1. Hiring a new employee—Changing the work group
2. Purchasing a new piece of—Changing work methods equipment
3. Rearranging work station—Changing work flows

All require knowledge of how to manage change effectively.

Organisational change refers to a modification or transformation of the organisation's structure, processes or goods. Flexibility requires that organisations be open to change in all areas, including the structure of the organisation itself. In a flexible organisation, employees can't think of their roles in terms of a job description. They often have to change the tasks they perform and learn new skills. The most flexible organisations have a culture that (a) values change, and (b) managers who know how to implement changes effectively.

12.1 Forces for Change in Organisations

More and more organisations today face a dynamic and changing environment that, in turn requires these organisations to adapt. Change has become the norm in most organisations. Plant closing, business failures, mergers and acquisitions, and downsizing have become common experiences for most organisations. Adaptiveness, flexibility and responsiveness are terms used to describe organisations that will succeed in meeting the competitive challenges that businesses face. In the past, organisations could succeed by claiming excellence in one area— quality, reliability or cost. But this is not the case today. The current environment demands excellence in all areas.

Table below summarizes six specific forces that are acting as stimulants for change.

Force	Examples
Nature of the work force	• More cultural diversity • Increase in professionals • Many new entrants with inadequate skills
Technology	• More computers and automation • TQM programs • Re-engineering programs
Economic shocks	• Security market crashes • Interest rate fluctuations • Foreign currency fluctuations
Competition	• Global competitors • Mergers and consolidations • Growth of specialty retailers
Social trends	• Increase in college attendance • Delayed marriages by young people • Increase in divorce rate
World politics	• Collapse of Soviet Union • Iraq's invasion of Kuwait • Overthrow of Haitian dictator

Source: Stephen P Robbins, "*Organisational Behaviour - Concepts, Controversies, Applications*" (7th Edition) Prentice-Hall, Englewood Cliffs, NJ (1996) page 717.

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Why is organisational change so important? From outside and inside the organisation, a variety of forces press for change. "We live in the midst of constant change" has become a well-worn but relevant cliché. Pressures for change are created both inside and outside the organisation. Organisations must forge ahead on these forces to survive. Some of these are external, arising from outside the company, whereas others are internal arising from sources within the organisation.

1. ***External Forces:*** When the organisation's general or task environment changes, the organisation's success often rides on its ability and willingness to change as well. The modern manager is change-conscious and operating in the constantly changing environment. Many external changes bombard the modern organisations and make change inevitable. The general environment has social, economic, legal, political and technological dimensions. Any of these can introduce the need for change. In recent years, far-reaching forces for change have included developments in information technology, the globalization of competition, and demands that organisations take greater responsibility for their impact on the environment. These forces are discussed below:

   (a) *Technological Change:* Rapid technological innovation is a major force for change in organisations, and those who fail to keep pace can quickly fall behind. It is perhaps the greatest factor that organisations reckon with. According to C. Handy, "the rate of technological changes is greater today than any time in the past and technological changes are responsible for changing the nature of jobs performed at all levels in the organisation". For example, the substitution of computer control for direct supervision is resulting in wider spans of control for managers and flatter organisations.

   (b) *Globalization:* The global economy means competitors are likely to come from across the ocean. The power players in the global market are the multinational and trans-national organisations. This has led companies to think globally. There are no longer any mental distinctions between domestic and foreign operations. Globalization of an organisation means rethinking the most efficient ways to use resources, disseminate and gather information and develop people. It requires not only structural changes but also changes in the minds of employees. Successful organisations will be the ones that can change in response to the competition. They will be fast on their feet, capable of developing new products rapidly and getting them to market quickly.

   (c) *Social and Political Changes:* A firm's fate is also influenced by such environmental pressures as social and political changes. Many new legal provisions in the corporate sector get introduced every time that affects organisations.

   (d) *Workforce Diversity*: Related to globalization is the challenge of workforce diversity. Workforce diversity is a powerful force for change in organisations. The demographic trends contributing to workforce diversity are

      (i) The workforce will see increased participation from females, as the majority of new workers will be female.

      (ii) The workforce will be more culturally diverse than ever (part of this is attributable to globalization).

      (iii) The workforce is aging. There will be fewer young workers and more middle aged workers.

   (e) *Managing Ethical Behaviour:* Employees face ethical dilemmas in their daily work lives. The need to manage ethical behaviour has brought about several changes in

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organisations. Most centre on the idea that an organisation must create a culture that encourages ethical behaviour. Society expects organisations to maintain ethical behaviour both internally and in relationship with other organisations. Ethical behaviour is expected in relationships with customers, environment and society. These expectations may be informal or they may come in the form of increased legal requirements.

These challenges are forces that place pressures to change on organisations. Organisations cannot afford to be rigid and inflexible in the wake of environmental pressures, rather they must be dynamic and viable so that they survive.



Example: For Tata Iron and Steel Company, foreign investors (suppliers of capital) are a new force for change. In the past, Tata emphasized the creation of jobs in its community of Jamshedpur, a city in eastern India. Tata's 78,000 workers receive lifetime employment, along with free housing, education and medical care. The company, in turn has benefited from a complete lack of strikes in 60 years. But investors interested in Tata have asked how the company might improve its profit margin of only 3.7 percent. (Note: Tata's managing director Jamshed Irani, "We will now be forced to balance loyalty against productivity).

2. ***Internal Forces:*** Besides reacting to or anticipating changes on the outside, an organisation may change because someone on the inside thinks a new way of doing things will be beneficial or even necessary. Pressures for change that originate inside the organisation are generally recognizable in the form of signals indicating that something needs to be altered. These internal forces are discussed below:

   (a) *Changes in Managerial Personnel:* One of the most frequent reasons for major changes in an organisation is the change of executives at the top. No two managers have the same styles, skills or managerial philosophies. Managerial behaviour is always selective so that a newly appointed manager might favour different organisational design, objectives procedures and policies than a predecessor. Changes in the managerial personnel are thus a constant pressure for change.

   (b) *Declining Effectiveness:* Declining effectiveness is a pressure to change. A company that experiences losses is undoubtedly motivated to do something about it. Some companies react by instituting layoffs and massive cost cutting programmes, whereas others view the loss as symptomatic of an underlying problem, and seek out the cause of the problem.

   (c) *Changes in work climate:* Changes in the work climate at an organisation can also stimulate change. A workforce that seems lethargic, unmotivated, and dissatisfied is a symptom that must be addressed. This symptom is common in organisations that have experienced layoffs. Workers who have escaped a layoff may find it hard to continue to be productive. They may fear that they will be laid off as well and may feel insecure in their jobs.

   (d) *Deficiencies in the Existing System:* Another internal pressure for organisational change is the loopholes in the system. These loopholes may be unmanageable spans of control, lack of coordination between departments, lack of uniformity in politics, non-cooperation between line and staff etc.

   (e) *Crisis:* A crisis also may stimulate change in an organisation; strikes or walkouts may lead management to change the wage structure. The resignation of a key decision maker is one crisis that causes the company to rethink the composition of its management team and its role in the organisation.

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(f) *Employee Expectations:* Changes in employee expectations also can trigger change in organisations. These forces may be:

(i) Employees' desire to share in decision-making.

(ii) Employees' demand for effective organisational mechanism.

(iii) Higher employee expectation for satisfying jobs and work environment.

(iv) Employees' desire for higher wages.

All these forces necessitate change in organisations. Besides these forces, a company that hires a group of young newcomers may be met with a set of expectations very different from those expressed by older workers.

Although organisational changes are important, managers should try to institute changes only when they make strategic sense. A major change or two every year can be over-whelming to employees and create confusion about priorities. A logical conclusion is that managers should evaluate internal forces for change with as much care as they evaluate external forces.

12.2 Forms of Change

Change has become the norm in most organisations. Adaptiveness, flexibility and responsiveness are terms used to describe the organisations that will succeed in two basic forms of change in organisations that will succeed in meeting the competitive challenges that businesses face. There are two basic forms of change in organisations: Planned change and unplanned change.

1. ***Planned Change:*** Planned change is change resulting from a deliberate decision to alter the organisation. It is an intentional, goal-oriented activity. The goals of planned change are:

   First, it seeks to improve the ability of the organisation to adapt to changes in its environment.

   Second, it seeks to change the behaviour of its employees.

2. ***Unplanned Change:*** Not all change is planned. Unplanned change is imposed on the organisation and is often unforeseen. Responsiveness to unplanned change requires tremendous flexibility and adaptability on the part of organisations. Examples of unplanned changes are changes in government regulations and changes in the economy.

   The Role of Change Agents: Change in organisations is inevitable, but change is a process that can be managed. The individual or group that undertakes the task of introducing and managing a change in an organisation is known as a change agent. Change agents can be of two types:

   (a) *Internal Change Agents:* Change agents can be internal, such as managers or employees who are appointed to oversee the change process.

   Internal change agents have certain advantages in managing the change process. They are:

   (i) They know the organisation's past history, its political system, and its culture.

   (ii) Internal change agents are likely to be very careful about managing change because they must live with the results of their change efforts.

   There are also disadvantages of using internal change agents. They are:

   (i) They may be associated with certain factions within the organisation and may easily be accused of favouritism.

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(ii) Internal change agents may be too close to the situation to have an objective view of what needs to be done.

(b) *External Change Agents:* Change agents can also be external, such as outside consultants. They bring an outsider's objective view to the organisation.

External change agents have certain advantages:

(i) They may be preferred by employees because of their impartiality.

(ii) They have more power in directing changes if employees perceive the change agents as being trustworthy, possessing important expertise, and having a track record that establishes credibility.

There are also disadvantages of using external change agents. They are:

(i) External change agents face certain problems, including their limited knowledge of the organisation's history.

(ii) They may be viewed with suspicion by organisation members.



Case Study

Nokia – Restructuring a Giant

Nokia was established in 1865 as a pulp and paper mill in Finland. During the 1960s, they expanded into the rubber and cable industries through a series of mergers. In 1975, they expanded into many industries such as computers, consumer electronics, and cell phones. In 1979, Nokia and Mobria entered into a joint venture, which Nokia took over later to design and manufacture mobile phones. Since 1998, Nokia has been the market leader in the mobile phone industry transcending the boundaries between countries and continents.

Nokia has diversified its business model time and again to maintain its leadership status in the industry. To achieve growth and success, Nokia had to go through a number of corporate restructurings to revive the organisation and adapt to its dynamically changing goals and visions. Restructuring allowed Nokia to come to terms with the increasing competition in the industry, creating an organisational culture that promotes innovation and results in low attrition rates compared to the industry. In the past six years, Nokia has had two major waves of restructuring comprising three restructuring processes in all. The first wave came early in the 21st century, with two restructurings in 2002 and 2003 respectively. The second wave, currently in progress, aims to place Nokia at the vantage point with respect to the future technology.

The First Wave

The late 1990's saw Nokia shifting its focus from 2G to software development. The growth path in 2G was limited primarily because of bandwidth constraint and lack of protocols for high speed downloads. Nokia had already begun work on 3G which would eventually see the convergence of telephony, computing and the Internet. Nokia's widespread restructuring at this time was an attempt to support this new corporate strategy. A monolithic organisational structure was no longer appropriate for a market that required flexibility and faster movement to tap opportunities. In 2002, Nokia split its mobile phone division pillar into nine separate business centres based on geography, charging them

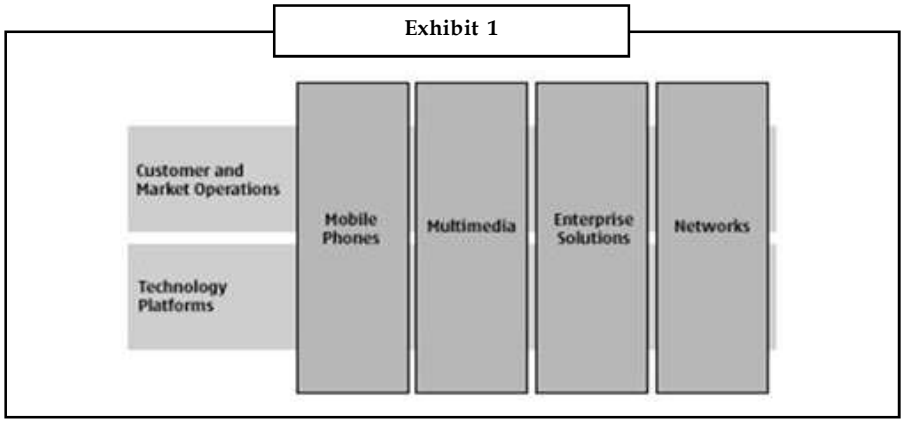
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with working on specific markets independently, especially Russia, China and India. Nokia had finally learnt from its folly of neglecting these growth markets.

September 2003 saw Nokia marching ahead with its structural changes by dividing the company into four divisions: mobile phones, multimedia phones, enterprise solutions and networks. These divisions along with the cross-divisional market operations and technology platforms gave it a matrix structure attuned to the existing environment that needed flexibility (refer Exhibit 1: Nokia's Organisation Structure, 2003-2008). The divisions were small in size and enabled faster response in targeting markets that were vastly different with respect to feature demand and usage.

Exhibit 1



This structure was significantly responsible for the growth that Nokia saw in this period, especially in the emerging markets. Nokia managed to overcome its mistake of allowing competitors like Motorola to run away with product innovations like flip phones. But Nokia's change-if-unfit methodology of dealing with its organisation structure ensured that the second wave of restructuring was not too far away.

The First Wave Loses Steam

The second wave of restructuring was necessitated by the changes in the rapidly growing marketplace. The existing structure was strained by this growth which magnified its deficiencies. Trouble started creeping in as technologies began to converge and the phones started becoming similar. Every phone in the market seemed to be offering similar features that drove the demand for a common platform. The structure was incapable of meeting such needs. The major issues faced by this structure were:

1. Repetition of work across divisions and non-standardisation of product
2. Poor coordination among divisional groups working on the same technology
3. Inability to develop any major expertise
4. This led to cost ineffectiveness and called for a major revamp and re-structuring in Nokia.

The Second Wave

Nokia restructured itself into three main functional groups: Markets, Devices, and Software & Services (refer Exhibit 2: Global Architecture (New Structure), 2008).

Markets: This division handles customer, front-end sales and the go-to-market strategy of Nokia sales worldwide.

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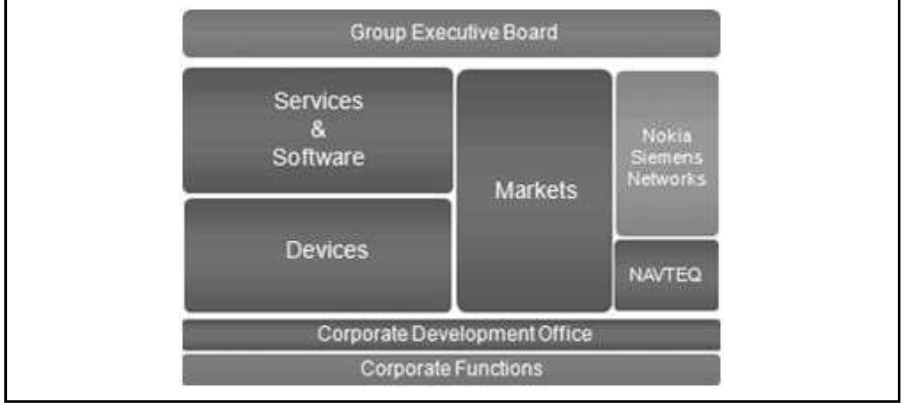
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Devices: It deals with all the hardware and software requirements for the development of a new mobile phone. Research and Development, product development and software variants that were earlier separated in three divisions have now been put together under a single umbrella division. The R&D division was further broken down into functional entities as per the requirements.

Software & Services: It was created in the restructuring exercise with an eye on the future of the industry. It reflects the path that Nokia wants to take in the coming years and is in sync with its vision of bringing the best of Internet to phones and offering Consumer Internet Services.

Nokia-Siemens Network: Nokia established networks division in collaboration with Siemens as a separate entity to grow fixed and mobile network infrastructure and services. This helped Nokia to expand its scale of operations and strengthen its market position.

Exhibit 2



Nokia focused on four main aspects in its restructuring process:

1. ***Product focus:*** Nokia was manufacturing 70 models world wide
2. ***Functionality focus:*** Technical and functional expertise was important for cutting edge technology
3. ***Geographic focus:*** Expanding global footprint
4. ***Focus on Internet services:*** Exploring future possibilities

While the clear effects of the second wave of restructuring are yet to be seen, the new structure is expected to offer the following advantages to Nokia-

1. Consolidated R&D department with functional expertise that eliminates repetition of work
2. Flexibility and adaptability in sharing human resources across programmes

How does Nokia do it?

Organisations of the size of Nokia tend to stick to the same structure for long periods of time for the simple reason that it is an enormously difficult task to restructure. Large organisations that undergo restructuring face a lot of discontent from employees who have gotten used to a specific style of functioning (organisational inertia). How then is Nokia, a giant, able to restructure so often without batting an eyelid? A large part of this answer stems from its organisational culture and values.

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The need for a "Culture of mobility" has led to an external strategic focus and flexible environment. This flexibility has ensured that even major changes result in minimum discontent among employees. Transparency in the restructuring process and a clear definition of new roles and duties allow things to fall in place quickly ensuring a smooth transition from one structure to another.

The structures adopted also have a role to play in the success of the restructuring exercise. The newer structures have allowed for significant growth through acquisitions and collaborations. The divisions' multifunctional competencies have resulted in increased cooperation with organisations in the wider ecosystem. Acquisitions of smaller technology firms are an attempt to use its divisions' expertise to grow. These acquisitions and other collaborations form a part of Nokia's extended firm. Symbian, Nokia's leading collaborative platform for mobile devices is one such component of its extended firm.

Conclusion

Nokia, over the years, has evolved both organically and inorganically. It has always kept an eye on the future and worked towards achievement of its future goals. To support this corporate strategy, it has undergone three structuring changes in the past six years in order to adapt its business model and culture. This has helped Nokia to be a step ahead of its competitors.

Nokia's entry into the mobile internet application development is important for its future growth. Nokia sees this as the next step to stay ahead of the competition. This would require one more structural change for Nokia to foray into a completely new field. Whether or not it succeeds will depend on how it is able to change itself from what it is now to what it should be to meet the demands of a new era. While the first two waves of restructuring had not greatly tested the ingrained culture of flexibility, commitment and innovation, the next wave will require a never seen before emphasis on these traits. Restructuring a giant organisation is not easy, and Nokia will have to do it all over again to maintain its competitive edge.

Question

Do you think that with the restructuring Nokia will be able to maintain its competitive advantage?

Source: http://tejas-iimb.org/articles/16.php



Case Study

Reorganisation as Rebirth

Like many organisations in the 1980's, St. Francis Regional Medical Center of Wichita, Kansas, tried downsizing. A layoff of 400 people was a horrible experience, both for those who left and for those who stayed. The 1990's brought a change in the health care environment, and the hospital's administration needed to change the structure and culture in order to remain competitive.

The management team re-mapped the ideal management structure to run things without regard to the structure that was actually in place. To make such radial change work, they defined specific job titles, but not specific people. They dissolved the old organisational chart and created a new one, unveiling a chart that had all the new titles on it with no names. Those who wanted to be part of the new organisation had to apply for whatever

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position they felt they were most qualified to fill. Imagine having to apply for whatever position they felt they were qualified to fill. Imagine having to apply to a company you'd been with for fifteen years! The restructuring also meant a rethinking of corporate culture. An examination of culture revealed that making decisions at the hospital become bogged down by management and dictated by policy.

Eliminating old policies allowed the team to look at things as possibilities rather than restrictions. Two task forces were formed to look at service lines and functional realignment. A consulting firm was called in to help the hospital make the transition. The consulting firm helped strategize and create a time line for the changes.

At the reorganisation meeting, each employee was given an 80-page bound booklet complete with vision statement, the organisational chart, timetable, reorganisation fact sheet, copies of all position descriptions, and a question and answer section. The result was terror, confusion, upheaval, and little by little, understanding cooperation and success. Instead of approaching the reorganisation as a shameful secret, the task forces highlighted the changes in the new culture and tied the internal changes to the changes in the health care industry. Each week "The Grapevine: Reorganisation Update" was distributed. In the first official day of the new organisation, employees were given flowers and a message stating "Today starts a new beginning focused on you".

The new corporate culture involves management by contract. The new VPs walk the hallways and touch base constantly with what's going on. The result of the reorganisation is decision making at lower levels, which results in faster actions. No more ideas die because of red tape. The reorganisation is fluid and ongoing with employees and managers still incorporating the new management philosophy and corporate culture into their daily work lives.

Questions

1. Had you been a part of such a situation, how had your initial reaction been and why?
2. After analysing the case, do you think that such massive change was indeed required for St Francis Regional Medical Center or was there a mid way out?

Source: M.S. Egan, "Reorganisation as Rebirth," *HR Magazine* (January 1995) Page 84-88.

12.3 Resistance to Change

As the manager contemplates and initiates change in the organisation, one phenomenon that is quite likely to emerge anytime in the change process is the resistance to change. People often resist change in a rational response based on self-interest. Resistance to change doesn't necessarily surface in standardized ways. Resistance can be overt, implicit, immediate, or deferred. It is easiest for management to deal with resistance when it is overt and immediate. The greater challenge is managing resistance that is implicit or deferred.

12.3.1 Sources of Resistance

The sources of resistance to change can be categorized into two sources: individual and organisational.

1. ***Individual Resistance:*** One aspect of mankind that has remained more or less constant is his innate resistance to change. Individuals resist change because they attach great preference to maintaining the status quo. Individual sources of resistance to change reside in basic

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human characteristics such as perceptions, personalities and needs. The following are the reasons:

(a) *Economic Reasons:* The economic reasons to fear change usually focus on one or more of the following:

(i) Fear of technological unemployment.

(ii) Fear of reduced work hours and consequently less pay.

(iii) Fear of demotion and thus reduced wages.

(iv) Fear of speed-up and reduced incentive wages.

(b) *Fear of the unknown:* Change often bring with it substantial uncertainty. Employees facing a technological change, such as the introduction of a new computer system, may resist the change simply because it introduces ambiguity into what was once a comfortable situation for them. This is especially a problem when there has been a lack of communication about the change.

(c) *Fear of Loss:* When a change is impending, some employees may fear losing their jobs, particularly when an advanced technology is introduced. Employees may also fear losing their status because of a change. Another common fear is that changes may diminish the positive qualities the individual enjoys in the job. For example, computerizing the customer service positions, threaten the autonomy that sales representatives previously enjoyed.

(d) *Security:* People with a high need for security are likely to resist change because it threatens their feeling of safety.

