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**CLASS: MCOM-1<sup>st</sup>SEM**  
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**MANAGEMENT PRINCIPLES AND ORGANIZATIONAL BEHAVIOUR**

*Notes as per IKGPTU Syllabus*

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➤ **INTRODUCTION: MANAGEMENT**

The term ‘**management**’ has been used in different senses. Sometimes it refers **to the process of planning, organizing, staffing, directing, coordinating and controlling**; at other times it is used to describe it as a function of managing people. It is also referred to as a body of knowledge, a practice and discipline. There are some who describe management as a technique of leadership and decision-making while some others have analyzed management as an economic resource, a factor of production or a system of authority.

➤ **MEANING AND DEFINITION:**

In general terms **Management** means planning, organizing, staffing, directing and controlling of various business activities.

**DEFINITIONS:**

“**Management** is the art of getting things done through others.” **Follett** describes management as an art of directing the activities of other persons for reaching enterprise goals. It also suggests that a manager carries only a directing function.

**Rose Moore:**

“Management means decision-making.” Decision-making cannot be the only function of management even though it is very important.

**Henry Fayol:**

“To manage is to forecast and plan, to organize, to command, to co-ordinate, and to control.” Fayol described management as a process of five functions such as planning, organizing, commanding, coordinating and controlling. Modern authors, however, do not view co-ordination as a separate function of management

In general terms **Management** means planning, organizing, staffing, directing and controlling of various business activities.

## 1. Planning

It is the basic function of management. It deals with chalking out a future course of action & deciding in advance the most appropriate course of actions for achievement of pre-determined goals. According to KOONTZ, **“Planning is deciding in advance - what to do, when to do & how to do. It bridges the gap from where we are & where we want to be”**. A plan is a future course of actions. It is an exercise in problem solving & decision making. Planning is determination of courses of action to achieve desired goals. Thus, planning is a systematic thinking about ways & means for accomplishment of pre-determined goals. Planning is necessary to ensure proper utilization of human & non-human resources. It is all pervasive, it is an intellectual activity and it also helps in avoiding confusion, uncertainties, risks, wastages etc.

## 2. Organizing

It is the process of grouping of activities for achievement of organizational goals. According to Henry Fayol, “To organize a business is to provide it with everything useful or its functioning i.e. raw material, tools, capital and personnel’s”. To organize a business involves determining & providing human and non-human resources to the organizational structure. Organizing as a process involves:

- Identification of activities.
- Classification of grouping of activities.
- Assignment of duties.
- Delegation of authority and creation of responsibility.
- Coordinating authority and responsibility relationships.

## 3. Staffing

It is the function of manning the organization structure and keeping it manned. Staffing has assumed greater importance in the recent years due to advancement of technology, increase in size of business, complexity of human behavior etc. **The main purpose of staffing is to put right man on right job** According to Kootz & O’Donell, “Managerial function of staffing

involves manning the organization structure through proper and effective selection, appraisal & development of personnel to fill the roles designed in the structure". Staffing involves:

- Manpower Planning (estimating man power in terms of searching, choose the person and giving the right place).
- Recruitment, Selection & Placement.
- Training & Development.
- Remuneration.
- Performance Appraisal.
- Promotions & Transfer.

#### **4. Directing**

It is that part of managerial function which actuates the organizational methods to work efficiently for achievement of organizational purposes. It is considered life-spark of the enterprise which sets it in motion the action of people because planning, organizing and staffing are the mere preparations for doing the work. Direction is that inert-personnel aspect of management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals. Direction has following elements:

- Leadership
- Communication
- Motivation

**Leadership-** may be defined as a process by which manager guides and influences the work of subordinates in desired direction.

**Communications-** is the process of passing information, experience, opinion etc from one person to another. It is a bridge of understanding

**Motivation-** means inspiring, stimulating or encouraging the sub-ordinates with zeal to work. Positive, negative, monetary, non-monetary incentives may be used for this purpose.

#### **5. Controlling**



It implies measurement of accomplishment against the standards and correction of deviation if any to ensure achievement of organizational goals. The purpose of controlling is to ensure that everything occurs in conformities with the standards. An efficient system of control helps to predict deviations before they actually occur.

➤ **NATURE OR FEATURES OF MANAGEMENT**

**1. Management is goal oriented process:**

Management always aims at achieving the organizational objectives. The functions and activities of manager lead to the achievement of organizational objectives; for example, if the objective of a company is to sell 1000 computers then manager will plan the course of action, motivate all the employees and organize all the resources keeping in mind the main target of selling 1000 computers.

**2. Management is Pervasive:**

Management is a universal phenomenon. The use of management is not restricted to business firms only it is applicable in profit-making, non-profit-making, business or non-business organisations; even a hospital, school, club and house has to be managed properly. Concept of management is used in the whole world whether it is USA, UK or India.

**3. Management is Multidimensional:**

Management does not mean one single activity but it includes three main activities:

**(a) Management of work:** All organisations are set up to perform some task or goal.

Management activities aim at achieving goals or tasks to be accomplished. The task or work depends upon the nature of Business for example, work to be accomplished in a school is providing education, in hospital is to treat patient, in industry to manufacture some product.

Management makes sure that work is accomplished effectively and efficiently.

**(b) Management of people:** People refer to Human resources and Human resources are the most important assets of an organisation. An organisation can win over competitor with efficient employees only because two organisations can have same physical, technological and financial

resources but not human resources. Management has to get task accomplished through people only.

**(c) Management of operations:** Operations refer to activities of production cycle such as buying inputs, converting them into semi-finished goods, finished goods. Management of operations concentrates on mixing management of work with management of people, i.e., deciding what work has to be done, how it has to be done and who will do it.

#### **4. Management is a continuous process:**

Management is a continuous or never ending function. All the functions of management are performed continuously, **for example** planning, organizing, staffing, directing and controlling are performed by all the managers all the time. Sometimes, they are doing planning, then staffing or organizing etc. Managers perform ongoing series of functions continuously in the organization.

#### **5. Management is a group activity:**

Management always refers to a group of people involved in managerial activities. The management functions cannot be performed in isolation. Each individual performs his/her role at his/her status and department, and then only management function can be executed. Even the result of management affects every individual and every department of the organisation so it always refers to a group effort and not the individual effort of one person.

#### **6. Management is a dynamic function:**

Management has to make changes in goal, objectives and other activities according to changes taking place in the environment. The external environment such as social, economical, technical and political environment has great influence over the management. As changes take place in these environments, same are implemented in organisation to survive in the competitive world.

#### **7. Intangible:**

Management function cannot be physically seen but its presence can be felt. The presence of management can be felt by seeing the orderliness and coordination in the working environment.

It is easier to feel the presence of mismanagement as it leads to chaos and confusion in the organisation. **For example**, if the inventory of finished products is increasing day by day it clearly indicates mismanagement of marketing and sales.

**8. Balancing effectiveness and efficiency:**

Effectiveness means achieving targets and objectives on time. Efficiency refers to optimum or best utilisation of resources. Managements always try to balance both and get the work done successfully. Only effectiveness and only efficiency is not enough for an organisation: a balance must be created in both.

**9. Management is an activity and not a person or group of person:-** Management is not people or not a certain class but it is the activity, it is the process of planning, organizing, directing and controlling to achieve the objectives of the organization.

**10. Management is situational:-** Management does not advice best way of doing things. Effective management is always situational. A manager has to apply principles, approaches and techniques of management after taking into consideration the existing situations.

**11. Management is concern with people:-** Since management involves getting things done through others only human being performed this activity with the help of planning and control. The element man cannot be separated from the management.

**12. Management is the combination of art, science and profession:-** Management makes use of science as well as art. It is science because it collects knowledge with the methods and data, analyzes and measures it and decision is taken with the help of experiment. It is a systematic body of knowledge. Art means application of knowledge for solving various problems. In modern times there is separation of ownership and management, so professional experts are appointed.