(e) *Status quo:* Perhaps the biggest and most sound reason for the resistance to change is the status quo. As human beings, we are creatures of habit. Change may pose disturbance to the existing comforts of status quo. When confronted with change, this tendency to respond in our accustomed ways becomes a source of resistance. Change means they will have to find new ways of managing them and their environment—the ways that might not be successful as those currently used.

(f) *Peer Pressure:* Individual employees may be prepared to accept change but refuse to accept it for the sake of the group. Whenever change is unwilling to the peers, they force the individuals who want to accept change to resist change.

(g) *Disruption of Interpersonal Relationships:* Employees may resist change that threatens to limit meaningful interpersonal relationships on the job. Introduction of change often results in disturbance of the existing social relationships. Change may also result in breaking up of work groups.

2. ***Organisational Resistance:*** Organisations, by their very nature are conservative. They actively resist change. Some of the organisational resistances are explained below:

(a) *Resource Constraints:* Resources are major constraints for many organisations. The necessary financial, material and human resources may not be available to the organisation to make the needed changes. Further, those groups in organisation that control sizable resources often see change as a threat. They tend to be content with the way things are.

(b) *Structural Inertia:* Some organisational structures have in-built mechanism for resistance to change. For example, in a bureaucratic structure where jobs are narrowly defined and lines of authority are clearly spelled out, change would be difficult. This is so because formalization provides job descriptions, rules, and procedures for employees to follow. The people who are hired into an organisation are chosen for

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fit; they are then shaped and directed to behave in certain ways. When an organisation is confronted with change, this structural inertia acts as a counterbalance to sustain stability.

(c) *Sunk Costs:* Some organisations invest a huge amount of capital in fixed assets. If an organisation wishes to introduce change, then difficulty arises because of these sunk costs.

(d) *Politics:* Organisational change may also shift the existing balance of power in an organisation. Individuals or groups who hold power under the current arrangement may be threatened with losing these political advantages in the advent of change.

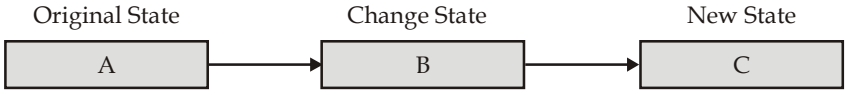
(e) *Threat to established power relationships:* Any redistribution of decision-making authority can threaten long established power relationships within the organisation. Managers may therefore resist change that introduces participative decision making because they feel threatened.

(f) *Threat to expertise:* Change in organisational pattern may threaten the expertise of specialized groups. Therefore, specialists usually resist change.

(g) *Group Inertia:* Even if individuals want to change their behaviour, group norms may act as a constraint. For example, if union norms dictate resistance to any unilateral change made by management, an individual member of the union who may otherwise be willing to accept the changes may resist it.



Notes One of the reasons why managing change is so difficult is because change is so final. That is, once a change is made, one cannot go back to the original conditions. The reason for this can be explained by the diagram below.



Each of the boxes describes a state of nature. A is the situation as it exists prior to a change. State B is the state after change. Assume that after state B it is decided that the change was a poor idea and we wish to go back to state A. This is impossible because A did not include having experienced state B. Therefore, the only possibility is to move on to State C, a new state of nature. The lessons here are: (1) when a change is made it should be thought out carefully because the conditions before the change will never exist again; and (2) to overcome a mistake in managing change usually means that new changes must be made (state C) rather than trying to go back to where everything started.

Source: Jerry L Gray and Frederick A Starke, "Organisational Behaviour – Concepts and Applications", (3rd Edition), Charles E. Merrill Publishing Company, Columbus (1984) Page 556.

12.3.2 Managing Resistance to Change

Although resistance to change is a common phenomenon in organisations, it must be noted that not all changes are resisted. In fact, if we look at any organisation closely we would probably find that far more changes are accepted than resisted. The traditional view of resistance to change treated it as something to be overcome, and many organisational attempts to reduce the resistance have only served to intensify it. The contemporary view holds that resistance is simply a form of feedback and that this feedback can be used very productively to manage the change process.

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1. ***Education and Communication:*** Providing accurate and timely information about the change can help prevent unfounded fears and potentially damaging rumours from developing. It is also beneficial to inform people about the potential consequences of the change. Educating employees on new work procedures is often helpful.
2. ***Participation:*** It is difficult for individuals to resist a change decision in which they participated. Prior to making a change, those opposed can be brought into the decision process. When employees are allowed to participate, they are more committed to the change.
3. ***Empathy and Support:*** Another strategy for managing resistance is providing empathy and support to employees who have trouble dealing with the change. Active listening is an excellent tool for identifying the reasons behind resistance and for uncovering fears. An expression of concerns about the change can provide important feedback that managers can use to improve the change process.
4. ***Negotiation:*** Another way to deal with potential resistance to change is to exchange something of value for a lessening of the resistance.
5. ***Manipulation and Co-optation:*** Manipulation refers to covert influence attempts. Twisting and distorting facts to make them appear more attractive, withholding undesirable information and creating false rumours to get employees to accept a change are all examples of manipulation.
6. ***Coercion:*** Coercion is the application of direct threats or force on the resisters. They essentially force people to accept a change by explicitly or implicitly threatening them with the loss of their jobs, promotion possibilities and transferring them.



Task

Suggest three measures to handle resistance to change in an organisation which employs people usually in their 40s.

12.4 Behavioural Reactions to Change

According to H. Woodward and S. Beechholz, people show four basic identifiable reactions to change: disengagement, dis-identification, disenchantment and disorientation. These reactions are shown in Table 12.1 below:

Table 12.1: Reactions to Change and Managerial Interventions

Reaction	Expression	Managerial intervention
Disengagement	Withdrawal	Confront, identify
Disidentification	Sadness, Worry	Explore, transfer
Disenchantment	Anger	Neutralize, acknowledge
Disorientation	Confusion	Explain, plan

Source: H. Woodward and S Beechholz, *Aftershock: Helping People through Corporate Change*, John Wiley and Sons (1987) page 15.

1. ***Disengagement:*** Disengagement is psychological withdrawal from change. The employee may appear to lose initiative and interest in the job. Disengaged employees lack drive and commitment. They are physically present but mentally absent. Typical disengagement statements include "no problem" or "this won't affect me". The basic managerial strategy for dealing with disengaged individuals is to confront them with their reaction and draw them out so that they can identify the concerns that need to be addressed.

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2. ***Dis-identification:*** Dis-identification is a reaction to change in which employees reacting feel that their identity has been threatened by change, and they feel very vulnerable. Dis-identified employees often display sadness and worry. They often feel like victims in the change process. Dis-identified employees need to see that work itself and emotion are separable, i.e., they can let go of old ways and experience positive reactions to new ways of performing their jobs. Managers explore their feelings and help them transfer their positive feelings into the new situation.

3. ***Disenchantment:*** Disenchantment is usually expressed as negativity or anger. Disenchanted employees may try to enlist the support of other employees by forming coalitions. Destructive behaviours like sabotage and backstabbing may result. Typical verbal signs of disenchantment are "this will never work" and "I'm getting out of this company as soon as I can". One of the particular dangers of disenchantment is that it is quite contagious in the work place. It is often difficult to reason with disenchanted employees. Thus, the first step in managing this reaction is to shift these employees from their highly negative, emotionally charged mental states; the opening strategy being to acknowledge that the employees' anger is normal and that the manager does not hold it against them.

4. ***Disorientation:*** Disorientated employees are lost and confused, and often they are unsure of their feelings. They ask a lot of questions and become very detail oriented. "Analysis paralysis" is characteristic of disoriented employees. They ask questions like, "Now what do I do?" or "What do I do first?" The managerial strategy for dealing with this reaction is to explain the change in a way that minimizes the ambiguity that is present. Once the disoriented employee sees the broader context of the change, the manager can plan a series of steps to help the employee adjust. The employee needs a sense of priorities to work on.

   Managers need to be able to diagnose these four reactions to change. Because each reaction brings with it significant and different concerns, no single universal strategy can help all employees adjust.



Did u know? **Why do some change programs succeed and others fail?**

One major factor is change readiness. Research by Symmetrix, a Massachusetts consulting firm, identified 17 key elements to successful change. The more affirmative answers you get to the following questions, the greater the likelihood that change efforts will succeed.

1. Is the sponsor of change high up enough to have power to effectively deal with resistance?
2. Is day-to-day leadership supportive of the change and committed to it?
3. Is there a strong sense of urgency from senior management about the need for change and is it shared by the rest of the organisation?
4. Does management have a clear vision of how the future will look different from the present?
5. Are there objective measures in place to evaluate the change effort, and are reward systems explicitly designed to reinforce them?
6. Is the specific change effort consistent with other changes going on within the organisation?
7. Are functional managers willing to sacrifice their personal self-interest for the good of the organisation as a whole?

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8. Does management pride itself on closely monitoring changes and actions taken by competitors?
9. Is the importance of the customer and a knowledge of customer needs well accepted by everyone in the work force?
10. Are managers and employees rewarded for taking risks, being innovative, and looking for new solutions?
11. Is the organisation structure flexible?
12. Are communication channels open, both downward and upward?
13. Is the organisation's hierarchy relatively flat?
14. Has the organisation successfully implemented major changes in the recent past?
15. Is employee satisfaction and trust in management high?
16. Is there a high degree of cross-boundary interactions and cooperation between units in the organisation?
17. Are decisions made quickly, taking into account a wide variety of suggestions?

12.5 Politics of Change

Change invariably threatens the status quo. Therefore, change inherently implies political activity. No discussion of resistance to change would be complete without a brief mention of the politics of change. Politics suggests that the impetus for change is more likely to come from individuals who are new to the organisation or from the main power structure (they are likely to gain from change). Those managers who have achieved a senior position in the hierarchy are often major impediments to change (they are likely to lose their position/power from change). Change itself, is a very real threat to their status and position: Power struggles within the organisation will determine, to a large degree, the speed and quantity of change.



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Sixteen Things often Resisted by Employees

Below is a list of changes that are often resisted. The mere fact that they are resisted does not mean that managers should avoid them, but forewarned is forearmed. It should also be understood that these changes generally are resisted but, consistent with the concept of individual differences, by no means are they always resisted.

Changes Frequently Resisted are Changes That:

1. Reduce the skill required in jobs
2. Reduce status of people
3. Disrupt established social relationships
4. Threaten psychological or job security
5. Are not fully understood
6. Violate norms of Behaviour
7. Affect accepted ways of doing things
8. Are forced upon people

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9. Reduce the information flowing to people
10. Reduce social-interaction opportunities
11. Make people feel ineffective or incompetent
12. Reduce the power and influence of people
13. Reduce personal privacy
14. Reduce personal authority
15. Expose personal weaknesses
16. Cost Employees more than they benefit them

12.6 Approaches/Models to Managing Organisational Change

For most people, change is not easy. Even when we know things could be better, we get a certain comfort from a familiar setting; familiar people and familiar ways of doing things. Because of this, change is most likely to succeed when managers follow a well-thought-out path to implement it. The following models show which type of strategy can be utilized to increase the effectiveness of change strategies.

1. Lewin's Change Model
2. Nadler's Organisational Model.
3. A Contingency Model of Analyzing Change

12.6.1 Lewin's Change Model

Kurt Lewin a social psychologist, noted for his work in organisational theory, developed a model of the change process that has stood the test of time and continues to influence the way organisations manage planned change. Lewin's model is based on the idea of force field analysis.

Lewin proposed the three-step model as shown in the Figure 12.1 below.

Figure 12.1: Lewin's Model of Organisational Change



Steps in the Change Process

1. ***Unfreezing:*** The process begins with unfreezing, which is a crucial first hurdle in the change process. 'Unfreezing' means melting resistance to change; the people who will be affected by the change come to accept the need for it. People tend to resist change because it increases anxiety and stress, and it may threaten their self-interests. Unfreezing involves encouraging individuals to discard old behaviours by shaking up the equilibrium state that maintains the status quo. Unfreezing on the part of individuals is an acceptance that change needs to occur. Resistance to change "melts" when events or information-customer complaints, mounting losses, an accident – causes people to conclude that the status quo is

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unacceptable and that change is worth the effort. In essence, individuals surrender by allowing the boundaries of their status quo to be opened in preparation for change.

2. ***Change or moving:*** If unfreezing succeeds, people want to make a change, but they still need to see a path to a better state. In the moving stage, new attitudes, values and behaviours are substituted for old ones. Organisations accomplish moving by initiating new options and explaining the rationale for the change, as well as by providing training to help employees develop the new skills needed.

   The transformation stage requires altering one or more characteristics of the work setting:

   (a) The structure and systems of the organisation;

   (b) Social factors – characteristics of employees, the way they interact, the organisational culture;

   (c) The organisation's technology and/or

   (d) The physical setting.

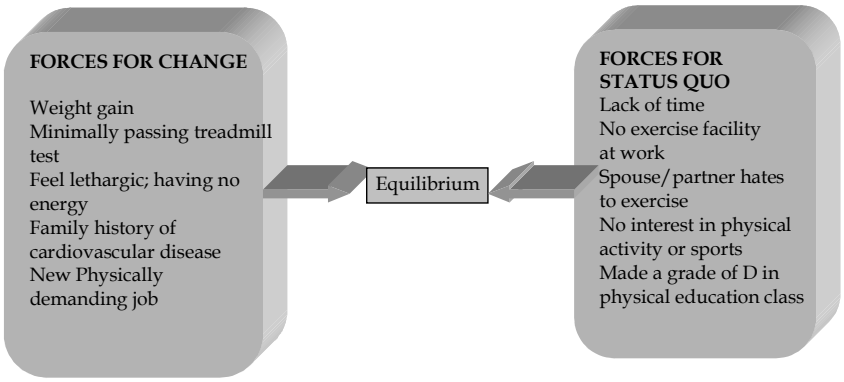
   The implication is that changes in the work setting will lead to changes in individual behaviour, which in turn will improve the organisation's outcomes.

3. ***Refreezing:*** For the change to endure, it must be reinforced as part of a new system. Lewin calls this step 'refreezing'. Refreezing is the final step in the change process. In this step, new attitudes, values and behaviours are established as the new status quo. In some cases, the people affected by the change will clearly benefit from it. The resulting benefits will themselves reinforce the change. In other cases, the manager needs to take an active role in reinforcing the change. The new ways of operating should be cemented and reinforced. Managers should ensure that the organisational culture and formal reward system encourage the new behaviours and avoid rewarding the old ways of operating.

Force Field Analysis

A useful technique for analyzing change situations is Kurt Lewin's force-field analysis method. This technique describes and analyses the various forces that operate in social systems to keep the system either in balance or in state of change. Lewin's method proposes that two sets of forces operate in any system: forces that operate for change (the driving forces) and forces that operate against change (the resisting forces). If the two sets of forces are equal in strength, then the system is in equilibrium. This is explained through the Figure 12.2 which shows a force field analysis of a decision to engage in exercise behaviour.

Figure 12.2: Force-field Analysis of Equilibrium



Source: Debra L Nelson and James Campbell Quick "*Organisation Behaviour – Foundations, Realities and Challenges*" (Second Edition) West Publishing Company, Minneapolis (1997) Page 552.

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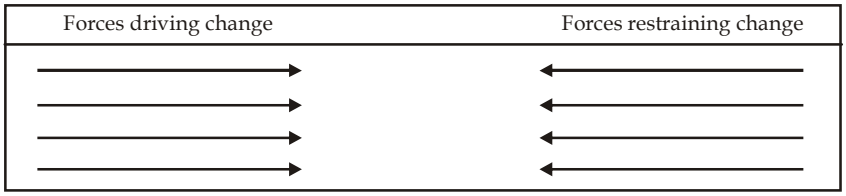
For behavioural change to occurs, the forces maintaining status quo must be overcome. This can be accomplished by increasing the forces for change, by weakening the forces for status quo, or by a combination of these actions.

Task

Applying Force Field Analysis

Think of a problem you are currently facing. An example would be trying to increase the amount of study time you devote to a particular class.

1. Describe the problem, as specifically as possible.
2. List the forces driving change on the arrows at the left side of the diagram.
3. List the forces restraining change on the arrows at the right side of the diagram.
4. What can you do, specifically, to remove the obstacles to change?
5. What can you do to increase the forces driving change?
6. What benefits can be derived from breaking a problem down into forces driving change and forces restraining change?



Source: Debra L Nelson and James Campbell Quick *Organisation Behaviour – Foundations, Realities and Challenges* (Second Edition), West Publishing Company, Minneapolis (1997) Page 553.

Caselet

Using Force Field Analysis

A good example of how force-field analysis can be used is described by Lewin. During World War II, female factory workers objected to the requirement that safety glasses be worn in a plant. Many strategies were tried, most of which were increases in the driving forces, but no consistent change occurred. Force-field analysis was then used to diagnose the situation.

Driving forces were identified as being:

1. The necessity to protect one's eyes.
2. Desire to cooperate with the company.
3. Willingness to follow rules.

Resisting forces were identified as being:

1. Feeling that the glasses were too heavy.
2. Feelings that the glasses were unattractive.
3. Feelings that compliance infringed on the individual's freedom of choice.

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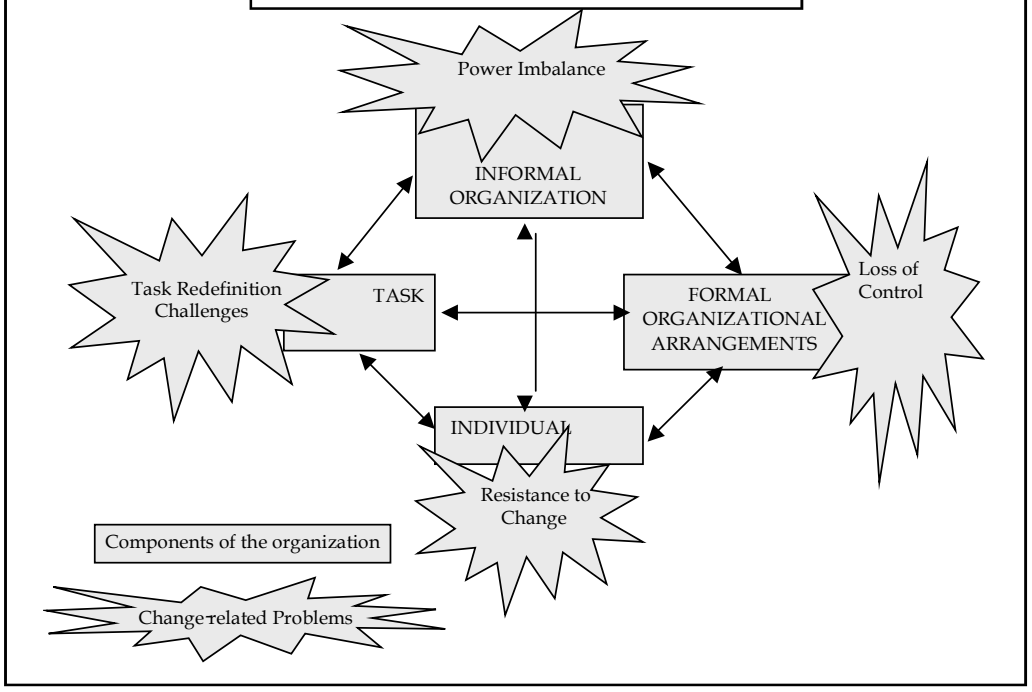
By concentrating on the resisting forces, the company decided to substitute lighter and more comfortable frames for the glasses. Then each employee was encouraged to decorate her glasses and a contest was held to determine the most attractive glasses, and this individual expression removed the feelings of loss of freedom.

Source: Jerry L. Gray and Frederick A. Starke, *Organisational Behaviour–Concepts and Applications*, (3rd Edition) Charles E. Merrill Publishing Company, Columbus (1984) page 565.

12.6.2 Nadler's Organisational Model

David Nadler's model provides guidance in identifying and managing the internal forces that drive or inhibit change. His model is based on the open systems model of organisations. Figure 12.3 below explains Nadlers' organisational model.

Figure 12.3: Nadler's Organisational Model



Source: David A Nadler, "Concepts for the Management of Organisational Change," in M.L Tushman and N.L Moore (eds.) , Readings in the Management of Innovation, (2nd Edition) Ballenger Publishing Company (1988) Page 722.

As shown in the Figure 12.3 above, Nadler describes the transformation process as an interaction among four basic components of the organisation: its task, its individuals, its formal organisational arrangements (structures, processes, systems) and its informal organisation (patterns of communications, power and influence, values and norms).

When an organisation undergoes change, its organisational components start out with one set of characteristics, then cross over through a transitional state, to finally reach a future state where they have a different set of characteristics.

During the transition as well as in the future state, a change in one of the organisational components (for example, task) will call for changes in other components as shown around the outside of Figure 12.3.

Notes

1. ***Resistance:*** The individuals in the organisation may resist changing. They may
   (a) Be anxious about the change.
   (b) Feel they will lose control, or
   (c) Be unable to cope, or
   (d) Have a vested interest in the existing state of things.
2. ***Control:*** During the transition and afterwards, this formal structure may no longer be effective. Managers may lose the ability to monitor performance and make needed corrections.
3. ***Power:*** Changes disrupt the existing balance of power, and especially during the transition state cause individuals to engage in political (power-seeking) behaviour.

Awareness of these problem areas enables managers to prepare themselves to implement change successfully.

12.6.3 A Contingency Model of Analyzing Change

Kotter and Schlesinger have proposed a contingency framework for matching methods with situations of organisations. There proposal is shown in Table 12.2 below:

Table 12.2: Methods for Dealing with Resistance to Change

Approach	Commonly Used in Situations	Advantages	Drawbacks
Education + communication	Where there is a lack of information or inaccurate information and analysis.	Once persuaded, people will often help with the implementation of the change.	Can be very time-consuming if lots of people are involved.
Participation + involvement	Where the initiators do not have all the information they need to design the change, and where others have considerable power to resist.	People who participate will be committed to implementing change, and any relevant information they have will be integrated into the change plan.	Can be very time consuming if participators design an inappropriate change.
Facilitation + Support	Where people are resisting because of adjustment problems.	No other approach works as well with adjustment problems.	Can be time-consuming, expensive, and still fail.
Negotiation + Agreement	Where someone or some grip will clearly lose out in a change, and where the group has considerable power to resist.	Sometimes it is a relatively easy way to avoid major resistance.	Can be too expensive in many cases if it alerts others to negotiate for compliance.
Manipulation + Co-optation	Where other tactics will not work, or are too expensive.	It can be relatively quick and inexpensive solution to resistance problems.	Can lead to future problems if people feel manipulated.
Explicit + Implicit coercion	Where speed is essential and the change initiators possess considerable power.	It is speedy, and can overcome any kind of resistance.	Can be risky if it leaves people mad at the initiators.

Source: John P Kotter and Leonard A Schlesinger, "Choosing Strategies for Change," Harvard Business Review (March - April 1979) Page 111.

The various approaches in the model are explained below:

1. ***Education and Communication:*** providing of facts and information; increased communication about the change.
2. ***Participation and involvement:*** Letting those affected have a voice in how the change will occur.
3. ***Facilitation and support:*** providing training for change, effective listening, counselling and understanding of emotional reaction to change.
4. ***Negotiation and agreement:*** bargaining over various aspects of change.

Notes

5. ***Manipulation and co-optation:*** Using information about change selectively or seconding a representative (or informal leader) from the group to participate in the design of the change.
6. ***Explicit and implicit coercion:*** Using power position and threats to force compliance.

While implementing change, managers must choose which approach best fits the situation. Each approach has its advantages and disadvantages and hence, they are appropriate in certain situations only.

12.7 Summary

- For organisations to develop, they often must undergo significant change at various points in their development.
- Organisational Change occurs when an organisation evolves through various life cycle.
- Significant organisational change occurs, when an organisation changes its overall strategy for success, adds or removes a major section or practice, and/or wants to change the very nature by which it operates.
- Leaders and managers continually make efforts to accomplish successful and significant change.
- The changes that bring a complete overhaul are most often than not resisted by the others first.
- It is very important that the staff be made to understand the necessity for the change.
- There are many approaches to guiding change – some planned, structured and explicit, while others are more organic, unfolding and implicit.
- Different people often have very different – and strong – opinions about how change should be conducted.
- Whatever resistances or objections, if the change is essential and justified, it must be undertaken, as they say- the only constant factor is change.

12.8 Keywords

Disengagement: Psychological withdrawal from change.

Dis-identification: The absence of identification, the absence of the self-image.

Refreezing: Refreezing is the third of Lewin's change transition stages, where people are taken from a state of being in transition and moved to a stable and productive state.

Unfreezing: Unfreezing is the first of Lewin's change transition stages, where people are taken from a state of being unready to change to being ready and willing to make the first step.

12.9 Self Assessment

Fill in the blanks:

1. The traditional view of resistance to change treated it as something to be ....., and many organisational attempts to reduce the ..... have only served to intensify it.
2. The contemporary view holds that resistance is simply a form of ..... .

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3. Related to ..... is the challenge of workforce diversity.
4. ..... is usually expressed as negativity or anger.
5. ..... employees are lost and confused, and often they are unsure of their feelings.
6. Change inherently implies ..... activity.
7. Resistance can be....., ..., ..., or deferred.
8. An organisation has to change its HR policies for women owing to pressure from the government. Such a force is an…….force of change.
9. The resultant change in the above question will be a……change.
10. The three stages of Lewin's Model of change are freezing, change and …….

12.10 Review Questions

1. Suppose you have inherited a business of your father who nurtured employees like a family, thus turning the organisation into an informal type. How will you ensure commitment to your plans of fast growth and profit maximization?
2. How will you minimize resistance from middle management in implementing the change in the situation given in question 1?
3. What will be the common pitfalls when implementing organisational change?
4. What would you choose- implementing the change yourself or hiring a consultant? If latter, how would you benefit from a consultant?
5. How would you measure the inherent risks/costs of not embracing the change?
6. How would you choose the processes that would need to change/introduce?
7. How will success be measured and what value will success have for the business and individual?
8. "Give an example of how you changed the direction of an organisation or group. Provide examples of the process, procedures and techniques used to change the direction."
9. As a change manager, would you resort to negotiation and agreement with the main resistors of the organisational change?
10. Examine Nadler's Model to manage change. Is there any limitation that it overlooks?
11. What may be the various forces that might operate in social systems to keep the system either in balance or in state of change?
12. Why does the change inherently imply political activity in an organisation?
13. Out of empathy & support, and manipulation & co-optation, what do you think to be a better way of dealing with resistance to change and why?

Answers: Self Assessment

1. overcome, resistance
2. feedback
3. globalization
4. Disenchantment
5. Disorientated
6. political

7. overt, implicit, immediate
8. External
9. Unplanned
10. Refreezing

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12.11 Further Readings



Books

John P. Kotte, *Leading Change*, Harvard Business School Press.

Jim Collins, *Good to Great: Why Some Companies Make the Leap... and Others Don't*, Collins Business.



Online links

info.emeraldinsight.com

www.12manage.com

Notes

Unit 13: Motivation and Leadership

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Objectives

After studying this unit, you will be able to:

- Define motivation
- Assess the relationship between human factors and motivation
- State the nature and characteristic of leadership
- Identify the leadership styles and patterns
- Discuss the leadership skills
- Explain the importance and various theories of leadership

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Introduction

Have you ever wondered, what makes people work? Why do some people perform better than others? Why does the same person act differently at different times? The answer is motivation by a leader in the organisation. A leader must stimulate people to action to accomplish the desired goals; he must fuse the varied individual human capacities and powers of the many people employed into a smoothly working team with high productivity. How do we get people to perform at a higher than "normal" percent of their physical and mental capacities and also maintain satisfaction. This is the challenge of motivation.

Motivation is the process of rousing and sustaining goal-directed behaviour. Motivation is one of the more complex topics in organisational behaviour. Leadership is a process of influence on a group. Leadership is the ability of a manager to induce subordinates to work with confidence and zeal.

13.1 What is Motivation?

Some of the widely quoted definitions are given below:

According to Gray Starke, "Motivation is the result of processes, internal or external to the individual, that arouse enthusiasm and persistence to pursue a certain course of action."

According to Stephen P Robbins, "We define motivation as the willingness to exert high levels of effort toward organisational goals, conditioned by the effort's ability to satisfy some individual needs."

According to S. Zedeck and M. Blood, " Motivation is a predisposition to act in a specific goal-directed way."

According to Atkinson J.W, "(Motivation is) the immediate influences on the direction, vigour and persistence of action."

According to S.W Gellerman, "(Motivation is) steering one's actions toward certain goals and committing a certain part of one's energies to reach them."

According to M.R. Jones, "(Motivation is) how behaviour gets started, is energized, is sustained, is directed, is stopped and what kind of subjective reaction is present in the organism while all these are going on."

All these definitions contain three common aspects of the motivation process:

1. What energizes human behaviour?
2. What directs or channels such behaviour?
3. How is this behaviour maintained or sustained?

Motivation has certain underlying properties:

1. It is an individual phenomenon – Each individual is unique, and this fact must be recognized in motivation research.
2. Motivation is intentional – When an employee does something, it is because he or she has chosen to do it.
3. Motivation has many facets – Researchers have analyzed various aspects of motivation, including how it is aroused, how it is directed, what influences its persistence, and how it is stopped.
4. The purpose of motivation theories is to predict behaviour – The distinction must be made between motivation, behaviour and performance. Motivation is what causes behaviour; if the behaviour is effective, high performance will result.

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Motivation is the underlying process that initiates, directs and sustains behaviour in order to satisfy physiological and psychological needs. At any given time, one might explain behaviour as a combination of motives – needs or desires that energize and direct behaviour toward a goal.

The intensity of our motivation, which depends on the number and the strength of the motives involved, has a bearing on the effort and the persistence with which we pursue our goals. Sometimes we pursue an activity as an end in itself simply because it is enjoyable, not because any external reward is attached to it. This type of motivation is known as intrinsic motivation. On the other hand, when we engage in activities not because they are enjoyable, but in order to gain some external reward or to avoid some undesirable consequence, we are pulled by extrinsic motivation. Table 13.1 gives examples of intrinsic and extrinsic motivation.

Table 13.1: Intrinsic and Extrinsic Motivation

	Description	Examples
Intrinsic Motivation	An activity is pursued as an end in itself because it is enjoyable and rewarding.	A person anonymously donates a large sum of money to a university to fund a scholarship for deserving students. A child reads several books each week because reading is fun.
Extrinsic Motivation	An activity is pursued to gain an external reward or to avoid an undesirable consequence.	A person agrees to donate a large sum of money to a university for the construction of a building, provided it will bear the family name. A child reads two books each week to avoid losing television privileges.

Source: Samuel E. Wood and Ellen Green Wood, "The World of Psychology", Allyn and Bacon, Boston (2nd Edition) 1996, page 36.

13.2 Human Factor and Motivation

The study of motivation can be traced back to the writings of the ancient Greek philosophers. They presented hedonism as an explanation of human motivation. The concept of hedonism says that a person seeks out comfort and pleasure and avoids discomfort and pain. Many centuries later, hedonism was still a basic assumption in the prevailing economic and social philosophies of economists like Adam Smith and J.S. Mill. They explained motivation in terms of people trying to maximize pleasure and avoid pain.

The 1950s were a fruitful period in the development of motivation concepts. Three specific theories were formulated during this time, which, although heavily attacked and now questionable in terms of validity, are probably still the best-known explanations for employee motivation. These theories are:

1. 'Hierarchy of Needs' Theory,
2. Theories X and Y, and
3. Motivation-Hygiene Theory.

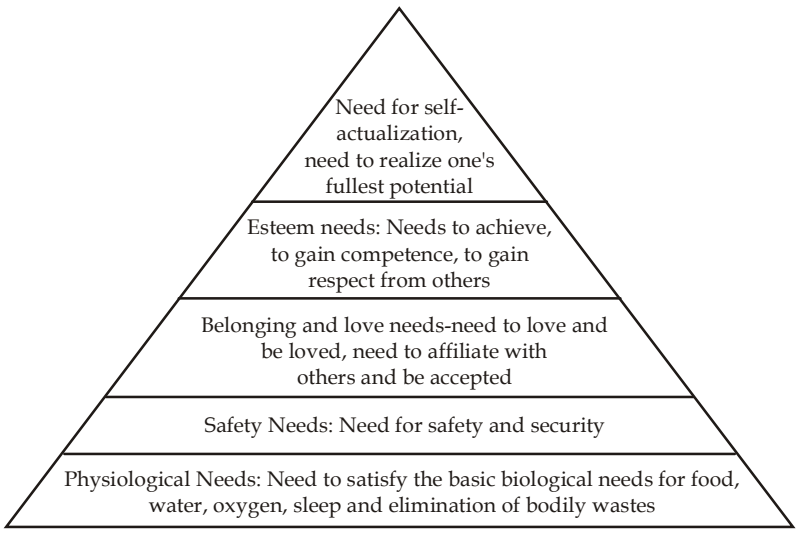
13.2.1 'Hierarchy of Needs' Theory

Abraham Maslow was a psychologist who proposed a theory of human motivation for understanding behaviour based primarily upon a hierarchy of five need categories. He recognized that there were factors other than one's needs (for example, culture) that were determinants of behaviour. However, he focused his theoretical attention on specifying people's internal needs.

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Maslow labelled the five hierarchical categories as physiological needs, safety and security needs, love (social) needs, esteem needs and the need for self-actualization.

Figure 13.1: Maslow's Hierarchy of Needs



Physiological needs are those required to sustain life, such as air, water, food and sleep. According to this theory, if these fundamental needs are not satisfied then one will surely be motivated to satisfy them. Higher needs such as social needs and esteem are not recognized until one satisfies the needs basic to existence.

Once physiological needs are met, one's attention turns to safety and security in order to be free from the threat of physical and emotional harm. Such needs might be fulfilled by living in a safe area, medical insurance, job security etc.

Once a person has met the lower level physiological and safety needs, higher level motivators awaken. The first level of higher level needs are social needs. Social needs are those related to interaction with others and may include friendship, belonging to a group, giving and receiving love etc.

After a person feels that they "belong", the urge to attain a degree of importance emerges. Esteem needs can be categorized as external motivators and internal motivators. Internally motivating esteem needs are those such as self-esteem, accomplishment, and self respect. External esteem needs are those such as reputation and recognition.

Self-actualization is the summit of Maslow's motivation theory. It is about the quest of reaching one's full potential as a person. Unlike lower level needs, this need is never fully satisfied; as one grows psychologically there are always new opportunities to continue to grow. Self-actualized people tend to have motivators such as truth, justice, wisdom and meaning.

While scientific support fails to reinforce Maslow's hierarchy, his theory is very popular, being the introductory motivation theory for many students and managers, worldwide.

13.2.2 Theory X and Theory Y

One important organisational implication of the hierarchy of needs concerns the philosophies and techniques that have a bearing on how to manage people at work. Douglas McGregor, taking a cue on motivation from Maslow's need-based theory, grouped the physiological and

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safety needs as "lower-order" needs and the social, esteem and self-actualization needs as "upper-order" needs. McGregor proposed two alternative sets of assumptions about people at work, based upon which set of needs were the active motivators. He labelled these sets of assumptions – one basically negative as – Theory X and the other basically positive – as Theory Y. After viewing the way in which managers dealt with employees, McGregor concluded that a manager's view of the nature of human beings is based on a certain grouping of assumptions and that he or she tends to mould his or her behaviour toward subordinates according to these assumptions.

Table 13.2: Lists the Assumptions that McGregor makes about people, resolving them in his now famous Theory X and Theory Y

Theory X	Theory Y
• People are by nature indolent. That is, they work as little as possible. • People lack ambition, dislike responsibility, and prefer to be led. • People are inherently self-centred and indifferent to organizational needs. • People are by nature resistant to change • People are gullible and not very bright, the ready dupes of the charlatan and the demagogue.	• People are not by nature passive or resistant to organizational needs. They have become so as a result of experience in organizations. • The motivation, the potential for development, the capacity for assuming responsibility, and the readiness to direct behaviour toward organizational goals are all present in people. Management does not put them there. It is a responsibility of management to make it possible for people to recognize and develop these human characteristics for themselves. • The essential task of management is to arrange conditions and methods of operation so that people can achieve their own goals best by directing their own efforts toward organizational objectives.

Source: D.M. McGregor, "The Human Side of Enterprise", Management Review, November 1957: Page 22-28, 88-92.

According to McGregor, people should be treated differently according to whether they are motivated by lower-order or higher order needs. Specifically, McGregor believed that Theory X assumptions are appropriate for employees motivated by lower-order needs. Theory Y assumptions, in contrast, are appropriate for employees motivated by higher-order needs, and Theory X assumptions are then inappropriate. In addition, McGregor believed that in the 1950s when he was writing, the majority of American workers had satisfied their lower-order needs and were therefore motivated by higher-order needs. Therefore, he proposed such ideas as participative decision-making, responsible and challenging jobs, and good group relations as approaches that would maximize employee's job motivation. Unfortunately, no evidence confirms that either set of assumptions is valid or that accepting Theory Y assumptions and altering one's actions accordingly will lead to more motivated workers.

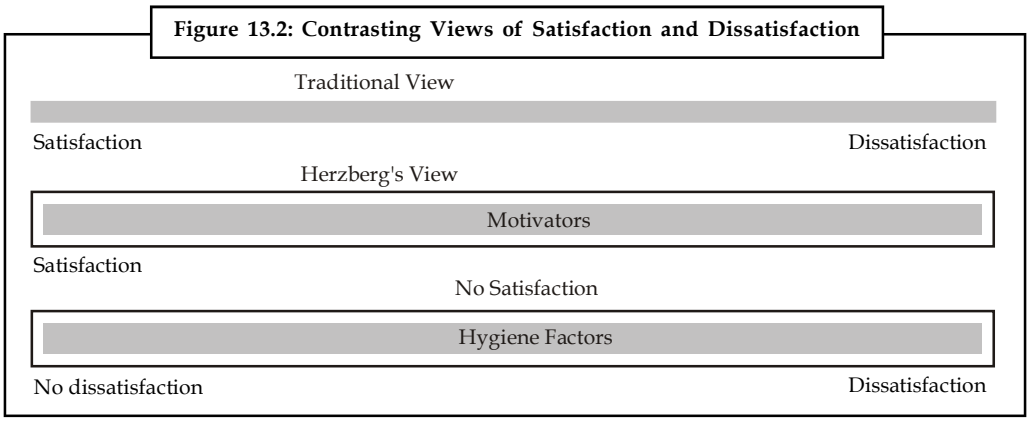
13.2.3 Motivation-hygiene Theory

Fredrick Herzberg departed from the need hierarchy approach to motivation and examined the experiences that satisfied or dissatisfied people's needs at work. This need motivation theory became known as the 'two-factor theory'. Herzberg's original study included 200 engineers and accountants in Western Pennsylvania during the 1950s. Prior to that time, it was common for those researching work motivation to view the concept of job satisfaction as one-dimensional, that is, job satisfaction and job dissatisfaction were viewed as opposite ends of the same continuum. This meant that something that caused job satisfaction, would cause job dissatisfaction if it were removed; similarly, something that caused job dissatisfaction, if removed, would result in job satisfaction. Based upon unstructured interviews with 200 engineers and accountants, Herzberg concluded that this view of job satisfaction was incorrect, and that satisfaction and dissatisfaction

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were actually conceptually different factors caused by different phenomena in the work environment. These two views of job satisfaction are shown in Figure 13.2.

Figure 13.2: Contrasting Views of Satisfaction and Dissatisfaction



Source: Stephen P Robbins "Organisation Behaviour – Concepts, Controversies, Applications" (Seventh Edition) 1996 page 217.

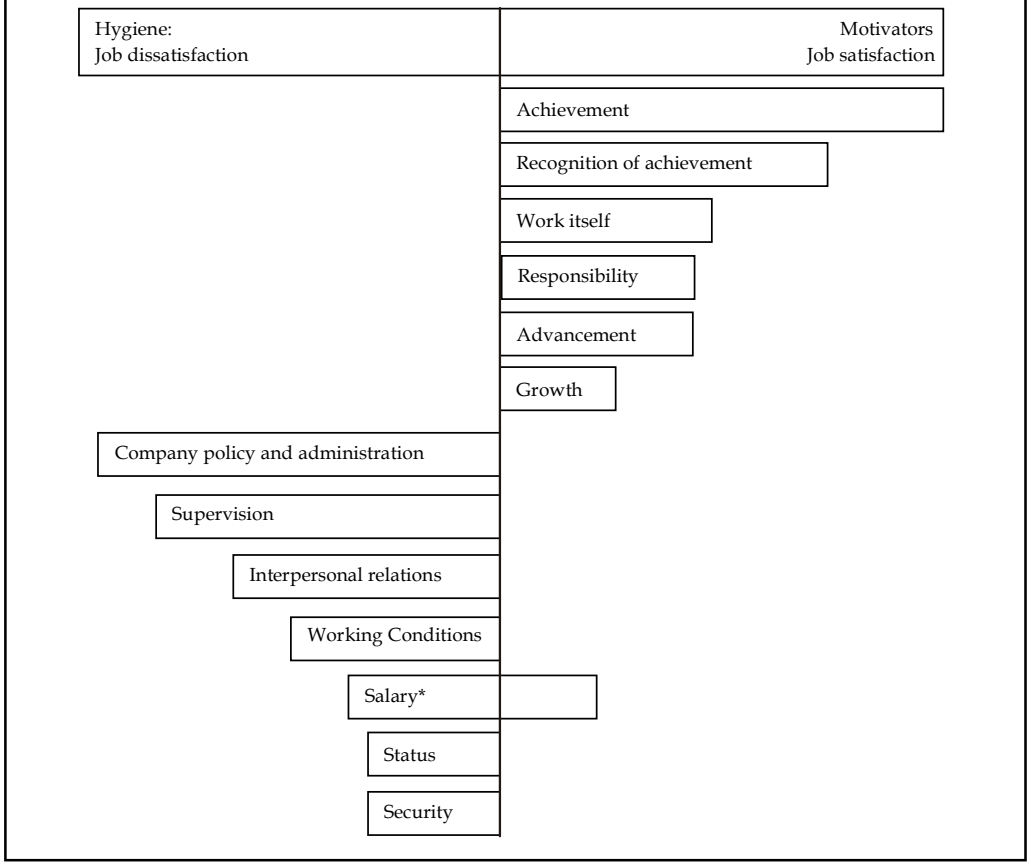
Motivation Factors

According to Herzberg, building motivation factors into a job produces job satisfaction. This process is known as job enrichment. In the original research, the motivation factors were identified as responsibility, achievement, recognition, advancement and the work itself. These factors relate to the content of the job and what the employee actually does on the job. When these factors are present, they lead to superior performance and effort on the part of job incumbents. Motivation factors lead to positive mental health and challenge people to grow, contribute to the work environment, and invest themselves in the organisation. The motivation factors are the most important of the two sets of factors, because they directly affect a person's motivational drive to do a good job. When they are absent, the person will be de-motivated to perform well and achieve excellence.

Work conditions related to satisfaction of the need for psychological growth were labelled motivation factors. Work conditions related to dissatisfaction caused by discomfort or pain was labelled 'hygiene factors'. Each set of factors related to one aspect of what Herzberg identified as the human-being's dual nature regarding the work environment. Thus, motivation factors relate to job satisfaction, and hygiene factors relate to job dissatisfaction. These two independent factors are depicted in Figure 13.3.

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Figure 13.3: Hygiene and Motivating Factors



*Because of its ubiquitous nature, salary commonly showed up as a motivator as well as hygiene. Although primarily a hygiene factor, it also often takes on some of the properties of a motivator, with dynamics similar to those of recognition for achievement.

Source: Frederick Herzberg, The Managerial Choice: To Be Efficient is to be Human – Salt Lake City: Olympus, 1982.

Hygiene Factors

Job dissatisfaction occurs when the hygiene factors are either not present or not sufficient. In the original research, the hygiene factors were company policy and administration, technical supervision, interpersonal relations with one's supervisor and working conditions, salary and status. These factors relate to the context of the job and may be considered support factors. They do not directly affect a person's motivation to work but influence the extent of the person's discontent. These factors cannot stimulate psychological growth or human development. Excellent hygiene factors result in employees' being not dissatisfied and contribute to the absence of complaints about these contextual considerations.

Task

Discuss how will you motivate a colleague to increase his/her productivity at workplace when he is bogged down by work-life balance.

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Case Study

Employee Motivation

Rohit Narang joined Apex Computers (Apex) in November after a successful stint at Zen Computers (Zen), where he had worked as an assistant programmer. Rohit felt that Apex offered better career prospects, as it was growing much faster than Zen, which was a relatively small company. Although Rohit had enjoyed working there, he realized that to grow further in his field, he would have to join a bigger company, and preferably one that handled international projects. He was sure he would excel in his new position at Apex, just as he had done in his old job at Zen.

Rohit joined as a Senior Programmer at Apex, with a handsome pay hike. Apex had international operations and there was more than a slim chance that he would be sent to USA or the UK on a project. Knowing that this would give him a lot of exposure, besides looking good on his resume, Rohit was quite excited about his new job.