➤ **IMPORTANCE OF MANAGEMENT**

1. **It helps in Achieving Group Goals** - It arranges the factors of production, assembles and organizes the resources, integrates the resources in effective manner to achieve goals. It directs group efforts towards achievement of pre-determined goals. By defining objective of organization clearly there would be no wastage of time, money and effort. Management converts disorganized resources of men, machines, money etc. into useful enterprise. These resources are coordinated, directed and controlled in such a manner that enterprise work towards attainment of goals.
2. **Optimum Utilization of Resources** - Management utilizes all the physical & human resources productively. This leads to efficacy in management. Management provides maximum utilization of scarce resources by selecting its best possible alternate use in industry from out of various uses. It makes use of experts, professional and these services leads to use of their skills, knowledge, and proper utilization and avoids wastage. If employees and machines are producing its maximum there is no under employment of any resources.
3. **Reduces Costs** - It gets maximum results through minimum input by proper planning and by using minimum input & getting maximum output. Management uses physical, human and financial resources in such a manner which results in best combination. This helps in cost reduction.
4. **Establishes Sound Organization** - No overlapping of efforts (smooth and coordinated functions). To establish sound organizational structure is one of the objective of management which is in tune with objective of organization and for fulfillment of this, it establishes effective authority & responsibility relationship i.e. who is accountable to whom, who can give instructions to whom, who are superiors & who are subordinates. Management fills up various positions with right persons, having right skills, training and qualification. All jobs should be cleared to everyone.
5. **Establishes Equilibrium** - It enables the organization to survive in changing environment. It keeps in touch with the changing environment. With the change is external environment, the initial co-ordination of organization must be changed. So it adapts organization to changing

demand of market / changing needs of societies. It is responsible for growth and survival of organization.

6. **Essentials for Prosperity of Society** - Efficient management leads to better economical production which helps in turn to increase the welfare of people. Good management makes a difficult task easier by avoiding wastage of scarce resource. It improves standard of living. It increases the profit which is beneficial to business and society will get maximum output at minimum cost by creating employment opportunities which generate income in hands. Organization comes with new products and researches beneficial for society.

### ➤ **SCOPE OF MANAGEMENT**

#### **1. Production Management:**

Production means creation of utilities. This creation of utilities takes place when **raw materials are converted into finished products**. Production management, then, is that branch of management 'which by scientific planning and controlling transforms the raw material into finished product.'

It is a very important field of management , 'for every production activity which has not been done through effective planning will not reach the goal, it will not meet the customers demand and ultimately will force a business enterprise to close its doors of activities which will give birth to so many social evils'.

**Plant location and layout, production policy, type of production, plant facilities, material handling, production planning and control, repair and maintenance, research and development, simplification and standardization, quality control and value analysis, etc., are the main problems involved in production management.**

#### **2. Marketing Management:**

Marketing is a sum total of physical activities which are involved in the **transfer of goods and services and which provide for their physical distribution**. Marketing management refers to the **planning, organizing, directing and controlling** the activities of the persons working in the market division of a business enterprise with the aim of achieving the organization objectives.

It can be regarded as a process of identifying and assessing the consumer needs with a view to first converting them into products or services and then involving the same to the final consumer or user so as to satisfy their wants with a stress on profitability that ensures the optimum use of the resources available to the enterprise. **Market analysis, marketing policy, brand name, pricing, channels of distribution, sales promotion, sale-mix, after sales service, market research, etc. are the problems of marketing management.**

### **3. Financial Management:**

Finance is viewed as one of the most important factors in every enterprise. Financial management is concerned with the managerial activities pertaining to the procurement and utilization of funds or finance for business purposes.

#### **The main functions of financial management include:**

- (i) Estimation of capital requirements;
- (ii) Ensuring a fair return to investors;
- (iii) Determining the suitable sources of funds;
- (iv) Laying down the optimum and suitable capital

#### **Structure for the enterprise:**

- (i) Co-coordinating the operations of various departments;
- (ii) Preparation, analysis and interpretation of financial statements;
- (iii) Laying down a proper dividend policy; and

### **4. Personnel Management:**

Personnel Management is that phase of management which deals with the effective control and use of manpower. Effective management of human resources is one of the most crucial factors associated with the success of an enterprise. Personnel management is concerned with **managerial and operative functions.**

## 5. Office Management:

The concept of management when applied to office is called '**office management**'. Office management is the technique of **planning, coordinating and controlling office activities** with a view to achieve common business objectives. One of the functions of management is to organize the office work in such a way that it helps the management in attaining its goals. It works as a service department for other departments.

### ➤ **FUNCTIONS OF MANAGEMENT OR PROCESS OF MANAGEMENT:**

According to Henry Fayol, "To manage is to forecast and plan, to organize, to command, & to control". Whereas Luther Gullick has given a keyword '**POSDCORB**' where P stands for Planning, O for Organizing, S for Staffing, D for Directing, Co for Co-ordination, R for reporting & B for Budgeting. But the most widely accepted are functions of management given by KOONTZ and O'DONNEL i.e. **Planning, Organizing, Staffing, Directing and Controlling**.