Rohit joined Aparna Mehta's five-member team at Apex. He had met Aparna during the orientation sessions, and was looking forward to working under her. His team members seemed warm and friendly, and comfortable with their work. He introduced himself to the team members and got to know more about each of them.

Wanting to know more about his boss, he casually asked Dipti, one of the team members, about Aparna. Dipti said, "Aparna does not interfere with our work. In fact, you could even say that she tries to ignore us as much as she can."

Rohit was surprised by the comment but decided that Aparna was probably leaving them alone to do their work without any guidance, in order to allow them to realize their full potential.

At Zen, Rohit had worked under Suresh Reddy and had looked up to him as a guide and mentor - always guiding, but never interfering. Suresh had let Rohit make his own mistakes and learn from them. He had always encouraged individual ideas, and let the team discover the flaws, if any, through discussion and experience.

He rarely held an individual member of his team responsible if the team as a whole failed to deliver - for him the responsibility for any failure was collective. Rohit remembered telling his colleagues at Zen that the ideal boss would be someone who did not interfere with his/her subordinate's work.

Rohit wanted to believe that Aparna too was the non-interfering type. If that was the case, surely her non-interference would only help him to grow.

In his first week at work, Rohit found the atmosphere at the office a bit dull. However, he was quite excited. His team had been assigned a new project and was facing a few glitches with the new software. He had thought about the problem till late in the night and had come up with several possible solutions.

He could not wait to discuss them with his team and Aparna. He smiled to himself when he thought of how Aparna would react when he told her that he had come up with several possible solutions to the problem. He was sure she would be happy with his having put in so much effort into the project, right from day one.

Contd...

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He was daydreaming about all the praise that he was going to get when Aparna walked into the office. Rohit waited for her to go into her cabin, and after five minutes, called her up, asking to see her.

She asked him to come in after ten minutes. When he went in, she looked at him blankly and asked, "Yes?" Not sure whether she had recognized him, Rohit introduced himself. She said, "Ok, but why did you want to meet me?"

Rohit started to tell her about the problems they were having with the software. But before he could even finish, she told him that she was busy with other things, and that she would send an email with the solution to all the members of the team by the end of the day, and that they could then implement it immediately.

Rohit was somewhat taken a back. However, ever the optimist, he thought that she had perhaps already discussed the matter with the team.

Rohit came out of Aparna's cabin and went straight to where his team members sat. He thought it would still be nice to bounce ideas off them and also to see what solutions others might come up with. He told them of all the solutions he had in mind.

He waited for the others to come up with their suggestions but not one of them spoke up. He was surprised, and asked them point-blank why they were so disinterested.

Sanjay, one of the team members, said, "What is the point in our discussing these things? Aparna is not going to have time to listen to us or discuss anything. She will just give us the solution she thinks is best, and we will just do what she tells us to do; why waste everyone's time?"

Rohit felt his heart sink. Was this the way things worked over here? However, he refused to lose heart and thought that maybe, he could change things a little.

But as the days went by, Rohit realized that Aparna was the complete opposite of his old boss. While she was efficient at what she did and extremely intelligent, she had neither the time nor the inclination to groom her subordinates.

Her solutions to problems were always correct, but she was not willing to discuss or debate the merits of any other ideas that her team might have. She did not hold the team down to their deadlines nor did she ever interfere.

In fact, she rarely said anything at all! If work did not get finished on time, she would just blame her team, and totally disassociate herself from them.

Time and again, Rohit found himself thinking of Suresh, his old boss, and of how he had been such a positive influence. Aparna, on the other hand, even without actively doing anything, had managed to significantly lower his motivation levels.

Rohit gradually began to lose interest in his work - it had become too mechanical for his taste. He didn't really need to think; his boss had all the answers.

He was learning nothing new, and he felt his career was going nowhere. As he became more and more discouraged, his performance suffered. From being someone with immense promise and potential, Rohit was now in danger of becoming just another mediocre techie.

Contd...

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Questions

1. What, according to you, were the reasons for Rohit's disillusionment? Answer the question using Maslow's Hierarchy of Needs or Expectancy Theory of Motivation.
2. How would you evaluate Aparna's behaviour in terms of need for power, need for achievement and theory X/Y?
3. What should Rohit do to resolve his situation? What can a team leader do to ensure high levels of motivation among his/her team members?

Source: www.icmrindia.org

13.3 Definitions and Meaning of Leadership

There are many definitions of leadership. Some of the definitions of leadership are reproduced below:

"Leadership" according to Alford and Beatty "is the ability to secure desirable actions from a group of followers voluntarily, without the use of coercion."

According to Chester I Barnard, "it (leadership) refers to the quality of the behaviour of the individual whereby they guide people on their activities in organised efforts".

According to Terry, "A leader shows the way by his own example. He is not a pusher, he pulls rather than pushes".

According to Koontz and O'Donnell, Managerial leadership is "the ability to exert inter-personal influence by means of communication, towards the achievement of a goal. Since managers get things done through people, their success depends, to a considerable extent upon their ability to provide leadership".

In the words of R. T. Livingston, Leadership is "the ability to awaken in others the desire to follow a common objective".

According to the Encyclopedia of the Social Sciences, "Leadership is the relation between an individual and a group around some common interest and behaving in a manner directed or determined by him".

According to Peter Drucker, Leadership "is not making friends and influencing people, i.e., salesmanship is the lifting of man's vision to higher sights, the raising of man's performance to higher standards, the building of man's personality beyond its normal limitations".

From the above definitions we can conclude that leadership is a psychological process of influencing followers (subordinates) and providing guidance, directing and leading the people in an organisation towards attainment of the objectives of the enterprise

13.4 Characteristic of Leadership

1. ***Leadership implies the existence of followers:*** We appraise the qualities of a leader by studying his followers. In an organisation, leaders are also followers, e.g., a supervisor works under a branch head.
2. ***Leadership involves a community of interest between the leader and his followers:*** In other words, the objectives of both the leader and his men are one and the same.
3. ***Leadership involves an unequal distribution of authority among leaders and group members:*** Leaders can direct some of the activities of group members, i.e., the group members are compelled or are willing to obey most of the leader's directions.

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4. ***Leadership is a process of influence:*** Leadership implies that leaders can influence their followers or subordinates in addition to being able to give their followers or subordinates legitimate directions.



Example: Leaders like Dhirubhai Ambani and Ratan Tata not only had legitimate powers but also influenced the lives of the employees working at Reliance and Tata (Respectively).

5. ***Leadership is the function of stimulation:*** Leadership is the function of motivating people to strive willingly to attain organisational objectives.

6. ***A leader must be exemplary:*** In the words of George Terry – "A leader shows the way by his own example. He is not a pusher, he pulls rather than pushes".

7. ***A leader ensures absolute justice:*** A leader must be objective and impartial. He should not follow unfair practices like favoritism and nepotism. He must display fair play and absolute justice in all his decisions and actions.

8. ***Leadership styles and patterns:*** Tannenbaum and Schmidt have described the range of possible leadership behaviour available to a manager.

13.5 Leadership Styles

1. ***The Manager makes decision and announces it:*** It is an extreme form of autocratic leadership whereby decisions are made by the boss who identifies the problem, considers alternative solutions, selects one of them and then reports his decision to his subordinates for implementation.

2. ***The manager sells his decisions:*** It is a slightly improved form of leadership wherein the manager takes the additional step of persuading the subordinates to accept his decision.

3. ***The Manager presents his ideas and invites questions:*** There is greater involvement of the employees in this pattern. The boss arrives at the decision, but provides a full opportunity to his subordinates to get fuller explanation of his thinking and intentions.

4. ***The manager presents a tentative decision subject to change:*** Herein the decision is tentatively taken by the manager but he is amenable to change and influence from the employees.

5. ***The Manager may present the problem, get the suggestions and then take his own decision:*** Here manager gives sufficient opportunity to the employees to make suggestions, that are carefully considered by the Manager.

6. ***The Manager may define the limits and request the group to make a decision:*** Under this style of management, the manager delegates to the group the right to make the decision. His subordinates are able to take a decision within well defined criteria and limits.

7. ***The Manager may permit full involvement of the subordinates in the decision-making process:*** This is a style of leadership often referred to as 'Democratic' leadership.

Leadership style refers to the behaviour pattern adopted by a leader to influence the behaviour of his subordinates for attaining the organisational goals. As different leadership styles have their own merits and demerits, it is difficult to prefer one leadership style over another. The selection of a leadership style will depend on the consideration of a number of factors. Tannenbaum and Schmidt have pointed out the important factors that affect the choice of a style of leadership. They are:

1. Forces in the manager, i.e., the manager's personality, experience and value system.

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2. Forces in the subordinates, i.e., the subordinates' readiness for taking decisions, and their knowledge, interest, need for independence, etc.
3. Forces in the situation, i.e., complexity of the problem, pressure of time etc.

Types of Leadership Styles

The different types of leadership styles are:

1. Autocratic or Task Management Leadership
2. Participative or Democratic Leadership
3. Laissez-faire or Free-rein Leadership and
4. Paternalistic Leadership.

1. ***Autocratic or Task Management Leadership:*** The autocratic leader gives orders which he insists shall be obeyed. He determines policies for the group without consulting them, and does not give detailed information about future plans, but simply tells the group what immediate steps they must take. In other words, an autocratic leader is one who centralizes the authority in himself and does not delegate authority to his subordinates. An autocratic leader operates on the following assumptions:
   (a) An average human being has inherent dislike for work and will avoid it if he can.
   (b) If his subordinates were intelligent enough, they would not be in subordinate positions.
   (c) He assumes that unintelligent subordinates are immature, unreliable and irresponsible persons. Therefore, they should be constantly watched in the course of their work.
   (d) As he has no regard for his subordinates, he gets the work done by his subordinates through negative motivation, that is, through threats of penalty and punishment.

   Types of Autocratic Leadership

   (a) *Strictly autocratic leaders:* A strictly autocratic leader relies on negative influence and gives orders which the subordinates must accept. He may also use his power to dispense rewards to his group.
   (b) *Benevolent Autocrat:* The benevolently autocratic leader is effective in getting high productivity in many situations and he can develop effective human relationships. His motivational style is usually positive.
   (c) *Manipulative Autocrat:* A manipulative autocratic leader is one who makes subordinates feel that they are participating in decision making process even though he has already taken the decision.
2. ***Participative or Democratic Leadership:*** A democratic leader is one who consults and invites his subordinates to participate in the decision making process. He gives orders only after consulting the group, sees to it that policies are worked out in group decisions and with the acceptance of group.

   A participative leader operates on the following assumptions:

   (a) Subordinates are capable of doing work independently and assuming the responsibility for proper execution if they are given opportunities and incentives.
   (b) Subordinates are supervised, guided and aided rather than threatened and commanded to work.

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(c) Mistakes are not viewed seriously. The assumption is that disciplinary action breeds discontent and frustration among employees and creates an unhealthy work environment.

3. ***Laissez-faire or Free-rein Leadership:*** A free-rein leader does not lead, but leaves the group entirely to itself. The leader avoids using power and entrusts the decision-making authority to his subordinates. He does not direct his subordinates, thereby giving them complete freedom of operation. Groups of members work independently and provide their own motivation. The manager exists as a facilitator and buffer contact man between the team and outsiders, while bringing for his group the information and resources it needs to accomplish its job. A free-rein leader operates in the following manner:

   (a) He follows the rule of minimum exposure to accountability.

   (b) He relieves himself of responsibilities and is ready to blame his subordinates if something goes wrong.

   (c) He has no clear idea of the goals to be attained.

   (d) He is more security conscious than status conscious.

   This mode of direction can produce good and quick results, if the subordinates are highly educated and brilliant people who have a sincere need to go ahead and discharge their responsibility.

4. ***Paternalistic Leadership:*** Under this type of leadership, the leader assumes that his function is fatherly. His attitude is that of treating the relationship between the leader and his groups as that of family, with the leader as the head of the family. The leader works to help, guide, protect and keep his followers happily working together as members of a family. He provides them with good working conditions, fringe benefits and employee services. It is said that employees under such leadership will work harder, out of sheer gratitude as well as emotional bondage.



Task Critically analyse the type of your most favourite leader.

13.6 Leadership Skill

The leader is expected to play many roles and therefore, must be qualified to guide others to organisational achievement. Although no set of absolute traits or skills may be identified, individuals who would be leaders must possess abilities to lead others. They must have certain attributes to help them in performing their leadership role. Broadly speaking, the skills that are necessary for an industrial leader may be summarized under four heads:

1. Human skill
2. Conceptual skill
3. Technical skill, and
4. Personal skill.

1. ***Human Skill:*** A good leader is considerate towards his followers because his success largely depends on the co-operation of his followers. He approaches various problems in terms of people involved more than in terms of technical aspects involved. A leader should have an understanding of human behaviour. He should know people, understand their needs, sentiments, emotions, as also their actions and reactions to particular decisions, their motivations, etc. Thus, A successful leader possesses the human relations attitude.

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He always tries to develop social understanding with other people. The human skill involves the following:

(a) *Empathy:* A leader should be able to look at things as objectively as possible. He should respect the rights, beliefs and sentiments of others.

(b) *Objectivity:* A good leader is fair and objective in dealing with subordinates. He must be free from bias and prejudice while becoming emotionally involved with his followers.

(c) *Communication Skills:* A leader should have the ability to persuade, to inform, stimulate, direct and convince his subordinates.

(d) *Teaching Skill:* A leader should have the ability to demonstrate how to accomplish a particular task.

(e) *Social Skill:* A leader should understand his followers. He should be helpful, sympathetic and friendly.

2. ***Conceptual Skill:*** In the words of Chester Barnard, "the essential aspect of the executive process is the sensing of the organisation as a whole and the total situation relevant to it". Conceptual Skill includes:

   (a) An understanding of the organisational behaviour,

   (b) Understanding the competitors of the firm, and

   (c) Knowing the financial status of the firm.

   A leader should have the ability to look at the enterprise as a whole, to recognize that the various functions of an organisation depend upon one another and are inter-related, that changes in one affect all others. The leader should have the skill to run the firm in such a way that overall performance of the firm in the long run will be sound.

3. ***Technical Skill:*** A leader should have a thorough knowledge of, and competence in, the principles, procedures and operations of a job. Technical skill involves specialized knowledge, analytical skill and a facility in the use of the tools and techniques of a specific discipline. Technical competence is an essential quality of leadership.

4. ***Personal Skill:*** The most important task of the leader is to get the best from others. This is possible only if he possesses certain qualities. These personal skills include:

   (a) *Intelligence:* Intellectual capacity is an essential quality of leadership. Leaders generally have somewhat higher level of intelligence than the average of their followers.

   (b) *Emotional Maturity:* A leader should act with self-confidence, avoid anger, take decisions on a rational basis and think clearly and maturely. A leader should also have high frustration tolerance. According to Koontz and O'Donnell, "Leaders cannot afford to become panicky, unsure of themselves in the face of conflicting forces, doubtful of their principles when challenged, or amenable to influence".

   (c) *Personal Motivation:* This involves the creation of enthusiasm within the leader himself to get a job done. It is only through enthusiasm that one can achieve what one wants. Leaders have relatively intense achievement type motivational drive. He should work hard more for the satisfaction of inner drives than for extrinsic material rewards.

   (d) *Integrity:* In the words of F.W. Taylor, "integrity is the straightforward honesty of purpose which makes a man truthful, not only to others but to himself; which makes a man high-minded, and gives him high aspirations and high ideals".

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(e) *Flexibility of Mind:* A leader must be prepared to accommodate others' viewpoints and modify his decisions, if need be. A leader should have a flexible mind, so that he may change in obedience to the change in circumstances. Thomas Carlisle has said – "A foolish consistency is the hobgoblin of a little mind".

In sum, a leader must have a dynamic personality, intellectual attainment, amiable disposition, unassuming temperament and knowledge of how to deal with his followers.

13.7 Importance of Leadership

The importance of leadership in an organisation cannot be denied. People working in an organisation need individuals (leaders) who could be instrumental in guiding the efforts of groups of workers to achieve goals and objectives of both the individuals and the organisation. The leader guides the action of others in accomplishing these tasks. A good leader motivates his subordinates, creates confidence and increases the morale of the workers. In the words of Peter F Drucker – "Good leadership is a must for the success of a business but the business leaders are the scarcest resources of any enterprise". The following points highlight the importance of leadership:

1. Leadership is the process of influencing the activities of an individual or a group towards the achievement of a goal.
2. An effective leader motivates subordinates for turning in a higher level of performance.
3. Leadership promotes team-spirit and team-work which is essential for the success of any organisation.
4. Leadership is an aid to authority. Dynamic and enlightened leadership helps in the effective use of formal authority.
5. Leadership creates confidence in subordinates by giving them proper guidance and advice.

The history of business is full of instances where good leaders led their business concerns to unprecedented peaks of success. To quote George R Terry: "The will to do is triggered by leadership, and lukewarm desires for achievement are transformed into burning passion for successful accomplishments by the skilful use of leadership skills".

13.8 Functions of a Leader

According to Peter Drucker, "An effective leader is one who can make ordinary men do extraordinary things, make common people do uncommon things. Leadership is a lifting of a man's sights to a higher vision, the raising of man's standard to a higher performance, the building of a man's personality beyond its normal limitations." This viewpoint of Peter Drucker stresses the leader's obligation to attain organisational goals and gives attention to the needs of the individuals who are his subordinates. The important functions of a business leader may be briefly summarized as follows:

1. ***To take the initiative:*** A leader initiates all the measures that are necessary for the purpose of ensuring the health and progress of the organisation in a competitive economy. He should not expect others to guide or direct him. He should lay down the aims and objectives, commence their implementation and see that the goals are achieved according to the pre-determined targets.
2. ***He identifies group goals:*** A leader must always help the group identify and attain their goals. Thus, a leader is a goal setter.

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3. ***He represents the organisation:*** A leader represents the organisation and its purpose, ideals, philosophy and problems to those working for it and to the outside world. In other words, a leader is a true representative of the entire organisation.
4. ***He acts as an arbitrator:*** When groups experience internal difference, whether based on emotional or intellectual clashes, a leader can often resolve the differences. He acts as an arbitrator to prevent serious differences from cropping up within the group.
5. ***To assign reasons for his action:*** It is the delicate task of a leader to assign reasons to his every command. He has to instruct things in such a way that they are intelligible to all concerned and their co-operation is readily forthcoming.
6. ***To interpret:*** He interprets the objectives of the organisation and the means to be followed to achieve them; he apprises his followers, convinces them, and creates confidence among them.
7. ***To guide and direct:*** It is the primary function of the leader to guide and direct the organisation. He should issue the necessary instructions and see that they are properly communicated.
8. ***To encourage teamwork:*** A leader must try to win the confidence of his subordinates. He must act like the captain of a team.
9. ***He manages the organisation:*** Last but not the least, he administers the undertaking by arranging for the forecast, planning, organisation, direction, co-ordination and control of its activities.

13.9 Theories of Leadership

Different authorities and different researchers have viewed leadership differently. Some put emphasis on personal options, while others view leadership as situational. The researches conducted by behavioural scientists to find out what makes a leader effective have resulted in "theories of leadership". The important theories of leadership are listed/discussed below:

1. Trait Theory of Leadership
2. Behavioural Theory of Leadership
3. Contingency Theory of Leadership
4. Management Grid or Leadership Grid
5. Situational Theory of Leadership
6. Great Man Theory of Leadership
7. Path-Goal Theory
8. Participation Theory of Leadership

1. ***Trait Theory of Leadership:*** Trait theory seeks to determine personal characteristics of effective leaders. It points out that the personal traits or personal characteristics of a person make him an effective or successful leader. Charles Bird examined twenty lists of traits attributed to leaders in various surveys and found that none of the traits appeared on all lists. Leaders were characterized a wide variety of traits ranging all the way from neatness to nobility.

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Table 13.3: Traits Associated with Effective Leadership

Drive	High level of effort; relatively high desire for achievement; ambition; high energy; persistence; initiative.
Desire to Lead	Strong desire to influence and lead others; willingness to take responsibility.
Honesty and Integrity	Trusting relationships with followers; truthfulness; high consistency between words and actions.
Self-confidence	Absence of self-doubt; self-assurance that convinces followers of the rightness of the leader's goals and decisions.
Intelligence	Ability to gather, synthesize, and interpret large amounts of information; ability to create visions, solve problems, and make good decisions.
Job-relevant Knowledge	High level of knowledge about the organization, industry, and technical matters related to the group's activities.

Source: Shelly a Kirpatrick and Edwin A Locke, "Leadership: Do Traits really matter?" Academy of Management Executive, May 1991 Page 48 - 60.

Persons who are leaders are presumed to display better judgment and engage themselves in social activities. Study of the lives of successful leaders reveals that they possessed many of these traits. According to the trait theory, persons who possess the following traits or personal characteristics could become successful leaders:

(a) *Good personality:* Physical characteristics and level of maturity determine the personality of an individual. Good personality is an important factor in determining the success of a leader.

(b) *Intellectual ability:* A leader must have a higher level of intelligence than the average follower. A leader should analyze the situation accurately and take decision accordingly.

(c) *Initiative:* A leader should initiate suitable activities at a proper time.

(d) *Imagination:* A leader should have the ability to imaginatively visualize trends and device his policies and programmes.

(e) *Maturity:* A leader should be emotionally mature and have a balanced temperament. They should also have high frustration tolerance.

(f) *Desire to accept responsibility:* A leader should be prepared to shoulder the responsibility for the consequences of any step he takes. In other words, he should accept full responsibility for his actions.

(g) *Self-confidence:* A leader should possess self-confidence. Self-confidence is essential to motivate the followers and boost up their morale.

(h) *Flexibility:* A leader should be prepared to accommodate others viewpoints and modify his decisions. He should have an open mind, ready to absorb and adopt new ideas and views of others.

(i) *Fairness and objectivity:* A good leader is fair and objective in dealing with subordinates. Honesty, fairplay, justice and integrity of character are expected of any good leader.

(j) *Considerate:* A good leader is considerate to the followers as his success as a leader largely depends on the co-operation of his followers.

Research indicates that a few traits show a weak but consistent link to holding positions of leadership. People with a high energy level tend to rise to leadership positions. Leadership potential has been associated with the social trait of dominance and with the motives of need for achievement and need for power. Leadership has also been widely linked to high self-esteem. General cognitive ability has one of the strongest links to leadership ability.

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Limitations of the Trait Theory

(a) It assumes that leadership is an inborn quality. This is not always true but, leadership qualities may be developed through training also.

(b) A leader may prove very successful is one situation due to some traits, but may fail in another situation.

(c) The theory also fails to mention the traits which are necessary to maintain leadership. Measurement of a trait usually occur after a person becomes a leader.

(d) There cannot be any common list of personal traits found in all successful leaders.

(e) Personal traits are only a part of the whole environment. By emphasizing merely on the personal traits, the other qualities of a leader are ignored.

Applications of Trait Theory

Despite the limitations of trait theory, people still think in terms of leadership traits. For example, in many hiring and promotion decisions, the decision maker selects people, he or she should have "leadership potential". There is nothing wrong about such a choice, but is this an effective strategy? Probably not. Using valid systems for employee selection results in higher-quality employees than basing decisions on non-job-related personality traits.

2. ***Behavioural Theory of Leadership:*** According to this theory, a particular behaviour of a leader provides greater satisfaction to the followers and so they recognize him as a good leader. The behavioural approach is based on the premise that effective leadership is the result of effective role behaviour. A leader uses conceptual, human and technical skills to influence the behaviour of his subordinates. The behavioural theory does not concentrate on the traits of leaders; it inspires study of the activities of leaders to identify their behavioural patterns.

The inability of the trait approach to consistently define specific traits that would differentiate successful and unsuccessful leaders led to the conclusion that emphasis on the behaviour of leaders (which could be measured) rather than emphasis on traits (which could not be measured) were an appropriate new research strategy. Beginning in the late 1940s and continuing through the early 1960s, research based on this emphasis was conducted at Ohio State University and the University of Michigan.

(a) *The Ohio State University Studies:* A team of Ohio State University researchers including Edwin Fleishman conducted extensive surveys. The goal of the research was to:

(i) Identify the behaviours exhibited by leaders.

(ii) Determine what affect these behaviours had on employee satisfaction and performance.

(iii) Identify the best leadership style.

To do this, questionnaires were developed to assess leadership styles. The Leader Behaviour Description Questionnaire (LBDQ) was designed to tap subordinate perception of the leader's behaviours, while the Leader Opinion Questionnaire (LOQ) measured the leader's perception of his own style.

After an analysis of actual leader behaviour in a wide variety of situations, two important leadership behaviours were isolated:

(i) Initiating-structure behaviour (IS): Clearly defining the roles of leader and follower so that everyone knows what is expected. This includes establishing

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formal lines of communication and deciding how tasks are to be performed.

(ii) Consideration Behaviour(C): Demonstrating concern for followers and trying to establish a friendly and supportive work climate based on mutual trust.

These two kinds of behaviour were viewed as independent, meaning a particular leader can score high in use of one type of behaviour, the other, or both. Leaders who scored high on IS generally led high-producing groups and were rated highly by their superiors. However, the subordinates of those leaders tended to have lower morale, higher grievance rates, and higher turnover. Leaders high on C, on the other hand, generally led groups with higher morale but lower productivity. Thus, each of the specific leader behaviours had positive and negative outcomes associated with them. The extension of these findings by some later theorists led to the conclusion that leaders high on both LS an C would simultaneously satisfy their superiors (by achieving high performance) and their subordinated (by improving their morale).

(b) *University of Michigan Studies:* Under Rensis Likert, researchers at the University of Michigan conducted extensive interviews with managers and the employees who reported to them. After studying numerous industrial situations, the researchers concluded that two leadership styles – employee-centered and production or task-centered – influenced employee performance and satisfaction.

(i) Task-Centered Leader Behaviour: An effort to lead employees by focusing on work and how well employees performs. The task-centered leader pays close attention to employees' work, explains work procedures, and is deeply interested in performance.

(ii) Employee-centered Leader Behaviour: An effort to lead employees by developing a cohesive work group and ensuring employee satisfaction. The employee-centered leader emphasizes employees' well being rather than the tasks they perform.

The researchers defined these behaviours as mutually exclusive; a leader tends to use one or the other. The Michigan studies showed that employee-centered leaders supervised groups with higher morale and productivity, while production-centered leaders supervised groups with lower productivity and morale. These findings led to the belief that the employee-centered leadership style was superior to the production-centered leadership style.

3. ***Contingency Theory of Leadership:*** Fiedler's contingency model is one of the most serious and elaborate situational theories in leadership literature. Fiedler is probably the first researcher who recognised the need for a broader explanation of leadership phenomena anchored on situational variables.

Fiedler's model is called a 'contingency' model because the leader's effectiveness is partially contingent upon three major situational variables.

(a) *Leader-member relations:* It refers to the degree of confidence, trust and respect followers have in the leader. It indicates the degree to which group members like the leader and are willing to accept the leader's behaviour, as an influence on them.

(b) *Task structure:* It measures the extent to which the task performed by subordinates is routine or non-routine. In other words, task structure refers to how routine and predictable the work group's task is.

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(c) *Leader position power:* It refers to the degree to which the leader has at his disposal various rewards and sanctions, his authority over group's members, and the degree to which this authority is supported by the organisation.

(d) *Favourableness of the situation:* Thus, depending on the 'high' and low' categories of these situational variables, Fiedler developed eight possible combinations ranging from highly favourable to unfavourable situations.

A favourable situation is where the leader-member relations are good, the task is highly structured and the leader has enormous power to exert influence on the subordinates. The first cell in the table is identified with this high degree of favourableness. At the other extreme, an unfavourable situation is, where the leader's power is weak, relations with members are poor and the task is unstructured and unpredictable. The last cell represents this situation. Between these two extremes lies the situation of intermediate difficulty. Fiedler states that a permissive, relationship-oriented style is best when the situation is moderately favourable or moderately unfavourable. When the situation is highly favourable or highly unfavourable, a task-oriented style produces the desired performance.

Figure 13.4: Fiedler's Findings on how Leader Effectiveness Varies with the Situation

Fiedler's Classification of Situational Favourableness

Leader-member Relations	Good				Poor			
Task Structure	High		Low		High		Low	
Leader Position Power	Strong	Weak	Strong	Weak	Strong	Weak	Strong	Weak
Situations	I	II	III	IV	V	VI	VII	VIII

Very Favourable ⟷ Very Unfavourable

4. ***Managerial Grid:*** Robert R Blake and Jane S Moulton have designed an organisation development program emphasizing the importance of the two basic leader behaviours (concern for people and concern for production) originally identified in the Ohio State and Michigan studies.

The model is designed to help managers first see their current leadership style and then to help them develop the most desirable style. Blake and Mouton believe there is an ideal style 9, 9 management. However, they have found that most managers use the middle-of the road style. The Figure 13.5 below shows the five possible leadership style.

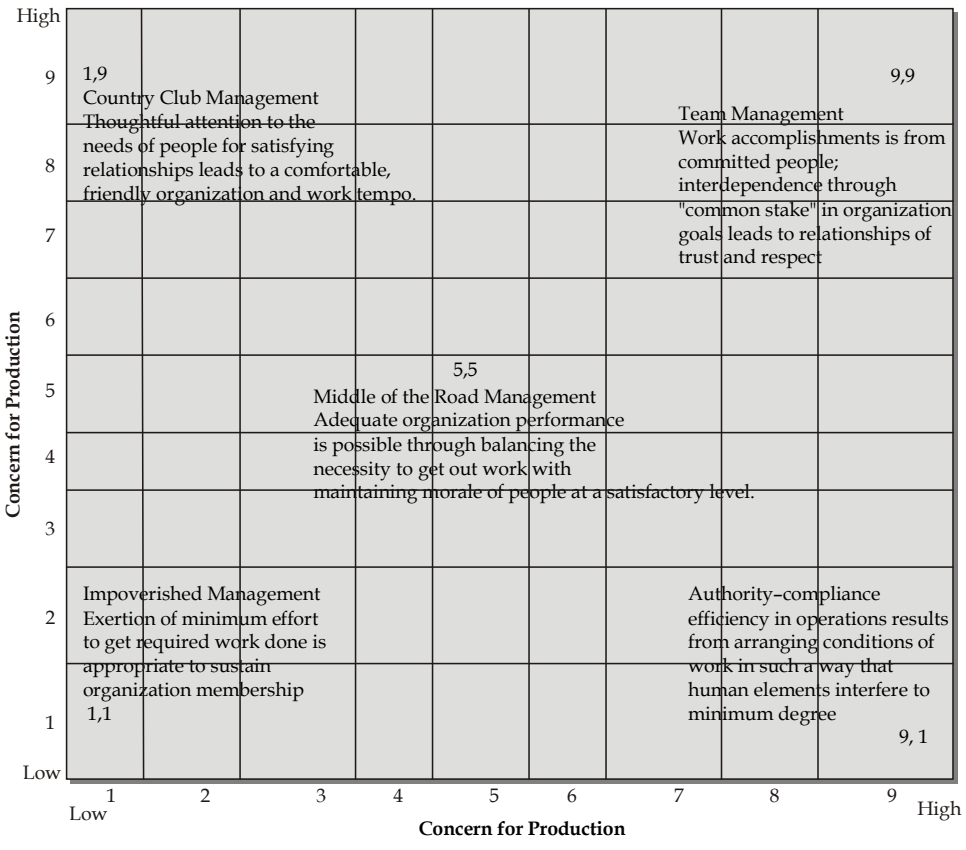
Figure 13.5: Five Possible Leadership Styles

Style Label	Leader Emphasis on	
	Production	People
1,1	Low	Low
9,1	High	Low
1,9	Low	High
5,5	Moderate	Moderate
9,9	High	High

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The managerial grid categorizes leadership behaviour as concern for people and concern for production. However, rather than viewing each type of concern as an absolute measure, the managerial grid puts them along two independent continuums. A manager thus has low to high concern for people and low to high concern for production. Each type of concern is ranked on a scale from 1 to 9, resulting in five major combinations of leader behaviour:

Figure 13.6: The Leadership Grid



Source: The Leadership Grid Figure for Leadership Dilemmas - Grid Solution, by Robert R Blake and Anne Adams McCanse (Formerly the 'Managerial Grid figure' by Robert R Blake and Jane S Mouton) Houston: Gulf Publishing Company Page 29.

(a) *Improvised (1,1) Management:* Minimal concern for production or people. This style of management results in employees doing the minimum required.

(b) *Authority-Compliance (9.1) Management:* High concern for production and low concern for people. This style of management tends to result in efficient operations.

(c) *Country Club (1,9) Management:* Low concern for production and high concern for people. This style of management creates a working environment where employees feel comfortable.

(d) *Middle-of-the Road (5,5) Management:* Moderate levels of concern for both people and production. This style of management balances needs through compromise, resulting in adequate performance.

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(e) *Team (9,9) Management:* High levels of concern for people and production. This style of management results in superior performance from committed employees.

A slightly more complex model of leadership is the managerial grid developed by Robert Blake and Jane Mouton. This model is illustrated in Figure 13.6 and is called the Leadership Grid in the latest version prepared by Robert Blake and Anne McCanse.

5. ***Situational Theory of Leadership:*** The situational theory of leadership is strongly affected by the situation from which a leader emerges and in which he works. This theory emphasizes that the entire action between the group and the leader is the main factor which makes a leader successful. The people (followers) tend to follow the person (leader) who is capable of fulfilling their aspirations. Thus, a leader recognizes the need of the situation and acts accordingly. The merit of this theory is that it makes it abundantly clear that there is no single universally "best style" of leadership. A leader has to change his style of leadership from situation to situation.

   Contingency or situational theories differ from the earlier trait and behavioural theories in asserting that no single way of leading works in all situations. Recent research suggests that managers should select a leadership that best fits with the situation at a given time. Effective managers diagnose the situation, identify the leadership style that will be most effective, and then determine if they can implement the required style. Early situational research suggested that three general factors affect the appropriate leadership style in a given situation.

   (a) *Subordinate Considerations:* Reflect the leader's awareness of subordinate's expertise, experience, competence, job knowledge, hierarchical level and psychological characteristics.

   (b) *Supervisor Considerations:* Reflect the leader's degree of upward influence, as well as his or her similarity of attitudes and behaviours to those in higher positions.

   (c) *Task Considerations:* Reflect the degree of time urgency, amount of physical danger, permissible error rate, presence of stress, degree of autonomy, degree of job scope, importance and meaningfulness, and degree of ambiguity of the work being performed.

   The precise aspects of each dimension that influence the most effective leadership style vary in different situations. Most situational theorists suggest that effective leaders develop a range of leadership styles, which they adapt to different situations.

   Limitations of Situational Theory Leadership

   (a) This theory stresses the leadership ability of a person in a given situation but it is silent on the question whether he will fit in another situation.

   (b) If the leader adopts some style under all situations, he may not be successful. This is not always true, but leaders have been successful at all times and at all situations.

6. ***Great Man Theory of Leadership:*** The theory asserts that leaders are born and not made. This is especially so with great leaders who are natural leaders. Leadership calls for certain qualities like commanding personality, charm, courage, intelligence, integrity, persuasiveness, tenacity and aggressiveness. These qualities are of such a nature that they can't be taught or learnt in a formal sense. The implementations of this approach are:

   (a) Leaders have certain inborn leadership qualities.

   (b) Inborn qualities are sufficient for a leader to be successful.

Notes

(c) Ordinary people cannot become leaders.

(d) Leadership qualities cannot be acquired.

Thus great leaders are "the gift of god" to mankind. They bestow great good on people by their decisions and activities, which are also divinely destined and approved.

Limitations of Great Man Theory of Leadership

(a) The theory is now regarded as almost obsolete and absurd because it has little scientific and empirical basis.

(b) The theory does not explain who are leaders, how they emerge, how they behave and what exactly it is that makes for their effectiveness.

7. ***Path-goal Theory:*** Developed by Robert House, the Path Goal theory is one of the most respected approaches to leadership. The essence of the theory is that it's the leader's job to assist his or her followers in attaining their goals and to provide the necessary direction and/or support to ensure their goals are compatible with the overall objectives of the group or organisation. According to this theory, leaders attempt to influence their subordinate's perceptions of the payoff for accomplishing their goals and show them ways to achieve the goals. Thus, a leader's behaviour is motivational to the degree it:

(a) Makes subordinate need satisfaction contingent on effective performance, and

(b) Provide the coaching, guidance, support and rewards that are necessary for effective performance.

To test these statements, House identified four leadership behaviours or styles:

(a) *Directive Style:* The leader tells subordinates what is expected of them, gives them guidance about what should be done, and also shows them how to do it.

(b) *Supportive Style:* The leader shows concern for the well-being and needs of his or her subordinates by being friendly and approachable.

(c) *Participative Style:* The leader involves subordinates in decision making, consults with them about their views of the situation, asks for their suggestions, considers those suggestions in making a decision, and sometimes lets the subordinates make the decision themselves.

(d) *Achievement-Oriented Style:* The leader helps subordinates set goals, rewards the accomplishment of these goals and encourages subordinates to assume responsibility for their attainment.

House assumes that leaders are flexible and implies that the same leader can display any or all of these behaviours, depending on the situation.

Applying Path-Goal Theory: The leader will begin by choosing a leadership style that fits the situation. To do this, the leader has to assess five aspects of the situation and people involved:

(a) *Assess the task:* Structured tasks and clear goals require less direction then less structured tasks and less clear goals.

(b) *Assess the leader's formal authority:* managers with formal authority typically should not use a directive style because it duplicates their authority, but they may use supportive achievement-oriented or participative styles.

Notes

(c) *Assess the nature of the work group:* The leader should assess its cohesiveness as well as its experience in working together. The more cohesive the group, the less need for supportive leadership since this is redundant with the group's character.

(d) *Assess the organisation's culture:* A culture that supports participation also supports a participative leadership style. A culture that encourages goal accomplishment or a results orientation reinforces an achievement-oriented style.

(e) *Assess the subordinate's skills and needs:* Subordinates skilled in a task require less direction than those less skilled. Subordinates with high achievement needs, require a style that helps meet these needs. Subordinates with social needs, require a style that helps meet these needs.

8. ***Participation Theory of Leadership:*** Victor Vroom and Phillip Yetton developed a leader-participation model that related leadership behaviour and participation to decision making. They assume that leaders use four basic styles in making decisions: authoritative, consultative, group-based and delegative. These styles led to different decision-making processes for solving both individual and group problems. This is shown in the Table 13.4 below.

Table 13.4: Decision-making Process

For individual problems		For group problems	
AI	You solve or make the decision yourself.	AI	You solve the problem or make the decision yourself, using information available to you at the time.
AII	You obtain any necessary information from the subordinate, then decide on the solution to the problem yourself.	AII	You obtain any necessary information from subordinates, then decide on the solution to the problem yourself.
CI	You share the problem with the relevant subordinate, getting his or her ideas and suggestions. Then you make the decision, which may or may not reflect your subordinate's influence.	CI	You share the problem with the relevant subordinates individually, getting their ideas and suggestions without bringing them together. Then you make the decision, which may or may not reflect your subordinates' influence.
GI	You share the problem with one of your subordinates, and together you analyze the problem and arrive at a mutually satisfactory solution in an atmosphere of free and open exchange of information and ideas.	CII	You share the problem with your subordinates in a group meeting, in which you obtain their ideas and suggestions. Then you make the decision, which may or may not reflect their influences.
DI	You delegate the problem with one of your subordinates, providing him or her with any relevant information that you possess, but giving him or her responsibility for making the decision and your support for any decision reached.	GII	You share the problem with your subordinates as a group. Together you generate and evaluate alternatives and attempt to reach true consensus on a solution. Acting as a coordinator of the discussion, you are willing to accept and implement any solution that the entire group supports.

Source: V.H. Vroom and A.G. Jago, "Decision-making as a social process: Normative and descriptive models of leader behaviour", Decision Sciences 5 (1974) page 745.

13.10 Contemporary Issues in Leadership

1. ***Male/Female leadership styles:*** As more women assume visible leadership roles, many observers perceive differences in the leadership styles of the two sexes. The studies that have found differences between male and female leadership styles typically find that women tend to lead more democratically than their male counterparts. Women are more likely to encourage participation in decision making, to share power and information, and to try to enhance the self-worth of their followers. They influence through their charisma, expertise, personal contacts, and interpersonal skills. In contrast, men are more likely to rely on the authority of their position and issue directives to their followers.

Notes

2. ***Leading through empowerment:*** Managers are currently advised to lead through empowerment. Effective leaders share power and responsibilities with their employees. The empowering leader's role is to show trust, provide vision, improve performance, dismantle blocking barriers, offer encouragement, motivate and coach employees.

3. ***Biological basis for leadership:*** A growing body of research suggests the best leaders are not necessarily the smartest, strongest, or more aggressive of a group but rather those who are most proficient at handling social interactions. Researchers have found that effective leaders possess a unique biochemical mixture of hormones and brain chemistry that helps them build social alliances and cope with stress. Higher levels of the chemical serotonin increases levels of sociability and controls aggression, while higher levels of testosterone increase aggressive tendencies and competitive drive.



Caselet

Unwanted Promotion

Vinod was a scientist in the R & D department of the Indian Space Research Organisation (ISRO). He had worked for the institution ever since he received his degree 15 years earlier, and he was clearly one of the best researchers in the area. He spent many hours keeping current on the literature, and he knew how to set up tight research designs. Knowledgeable in space research, he had a reputation for sticking to his guns about how specific research studies should be conducted. He believed that if something was not done well, it should not be done at all.

A number of his discoveries had saved the company millions of dollars in foreign exchange. His colleagues frequently came to him for advice about how to proceed on various projects. He was convinced about the correctness of his advice. In short, Vinod was a star in the organisation, and was ranked very high in terms of the trait theory.

Early in February 2000, Roney would retire as head of R& D. The decision about his successor was in the hands of Dr. Arun, the chairman of ISRO. Roney recommended Vinod because of his record of outstanding service and reputation. The new position required large amounts of administrative work and less research.

Roney and Dr. Arun discussed some of these issues with Vinod. He would no longer be in charge of specific research projects, but because everyone came to him for advice, he could still be actively involved in research. Vinod thought long about the offer. The promotion meant more money and recognition. Starting June 1, Vinod became the head of the R & D department.

It was not long before things started to go wrong. First of all, Vinod had more difficulty keeping up with the literature. Other priorities seemed to always interfere with his reading time. He also noticed a distinct cooling in the way his colleagues treated him. At first they had continued to come to him with questions and problems. Vinod responded as he always had "Here's how it has to be done", and thus should a high IS according to the Behaviour Theory. In a few cases though his advice was not followed.

He also got into a number of arguments with Dr Arun. In many cases, he demanded more financial support from Dr Arun to conduct various research projects in the way he felt it should be done. It got to the point where almost every interaction between the two resulted in an argument. And somehow it showed that vinod lacked in superior considerations when it came to the situational theory.

Contd...

Notes

Finally, Dr. Arun knew that something had to be changed. He went to Vinod and told him that he had to (1) compromise more and accept the realities of his job. (2) step down from his position, or (3) leave ISRO.

Source: www.icmrindia.org

13.11 Summary

- Motivation is the internal condition that activates behavior and gives it direction; energizes and directs goal-oriented behavior.
- The challenge at work is to create an environment in which people are motivated about work priorities.
- Too often, organisations fail to pay attention to the employee relations, communication, recognition, and involvement issues that are most important to people.
- Leadership is a process by which an individual influences the thoughts, attitudes, and behaviors of others.
- Leaders set a direction for the rest of the group, and help it to see what lies ahead.
- They help the team visualize what it might achieve and encourage as well as inspire the entire team to perform up to its true potential.
- Without leadership a group degenerates into non performers.
- That is why the practice of leadership is known to be a key business differentiator.
- In order to increase individual effectiveness, one must certainly possess good team skills coupled with great leadership qualities.

13.12 Keywords

Authority-Compliance Management: High concern for production and low concern for people. This style of management tends to result in efficient operations.

Country Club Management: Low concern for production and high concern for people. This style of management creates a working environment where employees feel comfortable.

Improvised Management: This style of management results in employees doing the minimum required.

Middle-of-the Road Management: Moderate levels of concern for both people and production. This style of management balances needs through compromise, resulting in adequate performance.

Team Management: High levels of concern for people and production. This style of management results in superior performance from committed employees.

13.13 Self Assessment

Fill in the blanks:

1. Motivation is the underlying process that ....., ... and sustains behaviour in order to satisfy physiological and psychological needs.

Notes

2. One important organisational implication of the hierarchy of needs concerns the ..... and ..... that have a bearing on how to manage people at work.
3. Leadership is the function of ..... people to strive willingly to attain the predetermined objectives.
4. A leader must try to win the ..... of his subordinates.
5. In ..... style, the leader tells subordinates what is expected of them.
6. Leadership involves an ..... distribution of authority among leaders and group members.
7. The ..... leader pays close attention to employees' work.
8. When groups experience internal difference, a leader can often ..... them.
9. Trait theory seeks to determine ..... of effective leaders.
10. It is the delicate task of a leader to assign ..... to his every command.
11. Persons who are leaders are presumed to display better ..... and engage themselves in ..... .
12. Two important leadership behaviours are ..... and ..... .