#### 1. Planning

It is the basic function of management. It deals with chalking out a future course of action & deciding in advance the most appropriate course of actions for achievement of pre-determined goals. According to KOONTZ, "Planning is deciding in advance - what to do, when to do & how to do. It bridges the gap from where we are & where we want to be". A plan is a future course of actions. It is an exercise in problem solving & decision making. Planning is determination of courses of action to achieve desired goals. Thus, planning is a systematic thinking about ways & means for accomplishment of pre-determined goals. Planning is necessary to ensure proper utilization of human & non-human resources. It is all pervasive, it is an intellectual activity and it also helps in avoiding confusion, uncertainties, risks, wastages etc.

#### 2. Organizing

It is the process of bringing together physical, financial and human resources and developing productive relationship amongst them for achievement of organizational goals. According to Henry Fayol, "To organize a business is to provide it with everything useful or its functioning i.e. raw material, tools, capital and personnel's". To organize a business involves determining &

providing human and non-human resources to the organizational structure. Organizing as a process involves:

- Identification of activities.
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It is the function of manning the organization structure and keeping it manned. Staffing has assumed greater importance in the recent years due to advancement of technology, increase in size of business, complexity of human behavior etc. The main purpose of staffing is to put right man on right job i.e. square pegs in square holes and round pegs in round holes. According to Kootz & O'Donell, "Managerial function of staffing involves manning the organization structure through proper and effective selection, appraisal & development of personnel to fill the roles designed in the structure". Staffing involves:

- Manpower Planning (estimating man power in terms of searching, choose the person and giving the right place).
- Recruitment, Selection & Placement.
- Training & Development.
- Remuneration.
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It is that part of managerial function which actuates the organizational methods to work efficiently for achievement of organizational purposes. It is considered life-spark of the enterprise which sets it in motion the action of people because planning, organizing and staffing are the mere preparations for doing the work. Direction is that inert-personnel aspect of



management which deals directly with influencing, guiding, supervising, motivating sub-ordinate for the achievement of organizational goals. Direction has following elements:

- Supervision
- Motivation
- Leadership
- Communication

**Supervision-** implies overseeing the work of subordinates by their superiors. It is the act of watching & directing work & workers.

**Motivation-** means inspiring, stimulating or encouraging the sub-ordinates with zeal to work. Positive, negative, monetary, non-monetary incentives may be used for this purpose.

**Leadership-** may be defined as a process by which manager guides and influences the work of subordinates in desired direction.

**Communications-** is the process of passing information, experience, opinion etc from one person to another. It is a bridge of understanding.

## 5. Controlling

It implies measurement of accomplishment against the standards and correction of deviation if any to ensure achievement of organizational goals. The purpose of controlling is to ensure that everything occurs in conformities with the standards. An efficient system of control helps to predict deviations before they actually occur. According to Theo Haimann, “Controlling is the process of checking whether or not proper progress is being made towards the objectives and goals and acting if necessary, to correct any deviation”. According to Koontz & O’Donell “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”. Therefore controlling has following steps:

- a) Establishment of standard performance.

- b) Measurement of actual performance.
- c) Comparison of actual performance with the standards and finding out deviation if any.
- d) Corrective action.

➤ **MANAGERIAL SKILLS:**

Managers at every level in the management hierarchy must exercise three basic types of skills: technical, human, and conceptual. All managers must acquire these skills in varying proportions, although the importance of each category of skill changes at different management levels.

**1. Conceptual skills:**

- Conceptual skills involve the ability to see the whole organization and the interrelationships between its parts.
- These skills refer to the ability to visualize the entire picture or to consider a situation in its totality.
- These skills help the managers to analyze the environment and to identify the opportunities.
- Conceptual skills are **especially important for top-level managers**, who must develop long-range plans for the future direction of their organization.

**2. Analytical Skills:-** [Decision making]

Analytical skills mean ability to work out a complex problem or situation into component. Analytical skills are required for **solving problems and decision making**. This is also helpful for evaluation of performance and arriving at judgment.

**3. Human skills:**

- Human skills refer to the ability of a manager to work effectively with other people both as individual and as members of a group.
- Human skills are **concerned with understanding of people**.
- These are required to win cooperation of others and to build effective work teams.

#### **4. Administrative Skills:-**

It involves the implementation of plan and use of available resources to get the desired output that is profit and to regularize a performance in orderly manner. It is also helpful in co-ordination of activities.