13.14 Review Questions

1. Motivation is a predisposition to act in a specific goal oriented way. Comment
2. Which do you think to be more conducive for the development of your organisation-Theory X or Theory Y and why?
3. Under the motivation-hygiene theory, what would you categorise salary and interpersonal relations as - as motivators or demotivators and why?
4. "A good leader is one who understands his subordinates, their needs and their sources of satisfaction". Comment.
5. What is the difference between a leader and a manager?
6. Critically examine the different approaches to the study of leadership behaviour. Is there one best style of leadership?
7. "Leadership is the driving force which gets thing done by others". Discuss.
8. "A Successful Leader is not necessarily effective". Comment.
9. What is the Managerial Grid? Contrast its approach to leadership with the approach of the Ohio State and Michigan groups.
10. According to the Managerial Grid, which is considered the most desirable combination of leadership behaviour? Why?
11. A leader is one who guides and directs other people. Can there be a contrast to it? Discuss with elaborative reasons.
12. What do you think as the five main characteristics of a leader and why do you prefer them over the rest?
13. Which is your favourite leadership style and why?

Notes

14. Assuming that nobody can be equally competent on all grounds, what should a leader try to excel in among human skills, conceptual skills, technical skills and personal skills and why?

15. Is following the rule of minimum exposure to accountability the right kind of attitude? If yes, in which situations it would result in negative?

Answers: Self Assessment

1.	initiates, directs	2.	philosophies, techniques
3.	motivating	4.	confidence
5.	Directive	6.	Unequal
7.	task-centered	8.	resolve
9.	personal characteristics	10.	reasons

11. judgment, social activities

12. Initiating-structure behaviour, consideration behaviour

13.15 Further Readings



Books

Anne Bruce and James S. Pepitone, *Motivating Employees*, McGraw-Hill.

Barry Silverstein, *Motivating Employees: Bringing Out the Best in Your People*, Collins Business.

P.G. Aquinas, *Organisational Behaviour*, Excel Books.

The Psychology of Leadership, David M Messick, Roderick Moreland Kramer, Routledge

Transformational Leadership in Government, Jerry W Koehler, Joseph M Pankowski, CRC Press



Online links

www.accel-team.com

www.motivation-tools.com

www.pickthebrain.com

Notes

Unit 14: Communication

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Objectives

After studying this unit, you will be able to:

- State the significance of communication
- List types of communication
- Discuss process of communication
- Identify the barriers to effective communication

Introduction

Communication is the exchange of messages between people for the purpose of reaching common understandings, and achieving common goals. Unless common meanings are shared, managers find it extremely difficult to influence others. Whenever groups of people interact, communication takes place. Communication is the exchange of information using a shared set of symbols. It is the process that links group members and enables them to coordinate their activities. Therefore, when managers foster effective communication, they strengthen the connections between employees and build cooperation.

Notes

14.1 Significance of Communication

The importance of communication in management can be judged from the following:

1. Gaining acceptance of policies, winning cooperation of others, getting instructions and ideas clearly understood and bringing about the desired changes in performance are dependent upon effective communication.
2. Communication helps the management in arriving at vital decisions. In its absence, it may not be possible for the top-level management to come in closer contact with each other and discuss the important problems pertaining to the organisation.
3. Constant communication with personnel helps the management to remain informed about their problems, difficulties and grievances.
4. Communication is quite essential for coordination, which is the essence of effective management.
5. Greater, better and cheaper production are the aims of all managers. In today's organisations, the information passes through a variety of filters and there is always a chance for misinterpretation. An effective system of communication can play a vital role in avoiding this illusion.
6. Under an effective system of communication, it is quite convenient for the employees to express their grievances, and bring all their problems to the notice of the management.

14.2 Types of Communication

14.2.1 Based on Level

Levels of communication are:

1. ***Intrapersonal communication:*** It is the language used or thought internal to the communicator. Intrapersonal communication is the active internal involvement of the individual in symbolic processing of messages.
2. ***Interpersonal communication:*** It is the level in which communication channels are the medium chosen to convey the message from sender to receiver.
3. ***Group communication*** refers to the nature of communication that occurs in groups that are between 3 and 12 individuals.
4. ***Public communication:*** It's at the heart of our economy, society, and politics.

14.2.2 Based on Form/Medium Used

Communication can be classified on the basis of the medium employed:

1. ***Verbal Communication:*** It means communicating with words, written or spoken.
2. ***Non-verbal communication:*** It includes using of pictures, signs, gestures, and facial expressions for exchanging information between persons.
3. ***Meta communication:*** Here the speaker's choice of words unintentionally communicates something more than what the actual words state.
4. ***Formal Communication:*** A formal channel of communication can be defined as a means of communication that is formally controlled by managers or people occupying positions in an organisation.

Notes

5. ***Informal Communication:*** Side by side with the formal channel of communication every organisation has an equally effective channel of communication that is the informal channel.
6. ***Downward Communication:*** The Communication that flows from Top to Bottom is known as downward communication.
7. ***Upward Communication:*** The Communication that flows from bottom to top, which is from lower hierarchical level to higher level, is called Upward Communication.
8. ***Lateral Communication:*** When communication takes place between two or more persons who are subordinates working under the same person, or those who are working on the same level, it is called lateral or horizontal communication.
9. ***Diagonal Communication:*** Diagonal or Crosswise communication includes flow of information among persons at different levels who have no direct reporting relationships.

14.2.3 Based on Context

Based on context, the different types of communication are:

Organisational Communication

It is communication which gives life to the organisation; so, it can be likened to the life blood of an organisation. The communication system serves as the vehicle by which an organisation is embedded in its environment.

Political Communication

Political communication is a field of communications that is concerned with political scenario in a country or communication that often influences political decisions and vice versa.

Intercultural Communication

Intercultural communication refers to the communication between people from different cultures. According to Samovar and Porter, intercultural communication occurs whenever a message is produced by a member of one culture for consumption by a member of another culture, a message must be understood.

Educational Communication

This type of communication relates to the field of education. It involves any type of communication flows, levels, systems that lead to acquisition and imparting of learning.



Example: A teacher, teaching in a class or a student giving a presentation in a class etc.



Task

Analyse the type of communication that you follow or have followed as a student while communicating with your friends, seniors and principal. Is there any difference?

Notes

Caselet

Relevance of Organisational Communication

Organisational communication encompasses many aspects. It spans a wide range, from formal and informal internal communication practices to externally directed communications (media, public, inter-organisational). In their book, Essentials of Corporate communication, management experts Cees B. M. van Riel and Charles J. Fombrun point out that communication is at the heart of organisational performance. Organisational communication includes marketing, public relations, investor relations, corporate advertising and environmental communication. In the largest sense, it encompasses the organisation's initiatives that demonstrate social responsibility and good citizenship.

Human resource professionals uniquely position themselves at both the starting and finishing points of the communication continuum. From an HR viewpoint, effective organisational communication contributes to learning, teamwork, safety, innovation and quality of decision-making in organisations. In an age of increased competition for talent, communication has become a strategic tool for employee engagement, satisfaction and retention. In fact, effective organisational communication contributes directly to employee and organisational learning, an essential factor for competitive advantage. The most successful HR professionals are consummate communicators. Typically, their organisations over-communicate with all constituents, and their leadership styles transmit the traditions and values of their company. Thus, as a promoter of effective organisational communication, HR is a key strategic partner in leveraging the relationships between employees and top management.

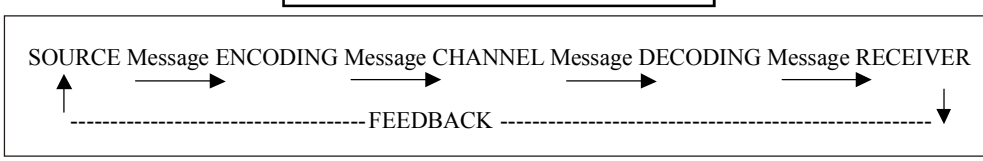
Source: www.findarticles.com

14.3 Effective Communication Process

Communication is important in building and sustaining human relationships at work. It cannot be replaced by the advances in information technology and data management that have taken place over the past several decades. Communication can be thought of as a process or flow. Before communication can take place, a purpose – expressed as a message to be conveyed – is needed. It passes between the sender and the receiver. The result is transference of meaning from one person to another.

The figure below depicts the communication process. This model is made up of seven parts: (1) the communication source, (2) encoding, (3) the message, (4) the channel, (5) decoding, (6) the receiver, and (7) feedback.

Figure 14.1: Communication Process



Source: www.mbaknol.com

1. ***Source:*** The source initiates a message. This is the origin of the communication and can be an individual, group or inanimate object.

Notes

2. ***Encoding:*** Once the source has decided what message to communicate, the content of the message must be put in a form which the receiver can understand.

3. ***The Message:*** The message is the actual physical product from the source encoding. The message contains the thoughts and feelings that the communicator intends to evoke in the receiver.

4. ***The Channel:*** The actual means by which the message is transmitted to the receiver (visual, auditory, written or some combination of these three) is called the channel. The channel is the medium through which the message travels.



Example: Documenting an employee's poor performance in writing conveys that the manager has taken the problem seriously.

5. ***Decoding:*** Decoding means interpreting what the message means.

6. ***The Receiver:*** The receiver is the object to whom the message is directed. Receiving the message means one or more of the receiver's senses register the message.



Example: Hearing the sound of a supplier's voice over the telephone or seeing the boss give a thumbs-up signal.

7. ***Feedback:*** The final link in the communication process is a feedback loop. Feedback, in effect, is communication traveling in the opposite direction. If the sender pays attention to the feedback and interprets it accurately, the feedback can help the sender learn whether the original communication was decoded accurately.

14.4 Barriers to Effective Communication

Barriers to communication are factors that block or significantly distort successful communication. Effective managerial communication skills helps overcome some, but not all, barriers to communication in organisations. The more prominent barriers to effective communication which every manager should be aware of is given below:

1. ***Filtering:*** Filtering refers to a situation where sender manipulating information so it will be seen more favourably by the receiver. The major determinant of filtering is the number of levels in an organisation's structure. The more vertical levels in the organisation's hierarchy, the more will be the opportunities for filtering.

2. ***Selective Perception:*** Selective perception means seeing what one wants to see. The receiver, in the communication process, generally resorts to selective perception, i.e., he selectively perceives the message based on the organisational requirements, the needs and characteristics, background of the employees, etc. Perceptual distortion is one of the distressing barriers to the effective communication.



Example: The employment interviewer who expects a female job applicant to put her family ahead of her career is likely to see that in female applicants, regardless of whether the applicants feel that way or not.

3. ***Emotions:*** How the receiver feels at the time of receipt of information influences effectively how he interprets the information.

Notes

Example: When you are angry, it is harder to consider the other person's viewpoint and to choose words carefully. The angrier you are, the harder this task becomes.

4. ***Extreme emotions:*** Such as jubilation or depression – are most likely to hinder effective communication. In such instances, we are most prone to disregard our rational and objective thinking processes and substitute emotional judgments.

5. ***Language:*** Communicated message must be understandable to the receiver. Often, communication gap arises because the language the sender is using may be incomprehensible, vague and indigestible. Language is a central element in communication. It may pose a barrier to correct and timely action if its use obscures meaning and distorts intent.

6. ***Stereotyping:*** It is the application of selective perception. When we have preconceived ideas about other people and refuse to discriminate between individual behaviours, we are applying selective perception to our relationship with other people.

7. ***Status Difference:*** The organisational hierarchy poses another barrier to communication within the organisation, especially when the communication is between employee and manager.

8. ***Use of conflicting signals:*** A sender is using conflicting signals when he or she sends inconsistent messages. A vertical message might conflict with a non-verbal one.

9. ***Reluctance to Communicate:*** For a variety of reasons, managers are sometimes reluctant to transmit messages. The reasons could be:

   (a) They may doubt their ability to do so.

   (b) They may dislike – or be weary of – writing or talking to others.

   (c) They may hesitate to deliver bad news because they do not want to face a negative reaction.

   When someone gives in to these feelings, they become a barrier to effective communications.

10. ***Projection:*** Projection has two meanings:

    (a) *Projecting one's own motives into others' behaviour:*

Example: Managers, who are motivated by money, may assume their subordinates also motivated by it. If the subordinate's prime motive is something other than money, serious problems may arise.

    (b) *The use of defense mechanism to avoid placing blame on oneself:* As a defense mechanism, the projection phenomenon operates to protect the ego from unpleasant communications. Frequently, individuals who have a particular fault will see the same fault in others, making their own fault seem not so serious.

11. ***The "Halo Effect":*** The term "halo effect" refers to the process of forming opinions based on one element from a group of elements and generalizing that perception to all other elements.

Example: In an organisation, a good attendance record may cause positive judgments about productivity, attitude, or quality of work.

Notes

14.5 Overcoming Barriers to Communication

Following are some of the additional measures to overcome the barriers to communication:

1. ***Fostering good relationships:*** Strong relationships must be fostered between the employer and employee in order to avoid misunderstandings.
2. Communication should be purposeful and directed to an individual.
3. Co-ordination between superior and subordinates
4. ***Avoid technical language:*** The specialized language should be avoided.
5. ***Feedback:*** The selective perception of receiver should be minimized through proper feedback.
6. ***Accuracy:*** There should be accuracy in the message to be transmitted between both parties for the communication to improve its effectiveness.
7. ***Clarity in message:*** The message to be transferred should be clear, practical accurate and without any ambiguity.
8. ***Communication of organisational philosophy:*** Efforts have to be made in a planned way to sensitize people with the organisational philosophy.
9. ***Flat organisational structure:*** The organisation should have clear cut and simple organisational structure.
10. ***Division of labour:*** There should be proper division of labour between people in order to reduce information overload and prevent delay in information transfer.
11. ***Organisation policies:*** The organisation should formulate its policies in such a way that it will give full advantage to all members of the organisation.
12. ***Minimize semantic problem:*** People should avoid using double meaning words.
13. Use proper communication channels.



Task

Analyse your and some of your friend's behavior. What communication skills you all lack? Suggest improvements.



Case Study

Police Miscue Told in Bus Incident

Sometimes a communication miscue not only embarrasses and inconveniences people, it may also endanger lives. Such was the case one evening when police pulled over a bus outside Chicago and stormed it, looking for a murder suspect (who wasn't on the bus). The incident started with a tip-off from the murder victim's family that the suspect might be travelling by bus from Chicago to Milwaukee. Chicago police issued a warning to other local police as well as the state police that the suspect might be on the bus, but to "let him pass." Then they notified the Milwaukee police, who were ready to pick up the suspect as soon as he arrived. But Glencoe and state police interpreted the message to mean that they should stop the bus and make an arrest.

"There wasn't anything ambiguous about it," declares Paul Harlow, director of public safety in Glencoe. "The message was that you have a suspect who is wanted for homicide, and that's probably in my understanding the highest priority message you can put out."

Contd...

Notes

So passengers were filed off the bus, herded to the side of the road, frisked, and held there for several hours. Traffic on the highway was jammed up for miles. Meanwhile, the suspect had actually boarded another bus to Milwaukee, where he was arrested later. Law enforcement experts claim that, had he been on the stopped bus, the situation could have become dangerous very quickly.

What caused this communication miscue? First, there was no formal pattern of communication leading to a clear chain of command. Second, there were errors in perception. The message (that Chicago police intended as merely informational) was received and interpreted by other police departments as a request for action. Third, there was no feedback about the message from receiver to sender – instead, the bus was stormed.

The California Highway Patrol has a policy that would have prevented such a miscue: an officer may not take action such as pulling over a bus unless he or she has received approval from a supervisor at headquarters. "We want to make sure that someone that has a slightly different perspective that may not be caught up in the situation can provide guidance," explains Steve Kohler of the organisation. It is a safe bet that police departments around Chicago are now working on improving communications.

Questions

1. What steps might state and local police take to improve communication with each other?
2. What type of formal communication patterns might work best in a situation like this?
3. How might non-verbal communication play a role (positively or negatively) in a situation like this, where rapid, accurate communication is essential?

Source: Louis Carlozo and Doglas Holt, "Bus Drama Turns up Empty," Chicago Tribunal, May 21, 1994 Sec.1 page 1, 9.

14.6 Summary

- Communication is the exchange of messages between people for the purpose of reaching common understandings, and achieving common goals. Unless common meanings are shared, managers find it extremely difficult to influence others.
- Communication is an indispensable activity in all organisations. No organisation can think of its existence without effective communication.
- The organisation relies on communications to learn what its customers want, to foster cooperation among its employees, and to identify and adapt to changes in the environment.
- Within organisations, there are three directions in which communications flow: downward, upward and laterally (horizontal).
- Non-verbal communication is communication by means of elements and behaviours that are not coded into words. A glance, a stare, a smile, a frown, a provocative body movement – they all convey meaning.
- Non-verbal communication includes all elements of communication, such as gestures and the use of space, that does not involve words or do not involve language.
- Barriers to communication are factors that block or significantly distort successful communication. Effective managerial communication skills helps overcome some, but not all, barriers to communication in organisations.

Notes

14.7 Keywords

***Communication*:** exchange of messages between people

Filtering: sender manipulating information so it will be seen more favourably by the receiver

Halo-Effect: process of forming opinions based on one element from a group of elements

Kinesics: study of body movements, including posture

Lateral Communication: communicating with members at same level of the heirarchy

Paralanguage: vocal aspects of communication relating to how something is said rather than to what is said

Proxemics: the influence of proximity and space in communication

***Stereotyping*:** when we have preconceived ideas about other people

14.8 Self Assessment

Fill in the blanks:

1. Your new boss wrongly perceived that you are an expert in tax accounting since you mostly hang out with accountants during free hours. This is known as …….
2. Most of the communication process is not complete without …….
3. A ……..can be in a form of ideas, thoughts, feelings or opinions.
4. Japanese usually bend while greeting others. They are said to be communicating through……..
5. A political leader speaking at an election rally is political communication. It is also ……communication.
6. Communication between a project manager and a materials handling in-charge who work under an operation manager would be……communication.
7. If you unintentionally tell someone that- "you are looking beautiful today". Then it well be a …….communication.
8. Communication between a CEO and Managing Director at the board meeting would be a …….communication.
9. Communication between a group of friends in college would be……..communication.
10. Language can also sometimes act as a …….to communication.

14.9 Review Questions

1. "Communication is an indispensable activity in all organisations". Analyse this statement and thus bring out the significance of communication in an organisation.
2. Suppose there is an urgent meeting being called in your CEO's office within half-an hour and you are given the responsibility of informing all the other managers. You don't have the time to personally visit or call every member. How will you tackle the problem?
3. "Employees may participate in a grapevine to help meet social needs". Elaborating on this statement, bring out the basic idea behind grapevines.

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4. As a manager, what all non-verbal cues must keep in mind? How can you communicate through non-verbal elements effectively?
5. "People interpret what they see and call it a reality". Discuss
6. Critically analyse the concept of stereotyping and halo effect. Examine the role of human psychology in this context.
7. Bring out the difference between intrapersonal and interpersonal communication.
8. Contrast between upward-downward, diagonal-lateral, formal-informal and verbal-non-verbal communication.
9. Explain the concept of meta-communications with suitable examples
10. "If there is communication, there will be communication barriers too". Elucidate
11. List the techniques that can be used by the managers to overcome the barriers to communication in an organisation.
12. Explain the significance of communication in a sales organisation.

Answers: Self Assessment

1.	Halo Effect	2.	Feedback
3.	Message	4.	Gestures
5.	Public	6.	Lateral
7.	Meta	8.	Formal
9.	Informal	10.	Barrier

14.10 Further Readings



Books

Managerial Effectiveness, ICFAI Centre for Management Research

PG Aquinas, *Organisational Behavior*, Excel Books, New Delhi

Robert Kreitner and Mamta Mohapatra, *Management,* Biztantra

Steven H McShane and Mary Ann Von Glinow, *Organisational Behavior*, Tata McGraw Hill



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www.managementstudyguide.com/grapevine_communication.htm

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Unit 15: Team and Team Work

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Objectives

After studying this unit, you will be able to:

- State how effective teams are created
- Discuss types of teams and team building
- Describe quality circles

Introduction

A team is a relatively permanent work group whose members must coordinate their activities to achieve one or more common objectives. The objectives might include advising others in the organisation, producing goods or services, and carrying out a project. Because achievement of the team's objectives requires coordination, team members depend on one another and must interact regularly. A work team generates positive synergy through coordinated effort. Their individual efforts result in a level of performance that is greater than the sum of those individual inputs. Teams have far-reaching impact in today's workplace. They have become an essential part of the way business is being done.

Teams imply a high degree of coordination among their members, along with a shared belief that winning (achieving team goals) is not only desirable but the very reason for the team's existence. You can infer that any team is a group, but unfortunately, not all groups have the high degree of interdependence and commitment to success that we traditionally associate with the

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concept of a team. Although the desire to achieve high levels of commitment and coordination is common among organisations using teamwork, the nature of specific teams varies considerably. Two major dimensions along which teams differ are differentiation of team roles and integration into the organisation.

15.1 Creating Effective Teams

The four possible combination – high or low differentiation plus high or low integration – are associated with creation of effective teams.

1. Advice/Involvement,
2. Production/Service,
3. Project/Development, and
4. Action/Negotiation.

The Table 15.1 explains these four types of combinations with their resultant output.

Table 15.1: Ways Organisations Apply Team Work

Applications and examples	Work-team differentiation	External Integration	Typical Outputs
Advice/Involvement Committees Review panels, boards Quality control circles Employee involvement groups Advisory councils	Low differentiation: Inclusive or representative membership: often short group life span and/or limited working time.	Low integration: Often few demands for synchronization with other work units; external exchange can be minimal; work cycle may not be repeated.	Decisions, selections, suggestions, proposals and recommendations.
Production/Service Assembly teams Manufacturing crews Mining teams Flight attendant crews Data Processing groups Maintenance crews	Low Differentiation: variable membership requirements; sometimes high turnover; variable team life span; often special facilities.	High integration: Often internally paced project with deadline; little synchronization inside organization; task can require much external communication.	Food, chemicals, components, assemblies, retail sales, customer service, and equipment repairs.
Project/Development Research groups Planning teams Architect teams Engineering teams Development teams Task forces	High differentiation: Members usually expert specialists; task may require specialized facilities; sometimes extended team life span.	Low integration: Often internally paced project with deadline; little synchronization inside organization; task can require much external communication.	Plans, designs, investigations, presentations, prototypes, reports and findings.
Action/Negotiation Sports teams Entrainment groups Expeditions Negotiating teams Surgery teams Cockpit crews	High differentiation: Exclusive membership of expert specialists; specialized training and performance facilities; sometimes extended team life span.	High integration: Performance events closely synchronized with counterparts and support units inside the organization.	Combat missions, expeditions, contacts, lawsuits, concerts, surgical operations and competitions.

1. ***Advice and Involvement:*** An advice/involvement team is a team formed to generate input from a broad base of employees. They are low in differentiation. Team members meet only long enough to generate ideas or develop proposals. The work group takes on problem solving as one of its daily activities. Because this team has a limited scope of control, the use of teamwork has essentially no impact on the organisation's management structure.

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2. ***Production and Service:*** Production/service teams, are charged with the activities related to producing and selling goods and services. Production/service teams, draw their membership from a broad base and often are formed as a way to empower first-line employees.

3. ***Project and Development:*** A project/development team is charged with planning, investigating, analyzing and reporting, often with the objective of creating outputs that are complex and unique. Project/development teams are highly differentiated because they require employees with expertise in particular areas.

4. ***Action and Negotiation:*** Action/negotiation teams are usually comprised mainly of experts with specialized skills. Owing to their expertise, the team is highly differentiated; it is also highly integrated with the organisation.

15.2 Types of Teams

Based on their objectives, teams may be classified as problem-solving teams, self-managed teams and cross-functional teams.

1. ***Problem-solving Teams:*** Problem-solving teams consist of groups of 5-10 employees from the same department, who meet for a few hours each week to discuss ways of improving quality, efficiency and the work environment. These members share ideas or offer suggestions on how work processes and methods can be improved. Problem-solving teams meet regularly to discuss their quality problems, investigate causes of problems, recommend solutions and take corrective actions.

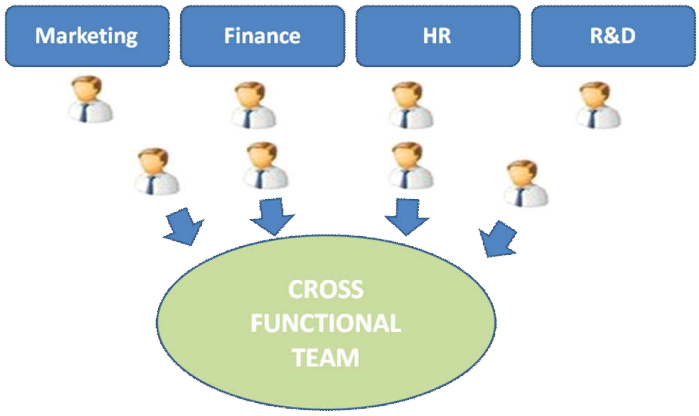
2. ***Self-managed Work Teams:*** A self-managed team includes collective control over the pace of work, determination of work assignments, organisation of breaks, and collective choice of inspection procedures. Fully self-managed work teams even select their own members and have the members evaluate each other's performance. As a result, supervisory positions take on decreased importance and may even be eliminated. These teams do their own scheduling, rotate jobs on their own, establish production targets, set pay scales that are linked to skills, fire co-workers and do the hiring. Self Managed work teams are compared with conventional work groups in Table 15.2.

Table 15.2: Self-directed Work Teams Compared with Conventional Work Groups

Issues	Conventional group	Self-directed team
Job Categories	Many narrow categories.	One or two broad categories.
Authority	Supervisor directly controls daily activities.	Through group decisions, team controls daily activities.
Reward System	Tied to type of job, individual performance, and seniority.	Tied to team performance and individual breadth of skills.

3. ***Cross-functional Teams:*** Cross-functional teams are made up of employees from about the same hierarchical level, but from different work areas, who come together to accomplish a task. Cross-functional teams are an effective way to allow people from diverse areas within an organisation (or even between organisations) to exchange information, develop new ideas, solve problems and coordinate complex projects. These teams are not easy to manage. Their early stages of development are often very time consuming as members learn to work with diversity and complexity. It takes time to build trust and teamwork, especially among people from different backgrounds, with different experiences and perspectives.

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There are two types of cross-functional teams. They are:

(a) *Task force* – is nothing more than a temporary cross-functional team.

(b) *Committees* – composed of groups made up of members from across departmental lines.

Task

If you are given an opportunity to be a member of a work team, then out of the given types which one would you want to belong to? Why?

Caselet

Asha-Kiran Hospital

Asha-Kiran Hospital was the only hospital in a small rural town of Manipal and employed 150 persons, 75 of whom were nurses and Auxiliary Nurse Mid-Wife (ANMs). A Nursing Superintendent, who, in turn was assisted by five head nurses in various specialities, managed the nursing department of the hospital. Each of the head nurses supervised from 10 to 15 nurses and ANMs. The Head Nurses were responsible for supervising their staff, shift scheduling, maintenance of supplies, training new employees and completing necessary hospital reports. Head nurses were usually the most senior nurse in their groups and had considerable experience in their areas of speciality.

One of the head nurses, Miss Silvia, got married and resigned. The Nursing Superintendent was faced with the problem of selecting a replacement. Because of various specializations, it was decided that the new head nurse should come from that group rather than be transferred from another area. There were ten nurses in the group and their seniority ranged from six months to seven years. Miss Veena, with seniority of five years, was well known as the informal leader of the group. She had served as spokesperson for the group on several occasions in the past, and the other nurses tended to follow her advice in most matters. Everyone agreed she exerted considerable influence within the group.

15.3 Team Building

Team building is a catch-all term for a whole host of techniques aimed at improving the internal functioning of work groups. Whether conducted by company trainers or outside consultants,

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team building workshops strive for greater cooperation, better communication, and less dysfunctional conflict. Experiential learning techniques such as interpersonal trust exercises, conflict-handling role play sessions, and interactive games are common.

Rote memorization and lecture/discussion are discouraged by team-building experts who prefer active versus passive learning. Greater emphasis is placed on how work groups get the job done than on the job itself. Team building generally is carried out in the name of organisation development (OD). The extensive use of team building appears to be justified. In a survey of human resource development, managers from 179 Fortune 500 companies, team building reportedly was the most successful management technique.

Complete coverage of the many team-building techniques would require a separate book. Consequently, the scope of our present discussion is limited to the purposes of team building, and the day-to-day development of self management skills. This foundation is intended to give you a basis for selecting appropriate team-building techniques from the many that you are likely to encounter in the years ahead.

15.3.1 The Purpose of Team Building/High-performance Teams

According to Richard Beckhard, a respected authority on organisation development, the four purposes of team building are:

1. To set goals and/or priorities.
2. To analyze or allocate the way work is performed.
3. To examine the way a group is working and its processes (such as norms, decision making, and communication).
4. To examine relationships among the people doing the work.

Trainers achieve these objectives by allowing team members to wrestle with a simulated or real-life problem. Outcomes are then analyzed by the group to determine whether group processes need improvement. Learning stems from recognizing and addressing faulty group dynamics. Perhaps one subgroup withheld key information from another, thereby hampering group progress. With cross-cultural teams becoming commonplace in today's global economy, team-building is more important than ever.

A nationwide survey of team members from many organisations by Wilson Learning Corporation provides a useful model or benchmark of what OD specialists expect of teams. The researchers' question was simply: What is a high performance team? The respondents were asked to describe their peak experiences in work teams. Analysis of the survey results yielded the following eight attributes of high performance teams:

1. ***Participative leadership:*** Creating interdependency by empowering, freeing up, and serving others.
2. ***Shared responsibility:*** Establishing an environment in which all team members feel as responsible as the manager for the performance of the work unit.
3. ***Aligned on purpose.*** Having a sense of common purpose about why the team exists and the function it serves.
4. ***High communication:*** Creating a climate of trust, and open, honest communication.
5. ***Future focused:*** Seeing change as an opportunity for growth.
6. ***Focused on task:*** Keeping meetings focused on results.

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7. ***Creative talents:*** Applying individual talents and creativity.

8. ***Rapid response:*** Identifying, and acting on, opportunities.

These eight attributes effectively combine many of today's most progressive ideas on management: among them being participation, empowerment, service ethic, individual responsibility and development, self-management, trust, active listening, and envisioning. But patience and diligence are required. According to a manager familiar with work teams "high-performance teams may take three to five years to build". Let us keep this inspiring model of high performance teams in mind as we conclude our discussion of team-building.

15.3.2 Developing Team Members' Self-management Skills

A promising dimension of team-building has emerged in recent years. It is an extension of the behavioural self-management approach. Proponents call it self-management leadership, defined as the process of leading others to lead themselves. An underlying assumption is that self-management teams are likely to fail if team members are not expressly taught to engage in self-management behaviours. This makes sense because it is unreasonable to expect employees who are accustomed to being managed and then led to suddenly manage and lead themselves. A major transition to self-management involves current managers engaging in self-management leadership behaviours. This is team-building in the fullest meaning of the term.

Six self-management leadership behaviours were isolated in a field study of manufacturing company organised around self-managed teams. The observed behaviours were:

1. ***Encourages self-reinforcement***



Example: Getting team members to praise each other for good work and results

2. ***Encourages self-observation/evaluation***



Example: Teaching team members to judge how well they are doing

3. ***Encourages self-expectation***



Example: Encouraging team members to expect high performance from themselves and the team

4. ***Encourages self goal-setting***



Example: Having the team set its own performance goals

5. ***Encourages rehearsal***



Example: Getting team members to think about and practice new tasks

6. ***Encourages self-criticism***



Example: Encouraging team members to be critical of their own poor performance

According to the researchers, Charles Manz and Henry Sims, this type of leadership is a dramatic departure from traditional practices such as giving orders and/or making sure everyone gets along. Empowerment, not domination, is the overriding goal.

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Team Building Exercises

Group Favorites Game

Objective: To increase interaction among group members and to learn commonalties among group members

Group Size: 8 to 40 is ideal

Materials:

(a) Question Sheets

(b) Pens or pencils

(c) Large Chalkboard or white board with writing instruments and eraser

Description:

Note: This game is played like the television game "Family Feud". Prior to the activity, pass out a survey (see suggestion) to the members of the group. (If you have a small group, you may want to survey people outside of the group as well). Collect the surveys and tally up the answers. Make a list of the top three to five answers for each question and rank them in order of popularity.

Break the group into an even number of teams with four to ten people on each team. Place chairs facing each other in two rows and ask two of the teams to sit in the chairs for the first round. The first person in the row of each team comes to the front. These two people face each other across the table that has a tennis ball or other small soft object on it. The chalkboard should be where everyone can see it, with the numbers one through three or six on it (this is the number of top answers you have on your list).

Now ask the first question (for example, "Name the top four favorite restaurants"). The first person to grab the ball gets a chance to answer the question. (If someone grabs the ball early, stop reading the question and make him/her give you an answer before reading anymore.) If the person with the ball gives an answer that is on your list, write it besides the corresponding number. If this person has not guessed the number-one answer, the other player gets a turn to guess. The person who guesses the highest answer on the list gets to choose whether his/her team will play or pass.

After this, each team gets three strikes (wrong answers). The team that is playing gets the chance to guess the remaining answers on the board. Give each person a turn. Once the playing team gets three strikes, the other team decides as a group what one answer they want to give to try to fill in one of the remaining blanks. If the first team fills in all the blanks they win the round, but if the opposing team guesses one of the remaining answers, they win the round.

Continue in this manner, playing many different rounds with different teams playing against each other.

Group Survey:

1. Favorite restaurant
2. Favorite type of music
3. Favorite Christmas song
4. Favorite Shampoo

Contd...

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5. Favorite activity
6. Favorite celebrity
7. Type of car you ride in the most
8. Favorite place to shop (specific store name)
9. Job you most want to have:
10. Colour of your toothbrush:

Turning Letters into Words Game

Objective: For group members to work together to accomplish a goal.

Group Size: 8 or more

Materials:

(a) 3x5 index cards

(b) Marking pens

Description: Divide the group into teams of four to ten and give each team the same number of 3x5 index cards. Ask them to divide the cards evenly among their group members. Give each person a marking pen and instruct them to write down any five letters of the alphabet on the cards (one per card) and to not show these letters to the other members of their team. After everyone has done this, have each team put all their cards into a pile.

Set a time limit (five to ten minutes) and challenge the teams to use their cards to make as many words as possible, using each card only once. You may give points according to how many words they come up with, extra points for longer words, etc. The team with the most points at the end wins.

Discussion Prompts:

1. Did the letters you chose hurt or help the group? How did this make you feel?
2. Did the helpfulness of the letters you chose depend on the letters that others chose?
3. Do you sometimes do a lot of work for a group and then find out later it wasn't needed? How do you feel when this happens?

Variations: After each team has made as many words as they can with their letters, have them write the words down on a list. Send the list and cards to another group, who can get bonus points for any additional words they make.

Tell the participants why they are writing down letters before starting and then surprise them by telling them they have to give their pile to a different group.

Let people collectively choose which letters to use and then either allow them to keep the cards or make them trade with another group.

Simply challenge the entire group to make as many words as they can, with the letters they've chosen. Once they have done this, challenge them to make more words than before, still using the same letters.

Source: www.teambuildingportal.com

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15.4 Quality Circles

The concept of Quality Circle emerged from quality control.



Did u know? Quality circles are quite popular in Japan. Looking at their success, many organisations in USA and India have also attempted to implement quality circles. It should be noted the quality circles provide a future-oriented approach. They seek high quality products in the current production run and in the future.

A quality circle is a small group of employees doing similar or related work who meet regularly to identify, analyze and solve product-quality problems and to improve general operations.

The quality circles are relatively autonomous units (ideally about 10 workers), usually led by a supervisor or a senior worker and organised as work units. The workers, who have a shared area of responsibility, meet periodically to discuss, analyze and propose solutions to ongoing problems.

Some typical efforts in improving production methods and quality involve reducing defects, scrap, rework, and downtime, which are expected to lead to cost reduction as well as increased productivity. In addition, the circles intend to focus attention on the self-development of workers and the improvement of working conditions. Through this process, there is improvement of workers' morale and motivation, stimulation of teamwork, and recognition to their achievements.

The technique of quality circle has been refined over the years. It is now followed to achieve the following objectives:

1. Overall improvement of quality of products manufactured by the enterprise.
2. Improvement of production methods and productivity of the enterprise.
3. Self-development of the employees who take part in quality circles.
4. Encouragement of innovative ideas among the employees.
5. Building high morale of employees by developing team-work in the organisation.

15.4.1 Benefits of Quality Circles

Quality circles are supposed to bring the following benefits for the organisation.

1. Formation of quality circles in Japan and other countries has helped in bringing out several innovations and changes.
2. Quality circles have proved to be a valuable tool for increasing productivity, improving quality and increasing workers' job satisfaction.
3. Membership in a circle means a participative environment that provides identification with work-group. Participation encourages commitment of the employees in producing quality products. Through quality circles, every one becomes involved with the operation of the company. Everyone from top to bottom works towards a single goal, i.e., success through quality.

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15.4.2 Introducing Quality Circle in an Organisation

Quality circle is a new concept and its introduction may cause some resistance on the part of the employees. Therefore, before introducing quality circle, all precautions must be taken as in case of any organisational change. The steps in the introduction of quality circle are briefly discussed below:

1. ***Selling the Idea of Quality Circle:*** The workers must be educated the need and significance of quality circle from the point of view of the organisation and the workers. The scope of quality circle should also be adequately publicized. The workers should be allowed to clear their doubts about quality circle. Attempt should be made to seek their voluntary cooperation in implementing quality circles in the organisation. The management may also arrange for some kind of training of the employees who want to form quality circles.
2. ***Constitution of Quality Circles:*** The employees should be encouraged to form quality circles by drawing members doing the same kind of work. The membership of a quality circle should not exceed ten to twelve members. The information about the constitution of a quality should be made available to the top management.
3. ***Analysis of Quality Problems:*** The members of a quality circle are supposed to meet periodically, say once a month. They would collect data and analyze the same. Past records, employees suggestions, customers suggestions are very important in this regard. This will lead to identification of the problems that hinder quality.
4. ***Problem Solving:*** The members of a quality circle will discuss the problems thoroughly and make a list of possible solutions. The merits and demerits of each solution will be evaluated. The final decision will be taken by the consensus of all members.
5. ***Presentation of Suggestions to the Management:*** The suggestions for improving the quality are put in writing and forwarded to the management. Top management may form a committee to evaluate the suggestions of different quality circles in the organisation. The committee may also meet the members of the quality circles, if it has any doubt. The final report will be prepared by the committee. It will list the suggestions which must be implemented for improving the quality of goods and services.
6. ***Implementation:*** Proper publicity should be given to the suggestions of quality circles which are being put into practice. This will motivate the employees as they will feel importance of having contributed to well-being of the organisation. The implementation of the suggestions should be properly monitored by the management so that the change over to new methods is smooth.

15.4.3 Problems in Implementation of Quality Circles

There are several pitfalls in quality circles. Despite their merits, they have failed in many companies. The common hurdles in initiating quality circles in India are as under:

1. ***Negative Attitude:*** The employees and even managers may have negative attitude towards the quality circle. Naturally, they will resist its implementation. The wrong notions of the people about quality circles should be cleared. They should be properly informed about the concept of quality circle and its utility.
2. ***Lack of Ability:*** The workers in India have a low level of education. They also lack leadership qualities. To overcome this hurdle, Workers' Education Programme should be initiated. It must educate the workers about quality circle.
3. ***Lack of Management Commitment:*** The top management may not be committed to the concept of quality circle. The employees may not be allowed to hold meetings of quality

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circles during the working hours. The employees will be least interested in devoting their personal time to the quality circle. Therefore, the management should allow the workers to hold quality circle meetings periodically during the working hours. It should extend the assistance required by the quality circles for their smooth working.

4. ***Non-implementation of Suggestions:*** The workers will feel disheartened if their suggestions are turned down without any reason. The suggestions of each quality circle should be given due weightage. If they are likely to improve quality of products, they must be implemented. This will enthuse the members of the quality circle.



Task

Find out more information on Quality Circles and give examples of some companies that use quality circles.



Case Study

Self-managed Teams at W.L. Gore and Associates

W.L. Gore and associates manufactures Gore-Tex, the waterproof fabric found in outdoor clothing and spacesuits, as well as other Teflon products for medical and industrial uses. William L. "Bill" Gore, the founder of W.L. Gore and Associates, created a company with a unique way of operating: Gore introduced the concepts of worker self-management, empowerment, and teams more than thirty years ago. No employee has a formal title – all are known as associates – and the company has no formal structure. To be hired, an individual must be sponsored by an existing employee, who must also find work for the "new" employee to do. The sponsor continues to advise the associate and even "market" his or her abilities to project teams in the company.

For example, an individual who acts as a product specialist takes charge of developing a new product. This person then creates a team to work on the product development. The team expands its membership as needed to perform various functions in developing and ultimately manufacturing the product. Team members decide how the team will operate and what staff and financial resources the team requires. They do not need to consult with individuals outside the team on budget or other decisions that mainly affect the team and its product. Team members would perform functions traditionally performed by managers, such as scheduling and assigning jobs, maintaining equipment, ordering supplies, and keeping business data about the team's performance.

Teams can grow to become a plant, but can have no more than 200 associates, so that members are familiar with all those in the group. In principle, an entire work operation can become a large self-managing team in which each member is self-managing. As the team grows, it divides into multiple teams known as manufacturing cells. Each team member can perform most manufacturing processes, but agrees to assume certain ones as his or her personal responsibility. Once an associate makes a commitment, he or she is expected to follow it. Each team has a leader who emerges from within the team as a result of discussion and consensus.

The approach used at W.L. Gore and Associates is in marked contrast to that used in companies with a clearly established set of reporting relationships and formal titles for all employees. In traditionally functioning companies, leaders are appointed and teams are not self-managing, but are supervised by a manager. In thirty years, W.L. Gore and

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Associates has grown to a company with 5,600 associates, 35 plants worldwide, and revenue close to $1 billion.

Questions

1. Explain the benefits of team development methodology adopted at Gore and Associates.
2. Can the concept of manufacturing cells be employed at other manufacturing processes at other companies too? If no, what are the constraints that the others will have to face?

15.5 Summary

- Work teams are cross-functional, multi-skilled, and self-directed group of employees responsible for its own assignments, cost control, goals, quality control, work orders, work scheduling, and other such duties and tasks.
- Work teams are most useful where job content changes frequently and employees with limited skills and a specific set of duties are unable to cope.
- Team building skills are critical for your effectiveness as a manager or entrepreneur. And even if you are not in a management or leadership role yet, better understanding of team work can make you a more effective employee and give you an extra edge in your corporate office.
- A team building success is when your team can accomplish something much bigger and work more effectively than a group of the same individuals working on their own.

15.6 Keywords

Differentiation: It is the extent to which team members are specialized relative to others in the organisation.

Integration: It is the degree to which the team must coordinate with managers, employees, suppliers and customers outside the team.

Problem Solving Team: Problem-solving teams meet for a few hours each week to discuss ways of improving quality, efficiency and the work environment.

Self-managed Team: A self-managed team includes collective control over the pace of work, determination of work assignments, organisation of breaks, and collective choice of inspection procedures.

15.7 Self Assessment

Fill in the blanks

1. An advice/involvement team is ……..in differentiation.
2. Production/service teams are …….in integration.
3. …… teams are highly differentiated because they require employees with expertise in particular areas.
4. ……teams are formed to improve quality, efficiency and the work environment.

Notes

5. ……. work teams may select their own members and have the members evaluate each other's performance.
6. A……..is a temporary cross-functional team.
7. ……..is a promising dimension of team-building that has emerged in recent years.
8. A ……. is a small group of employees who seek high quality products in the current production run and in the future.
9. The concept of quality circles originated in……
10. The membership of a quality circle should not exceed …… members.

15.8 Review Questions

1. "Teams have far-reaching impact in today's workplace." Discuss
2. "Teams have become an essential part of the way business is being done." Justify
3. Explain the possible team combinations that can be created at a workplace.
4. Analyse the benefits of action and negotiation teams.
5. Bring out the difference between self managed teams and other teams.
6. Suppose you are the CEO of a shoe-making firm. Your company is about to launch a new product in the market. Which type of teams would you build and what responsibilities would you allot them?
7. Identify the purpose of building up a team in an organisation.
8. Discuss the concept of self management and draw a connection between effective team building and self management.
9. Write a short note on Quality Circles and its effectiveness.
10. Discuss the steps in setting up quality circles in an organisation.