#### **5. Technical skills:-**

- Technical skills refer to the ability and knowledge in using the equipment, techniques and procedure involved in performing specific tasks.
- These skills require specialized knowledge and proficiency in the mechanics of a particular.
- Technical skills lose relative importance at higher levels of the management hierarchy, but most top executives started out as technical experts.

#### **6. Computer Skills:-**

Computer knowledge is essential for today's manager i.e. knowledge of hardware & software. Hardware is technical term & software is ability to adopt the system in an organization to attempt goals. In modern days computer is widely used in organization. Hence today's' manager should possess the knowledge of computer. This is helpful in decision making. It also helps to increase the productivity in the organization.

#### **7. Communication Skills:-**

Communication is systematic process of telling, listening and understanding. This skill requires the ability of listening and speaking in an effective manner. The manager is responsible for getting the things done by others. He should be expert in oral and written communication. Communication skill is essential for getting success. It is depend upon the manager who achieves the results with efforts of others. Co-ordination can be attained with the help of proper communication. Success is depends upon proper communication

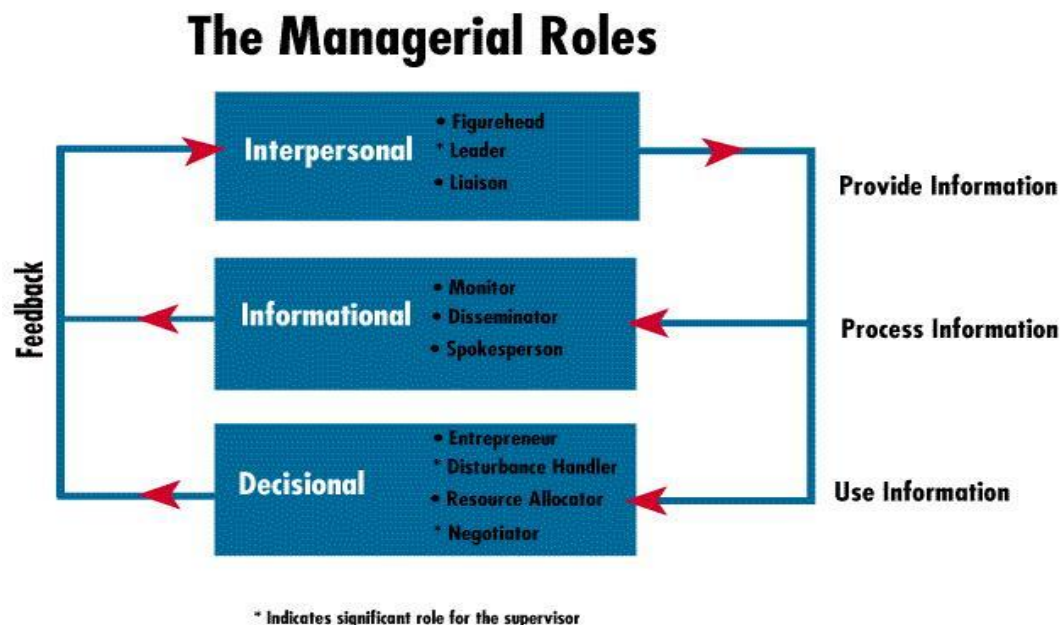
## ➤ MANAGERIAL ROLES

To meet the many demands of performing their functions, managers assume multiple roles. A role is an organized set of behaviors. Henry Mintzberg has identified ten roles common to the work of all managers.

### THE TEN ROLES ARE DIVIDED INTO THREE GROUPS:

- Interpersonal
- Informational
- Decisional

The performance of managerial roles and the requirements of these roles can be played at different times by the same manager and to different degrees depending on the level and function of management. The ten roles are described individually, but they form an integrated whole.



## 1. INTERPERSONAL ROLES

The **interpersonal roles** link all managerial work together. The three interpersonal roles are primarily concerned with interpersonal relationships.

- **Figurehead Role:** The manager represents the organization in all matters of formality. He is the head in the organization. Under this role he performs the following activities:
  1. To represent the organization in the social festivities.
  2. To welcome the visitors
  3. To have meal with some important customers.
- **Liaison Role:** The manager interacts with peers and people outside the organization. The top level manager uses the liaison role to gain favors and information, while the supervisor uses it to maintain the routine flow of work.
- **The leader Role:** It defines the relationships between the **manger and employees**. Manager guides his subordinates. He tells them how work can be performed in the minimum possible time. and what should be the method of doing the work.

## 2. INFORMATIONAL ROLES

The **informational roles** ensure that information is provided. The three informational roles are primarily concerned with the information aspects of managerial work.

- **Monitor Role:** The manager keeps an eye on the internal as well as the external environment of the organization. Manager gathers information about these factors and analyse it.
- **Disseminator Role:** The manager transmits **special information** into the organization. The top level manager receives and transmits more information from people outside the organization than the supervisor.

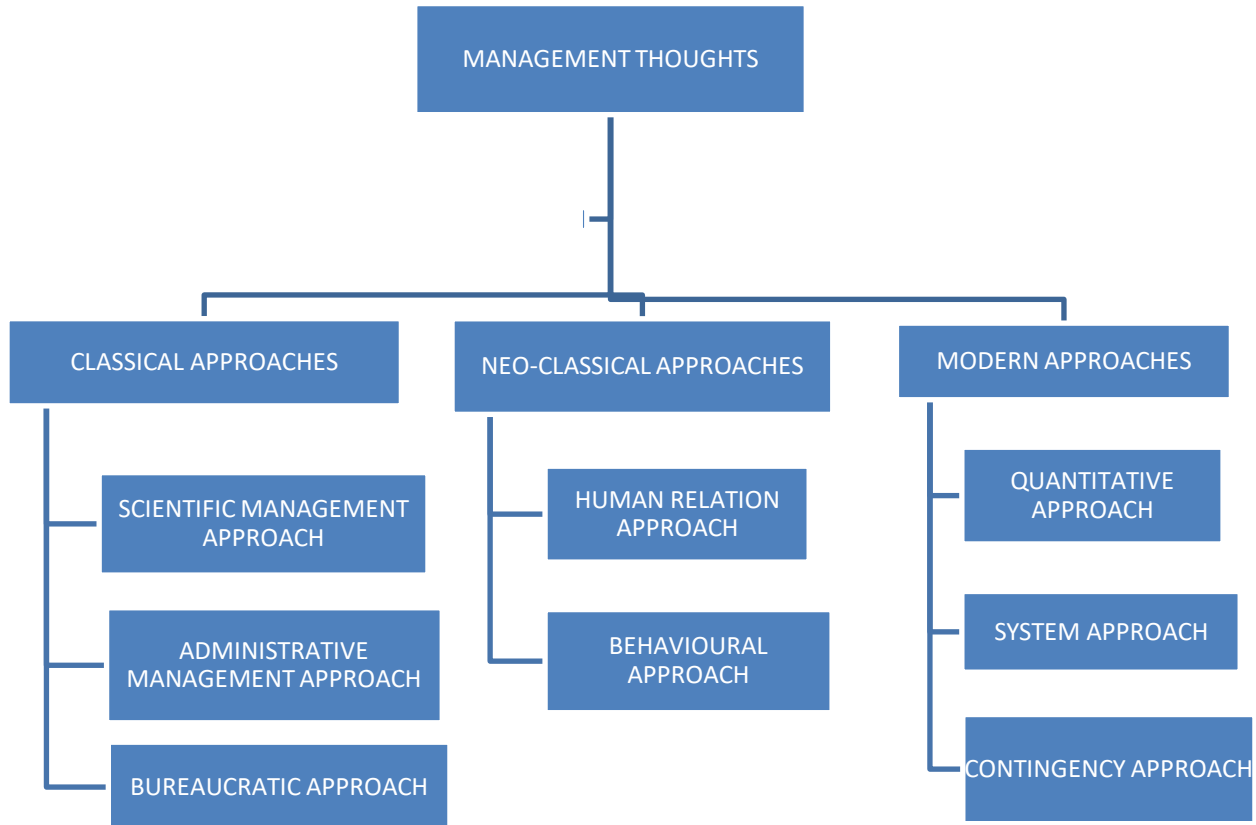
- **Spokesperson Role:** in this role manager acts as a representative of the organization in his relation with the outside the organization. **Eg: giving information about the financial condition of the company to the shareholders.**

### **3. DECISIONAL ROLES**

The **decisional roles** make significant use of the information and there are four decisional roles.