Answers: Self Assessment

1.	Low	2.	High
3.	Action/negotiation	4.	Problem solving
5.	Self managed	6.	Task force
7.	Self management	8.	Quality circles
9.	Japan	10.	10-12

15.9 Further Readings



Books

Judith Heyer, Frances Stewart, Rosemary Thorp, *Group Behaviour and Development: Is the Market Destroying Cooperation?*

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Notes



Online links

www.ingentaconnect.com

www.mymbaclasses.blogspot.co

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Unit 16: Controlling

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Objectives

After studying this unit, you will be able to:

- Assess planning-control relationship
- Discuss the process of control
- Explain different types of control
- Discuss control techniques

Introduction

Controlling is an important function of management. It is the process that measures current performance and guides it towards some predetermined objectives. Under primitive management, control was undertaken only when something went wrong and the objectives of control was to reprimand the person responsible for these events and take action against him. The modern concept of control envisages a system that not only provides a historical record of what has happened to the business as a whole but also pinpoints the reasons why it has happened and provides data that enable the manager to take corrective steps, if he finds he is on the wrong

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track. Therefore, there is no intention to punish the person for wrongdoing, but to find out the deviations between the actual performance and the standard performance and to take steps to prevent such variances in future.

The concept of control is often confused with lack of freedom. The opposite of control is not freedom but chaos or anarchy. Control is fully consistent with freedom. In fact, they are inter-dependent. Without control, freedom cannot be sustained for long. Without freedom, control becomes ineffective. Both freedom and accountability are embedded in the concept of control.

16.1 Concept of Control

Control is the process through which managers assure that actual activities conform to planned activities. According to Breach, "Control is checking current performance against predetermined standards contained in the plans, with a view to ensuring adequate progress and satisfactory performance."

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

According to Billy E. Goetz, "Management control seeks to compel events to conform plans".

According to Robert N. Anthony, "Management control is the process by which managers assure that resources are obtained and used effectively and efficiently."

In the words of Koontz and O'Donnell, "Managerial control implies measurement of accomplishment against the standard and the correction of deviations to assure attainment of objectives according to plans."

In the words of Haynes and Massie, "Fundamentally, control is any process that guides activity towards some predetermined goal. The essence of the concept is in determining whether the activity is achieving the desired results".

In the words of J. L. Massie, "Control is the process that measures current performance and guides it towards some predetermined goals."

In the words of Henry Fayol, "Control consists in verifying whether everything occurs in conformity with the plan adopted, the instructions issued and the principles established. Its object is to find out the weakness and errors in order to rectify them and prevent recurrence. It operates on everything, i.e., things, people and actions".

From the above definitions it is clear that the managerial function of control consists in a comparison of the actual performance with the planned performance with the object of discovering whether all is going on well according to plans and if not why. Remedial action arising from a study of deviations of the actual performance with the standard or planned performance will serve to correct the plans and make suitable changes. Controlling is the nature of follow-up to the other three fundamental functions of management. There can, in fact, be not controlling without previous planning, organising and directing. Controlling cannot take place in a vacuum.

Characteristics of Control

Managerial control has certain characteristic feature. They are:

1. Control is the function of every manager. Managers at all levels have to perform this function to contribute to the achievement of organisational objectives.

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2. Control leads to appraisal of past activities. The deviations in the past are revealed by the control process. Corrective actions can be initiated accordingly.
3. Control is linked with future, as past cannot be controlled. It should anticipate possible deviations and to think of corrective action for the control of such deviations in the future. It is usually preventive as presence of control system tends to minimise wastages, losses and deviations from standards.
4. Control is concerned with setting standards, measurement of actual performance, comparison of actual performance with predetermined standards and bringing to light the variations between the actual performance and the standard performance.
5. Control implies taking corrective measures. The object in checking the variations or deviations is to rectify them and prevent their recurrence. It is only action which adjusts performance to predetermined standards whenever deviations occur.
6. Control can be exercised only with reference to and or the basis of plans. To quote Mary Cushing Niles - "Whereas planning sets the course, control observes deviations from the course or to an appropriately changed one".
7. To some people, control is opposite of freedom. This is not true. Control is based on facts and figures. Its purpose is to achieve and maintain acceptable productivity from all resources of an enterprise. Therefore, control aims at results and not at persons. It is for correcting a situation, and not for reprimanding persons.
8. Information or feedback is the guide to control. The feedback is helpful to the manager to determine how far the operations are proceeding in conformity with plans and standards, and where remedial action is called for.
9. Control involves continuous review of standards of performance and results in corrective action which may lead to change in the performance of other functions of management. This makes control a dynamic and flexible process.
10. Control is a continuous activity. It involves constant analysis of validity of standards, policies, procedures etc.



Caselet

Zenith Industries Limited

"I heard about this variable budget idea in a management conference I attended last week," remarked Mr. Kapoor, President of Zenith Industries, a small company whose clever new sports products had given rise to growth since its founding five years ago to a level of ₹ 5 million in annual sales. "Some speaker said that the sound way to run a company is to let all the department and section heads develop their own budgets.

But I cannot imagine doing this in this company. If I did, these people would spend so much money that we would soon be bankrupt. No! As long as I am incharge of this company, I will tell my people what they can spend. There will be no blank cheques here. And I will hold my chief accountant responsible for making sure that this company makes the profits I want. I have heard of too many companies, with the fast growth we have had, that have gone into liquidation because optimism and uncontrolled spending went through the ceiling. And this idea of variable budgets is even worse. Imagine what would happen if I let everyone vary his budgets each month, quarter or year".

Source: Parag Diwan, *Management Principles and Practices*, Excel Books.

16.2 Relationship between Planning and Control

Notes

By now it is quite clear that there are two crucial aspects to the management of any project – 'planning' and 'control'. These are essential functions for every successful manager – without them, projects are generally not successful, not completed on time, or cost more than they should! The successful manager must always ensure that projects are based on excellent plans and followed by good control during implementation.

'Planning' is the setting of realistic goals and choosing effective ways to achieve these goals. Goals must be understandable, achievable and able to be assessed! If a goal is not clear, it cannot be assessed and, hence, it cannot be managed. If a goal is unrealistic, any plan will also be unrealistic and, therefore, unlikely to succeed. The successful manager must ensure that a project's plan is clearly defined and realistic.

'Control' is the process by which the manager ensures that all actions are consistent with the plan - all actions are, therefore, directed at achieving the stated goals. 'Control' is the systematic effort of comparing performance to plans.

"Planning is required at the very outset of management whereas control is required at the last stages. If planning is looking ahead, control is looking back."

Control and planning are interrelated so closely that they cannot be separated from each other. Without control all the planning is fruitless because control consists of the steps taken to ensure that the performance of the organisation conforms to the plans.

In other words control is concerned with the actual performance in relation to the standards set in advance and the correction of deviations to ensure attainment of objectives. Planning is required at the very outset of management whereas control is required at the last stages.

If planning is looking ahead, control is looking back. In fact, control is the process of checking to determine whether or not proper progress is being made towards the objectives and goals set by management while doing planning.

Often it is said that planning is the basis, action is the essence, delegation is the key, information is the guide and control is the lifeblood of the success of any business enterprise. Organisational objectives cannot be achieved without planning and planning alone cannot be successful. If extra efforts are put in planning and control is ignored, a business may suffer from a number of administrative problems. These difficulties may be highly detrimental for the business in the long run.

Effective control through efficient superiors can only be a guarantee for success. The control system must be appropriate to the needs and circumstances of the enterprise.

Control is a fundamental management function that ensures work accomplishment according to plans. The purpose of control is to ensure that everything in an organisation occurs in conformity with pre-determined plans. Control also ensures that there is no kind of indiscipline and incompetence in the organisation and employees are not able to put undue pressure on the management.

Some people are not in favor of control because they feel that control is always used against the employees. They advocate automatic control rather than forced one. But a balanced viewpoint is that both the management and the employees should be put under some kind of control. Control should be engrained in the basic policies of any type of business organisation.

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Task

Discuss how would you control the overhead costs of your organisation when you know that they are high only on papers because they are being incurred by your company to warm the pocket of your accountant?

16.3 Steps in Control Process

There are three basic steps in a control process:

1. Establishing standards
2. Measuring and comparing actual results against standards
3. Taking corrective action.

16.3.1 Establishing Standards

The first step in the control process is to establish standards against which results can be measured. The standards the managers desire to obtain in each key area should be defined as far as possible in quantitative terms. Standards expressed in general terms should be avoided. Standards need to be flexible in order to adapt to changing conditions. The standard should emphasis the achievement of results more than the conformity to rules and methods. If they do not do so, then people will start giving more importance to rules and methods than to the final results.

While setting the standards, the following points have to be borne in mind:

1. The standards must be clear and intelligible. If the standards are clear and are understood by the persons concerned, they themselves will be able to check their performance.
2. Standards should be accurate, precise, acceptable and workable.
3. Standards are used as the criteria or benchmarks by which performance is measured in the control process. It should not be either too high or too low. They should be realistic and attainable.
4. Standards should be flexible i.e., capable of being changed when the circumstances require so.

16.3.2 Measuring and Comparing Actual Results against Standards

The second step in the control process is to measure the performance and compare it with the predetermined standards. Measurement of performance can be done by personal observation, by reports, charts and statements. If the control system is well organised, quick comparison of these with the standard figure is quite possible. This will reveal variations.

After the measurement of the actual performance, the actual performance should be compared with the standards fixed quickly. A quick comparison of actual performance with the standard performance is possible, if the control system is well organised. While comparing the actual performance with the standards fixed, the manager has to find out not only the extent of variations but also the causes of variations. This is necessary, because some of the variations may be unimportant, while others may be important and need immediate corrective action by the manager.

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16.3.3 Taking Corrective Action

After comparing the actual performance with the prescribed standards and finding the deviations, the next step that should be taken by the manager is to correct these deviations. Corrective action should be taken without wasting of time so that the normal position can be restored quickly. The manager should also determine the correct cause for deviation.

Taking corrective action can be achieved in the following way:

1. The manager should try to influence environmental conditions and external situations in such a way as to facilitate the achievement of goals.
2. He should review with his subordinates the instructions given earlier so that he may be able to give clear, complete and reasonable instructions in future.
3. There are many external forces which cannot be adjusted by the manager. They have to be accepted as the facts of the situation, and the executives should revise their plans in the light of these changing forces.

16.4 Types of Control

Most control methods can be grouped into one of the two basic types:

1. Past-oriented controls.
2. Future-oriented controls.

Past-oriented Controls

These are also known as post-action controls and measure results after the process. They examine what has happened in a particular period in the past. These controls can be used to plan future behaviour in the light of past errors or successes.

Future-oriented Controls

These are also known as steering controls or feed-forward controls and are designed to measure results during the process so that action can be taken before the job is done or the period is over. They serve as warning-posts principally to direct attention rather than to evaluate, e.g., Cash flow analysis, funds flow analysis, network planning etc.

16.5 Control Techniques

A variety of tools and techniques have been used over the years to help managers control the activities in their organisations. There can be control in different perspectives. Time control relate to deadlines and time constraints, material controls relate to inventory control etc. Various techniques of control require varied control aids such as:

1. ***Budgeting:*** A budget is a statement of anticipated results during a designated time period expressed in financial and non-financial terms. Budgets cover a designated time period – usually a year. At stated intervals during that time period, actual performance is compared directly with the budget targets and deviations are quickly detected and acted upon. E.g. of Budgets: Sales budget, production budget, capital expenditure budget, cash budget, master budget etc.

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2. ***Standard Costing:*** The cost of production determines the profit earned by an enterprise. The system involves a comparison of the actuals with the standards and the discrepancy is called variance. The various steps involved in standard costing are:
   (a) Setting of cost standards for various components of cost e.g.: raw materials, labour etc.
   (b) Measurement of actual performance.
   (c) Comparison of actual cost with the standard cost.
   (d) Finding the variance of actual from the standard cost.
   (e) Findings the causes of variance.
   (f) Taking necessary action to prevent the occurrence of variance in future.
3. ***Responsibility Accounting:*** Responsibility accounting can be defined as a system of accounting under which each departmental head is made responsible for the performance of his department.
4. ***Reports:*** A major part of control consists of preparing reports to provide information to the management for purpose of control and planning.
5. ***Standing Orders, Rules and Limitations:*** Standing orders, rules and limitations are also control techniques used by the management. They are issued by the management and they are to be observed by the subordinates.
6. ***Personal Observation:*** A manager can also exercise fruitful control over his subordinates by observing them while they are engaged in work.



Notes

1. ***Self-control:*** Each employee must exercise self-control and do what is expected at work most of the time on most work related matters, as no enterprise can exist self-control. Self-control stems from the employee's ego, orientation, training and work attitudes.
2. ***Group control:*** It affects individuals both in output and behaviour. Group norms of doing a good job exert pressures on the individual to perform and to follow work rules.
3. ***Policies and procedures:*** They are guides to action for managers to use in controlling behaviour and output of employees. They can, for example, protect the firms's resources and equipment and require employee's presence for appropriate work times.

16.5.1 Critical Path Method (CPM)

A critical path consists of that set of dependent tasks (each dependent on the preceding one), which together take the longest time to complete. A CPM chart can define multiple, equally critical paths. The tasks, which fall on the critical path, should be noted in some way, so that they may be given special attention. One way is to draw critical path tasks with a double line instead of a single line. Tasks, which fall on the critical path, should receive special attention by both the project manager and the personnel assigned to them. The critical path for any given method may shift as the project progresses; this can happen when tasks are completed either behind or ahead of schedule, causing other tasks which may still be on schedule to fall on the new critical path.

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16.5.2 Gantt Chart

Henry Laurence Gantt (1861-1919) was a mechanical engineer, management consultant and industry advisor. He developed Gantt charts in the second decade of the 20th century. Gantt charts were used as a visual tool to show scheduled and actual progress of projects. It was an innovation of worldwide importance in the 1920s. Gantt charts were used on large construction projects. A Gantt chart is a matrix, which lists on the vertical axis all the tasks to be performed. Each row contains a single task identification, which usually consists of a number and name. The horizontal axis is headed by columns indicating estimated task duration, skill level needed to perform the task and the name of the person assigned to the task, followed by one column for each period in the project's duration. Each period may be expressed in hours, days, weeks, months and other time units. The graphics portion of the Gantt chart consists of a horizontal bar for each task connecting the period start and period ending columns. A set of markers is usually used to indicate estimated and actual start and end. Each bar on a separate line and the name of each person assigned to the task, is on a separate line. In many cases when this type of project plan is used, a blank row is left between tasks. When the project is under way, this row is used to indicate progress indicated by a second bar, which starts in the period column when the task is actually started and continues until the task is actually completed. Comparison between estimated start and end and actual start and end should indicate project status on a task-by-task basis.

16.6 Programme Evaluation and Review Technique

Program Evaluation and Review Technique (PERT) is a variation on Critical Path Analysis that takes a slightly more sceptical view of time estimates made for each project stage. Critical Path Method (CPM) charts are similar to PERT charts and are sometimes known as PERT/CPM. To use it, estimate the shortest possible time each activity will take, the most likely length of time and the longest time that might be taken if the activity takes longer than expected. PERT charts depict task, duration and dependency information. Each chart starts with an initiation node from which the first task or tasks, originates. If multiple tasks begin at the same time, they are all started from the node or branch, or fork out from the starting point. Each task is represented by a line, which states its name or other identifier, its duration, the number of people assigned to it and, in some cases, the initials of the personnel assigned. The other end of the task line is terminated by another node, which identifies the start of another task or the beginning of any slack time, that is, waiting time between tasks. Each task is connected to its successor tasks in this manner, forming a network of nodes and connecting lines. The chart is complete when all final tasks come together at the completion node. When slack time exists between the end of one task and the start of another, the usual method is to draw a broken or dotted line between the end of the first task and the start of the next dependent task.



Notes The work place in the present day context is increasingly multicultural and diverse. Employees are required to work together with colleagues from different parts of the world with varied backgrounds, customs and practices.

Many products and services are produced for export. In addition, organisations are outsourcing their work to countries having low labour costs to stay competitive. This gives rise to the concept of global control.

Leaders must be adaptive and flexible to manage this diverse workforce. This requires an understanding of the historical, political and economic references of people who work in

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the organisations. Leaders must understand differences in worldviews, communication styles, ethics and etiquette of the people they deal with both internally and externally.

Understanding different cultures: According to Richard D Lewis, the different nations and cultures can be put into three groups:

1. ***Linear-active:*** In these cultures, people focus on a scheduled timeline and like to do one thing at a time. The people in these cultures are task-oriented planners.
2. ***Multi-active:*** People belonging to these cultures are more focused on interactions and dialogues. Meetings are given priorities and discussions and dialogues help to build relationship and it is this relationship that determines what comes out of work.
3. ***Reactive:*** People belonging to this type of culture are more introverted. They are respect-oriented listeners and concentrate on what people have to say without interruption and even if they interrupt it is rarely done. People in these cultures usually express their ideas in a passive voice.



Case Study

A Purchase Manager's Troubles

Description

I (Purchase Manager) am faced with a dilemma. I am not between the devil and the deep sea-I am in the deep sea and the devil is waiting on the shore.

Well, the purchases in most industries are based on the production programme which in turn is based on the sales forecast. Now firstly, the production has fallen far short of the target and secondly, the sales forecast has failed to materialize into firm orders. The net result is that the financial position of the company has been badly shattered. So much so, even the bills for supplies already made are not being paid in accordance with the terms stipulated in the purchase orders. The suppliers, having made unsuccessful attempts with the Accounts Department, are playing hell with the purchase officers.

Supplier 'A': (Extract from a letter)

"We regret that our above bill has still not been paid even though the supplies were made over a month ago and, as per the agreed terms, full payment was to be made within 2 weeks from the date the supplies are effected." (Neither this letter nor the numerous subsequent reminders are replied to.)

Supplier 'A': (Extract from another letter)

"It is indeed a matter of surprise and regret that the payment against our above bill, now overdue by over 4 months, has still not been released. We have sent countless reminders, which have not been acknowledged. We fail to appreciate such an attitude from a firm of your repute. We are sorry to advise that unless our payment is released immediately, we shall have no other alternative but to discontinue all further supplies and hand over the case to our legal section for realization of our dues together with interest accrued thereon."

Supplier 'B': (Local firm-during a personal visit to the office)

"You tell me to go to your accounts department and they tell me to come to you. Well, I am not concerned with your internal affairs. You placed the order and your man collected the

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Notes

materials from our godown. What you do is your business, but you better get me my payment, or...."

Accounts

"I don't have a note printing press. How can I pay until and unless the machines are sold and money realized?"

Sales

"How could I know that the money market would suddenly become so tight? All these industries had expansion plans, but now they have either been deferred or cancelled. Anyway, I am sure, it is only a temporary phase."

Production

"Either we should close down this factory or the shops should be fed with the materials they need. Today this is not there, tomorrow that is not there, and then I'll be criticized for not achieving the production target. I am not bothered with your suppliers or their bills. I must have the materials to run the factory.

"The problem cannot, I consider, be attributed to any lack on my part, yet I am the one most directly affected. Not only am I the natural target of suppliers' abuses, but also I am the one who will have to confront difficulties in future procurements, because no one wants to deal with bad paymasters."

Questions

1. (a) What are the factors which are within the control and outside the control of the men and the companies concerned?
   (b) Are they doing substantially something about matters they can control?
2. (a) What is the role of the "boss" towards these departmental members?
   (b) What role can each department head play? What can each one do to help the boss play a better role?

Source: Parag Diwan, Management Principles and Practices, Excel Books.

16.7 Summary

- Controlling is an important function of management.
- It is the process that measures current performance and guides it towards some predetermined objectives.
- Control is fully consistent with freedom. In fact, they are inter-dependent.
- Without control, freedom cannot be sustained for long.
- The control system should be appropriate to the nature and needs of the activity.
- A large firm calls for controls different from those needed for a small firm.
- The techniques of control involve the feed forward control, concurrent control and the feed-back process.
- There are several techniques to establish the control system in an organisation like CPM, Gantt Chart, PERT, etc.

Notes

16.8 Keywords

Budgeting: Making a written account of all the expenses and revenues planned.

Control: Restrain or regulate

Feedback: The process in which part of the output of a system is returned to its input in order to regulate its further output

Feed Forward: Reverse of a feedback, it is the 'self-fulfilling prophesy' process that turns logical cause-effect relationships upside down.

16.9 Self Assessment

Fill in the blanks:

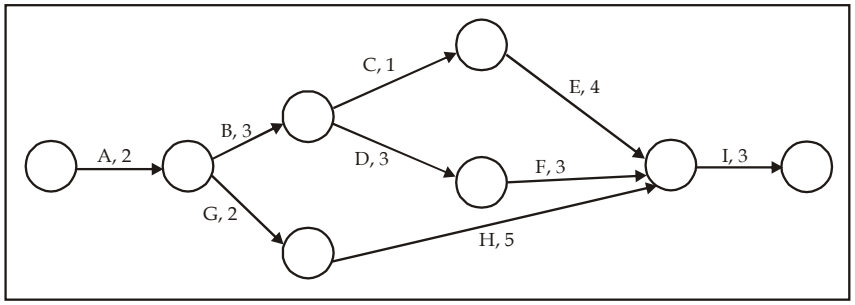
1. Effective control through efficient ..... can only be a guarantee for success.
2. 'Planning' and ..... are essential functions for every successful manager.
3. ..... accounting can be defined as a system of accounting under which each departmental head is made responsible for the performance of his department.
4. The graphics portion of the Gantt chart consists of a horizontal bar for each task connecting the period ..... and period ..... columns.
5. PERT charts depict ....., ... and ..... information.
6. ..... is a fundamental management function that ensures work accomplishment according to plans.
7. Budgets cover a designated time period - usually a ..... .
8. The discrepancy between standard performance and actual performance is called ……..
9. ……..controls are also referred to as steering controls.
10. Path taken by tasks which together take the longest time to complete is known as …… path.

16.10 Review Questions

1. Why is control a must in business management? What are the requirements of an effective control system?
2. "The essence of control is action". Comment.
3. "The controlling function of management is similar to the function of the thermostat in a refrigerator". Comment.
4. Planning and control are after thought of as a system; control is also often referred to as a system. What is meant by this? Can both statements be true?
5. PERT is a management interventional technique designed to establish an effective control system. Justify the statement.

Notes

6. Refer to the Figure below and answer the questions that follow:



(a) Which tasks are on the critical path of the PERT chart above?

(b) What is the slack time for tasks C, D and G?

(c) The person working on task C tells the project manager he can't start work until one day after the scheduled starting date. What impact would this have on the completion date of the project? Why?

7. What is the relationship between planning and control?

8. What should you understand as manager by the term breach of planning control?

9. How much do you find poor planning and control in Indian SMEs to be a reason for their weak financial performance?

10. What is the utility of the CPM?

11. What would you use as an effective and powerful method of assessing tasks which must be Chosen where parallel activity can be carried out?

12. What do you see as the essential elements of a control system?

13. Out of planning and control, what is budgeting more important for and why?

Answers: Self Assessment

1.	superiors	2.	'control'
3.	Responsibility	4.	start, ending
5.	task, duration, dependency	6.	Control
7.	year	8.	Variance
9.	Future oriented	10.	Critical

16.11 Further Readings



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