- **Entrepreneur Role:** The manager initiates change, new projects; identify new ideas, delegate idea responsibility to others.
- **Disturbance Handler Role:** The manager deals with threats to the organization. The manager takes corrective action during disputes or crises; **resolve conflicts** among subordinates; adapt to environmental crisis. Manager tries to remove the obstacles in the organization as soon as possible.
- **Resource Allocator Role:** The manager decides who gets resources; schedule, budget set priorities and chooses where the organization will apply its efforts.
- **Negotiator Role:** The manager negotiates on behalf of the organization. The top level manager makes the decisions about the organization as a whole, while the supervisor makes decisions about his or her particular work unit.

### ➤ **EVOLUTION OF MANAGEMENT THOUGHTS/ MANAGEMENT THEORIES**



### ➤ WHAT IS MANAGEMENT THOUGHTS?

- Management is defined as the art of getting things done by making the best use of available resources. Over the passing centuries, organizational structure has undergone radical changes, and simultaneously the process of management as well.
- Hence, several theories were propounded over centuries which were considered crucial for understanding business operations. These, when clubbed together, are called management thought.

#### A. CLASSICAL APPROACH:

- The classical school of thought generally concerned with the **management of work** and organizations efficiency and effectiveness
- **Human resource is ignored** and much importance is given to work and physical resources

- Hence, this management thought practiced **division and specialization of labour, organizational hierarchy and centralized decision making process and focused on profit maximization.**

➤ **3 PILLARS OF CLASSICAL APPROACH**

**Scientific Management Theory (F.W. Taylor)**

**Administrative Theory (Henry Fayol)**

**Bureaucratic Management (Max Weber)**

**1. SCIENTIFIC MANAGEMENT**





## **FW TAYLOR**

**F.W Taylor** is the father of scientific management. Taylor was a person who within a very short duration rose from the rank of an **ordinary labour** to the position of **Chief Engineer (Midvale steel company in USA)**

### **Scientific management**

**F.W Taylor** is the father of scientific management. Scientific management is performing the work of management in a scientific manner. In other words discarding the traditional approaches to management and adopting newer and more scientific approach.

- ✓ Its main objective is improving economic efficiency, especially labor productivity. It was one of the earliest attempts to apply science to the engineering of processes and to management.
- ✓ It is an important stream of the earlier schools of thought of management referred to as the classical school.
- ✓ It is developed by **Frederick Taylor (1856-1915)**, leading proponent of scientific management.

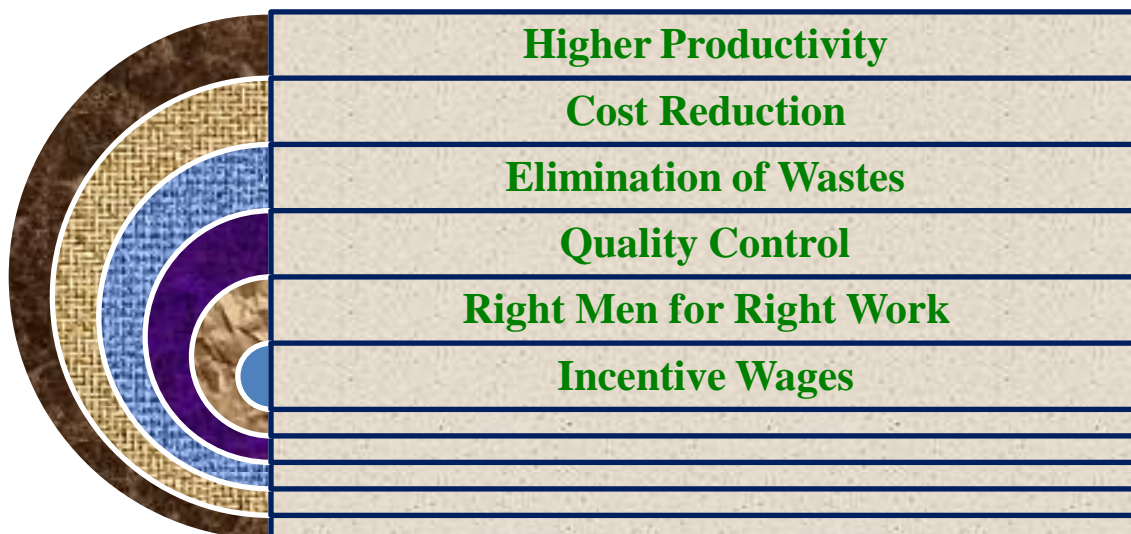
**According to Taylor** , " Scientific management means knowing exactly what you want men to do and seeing that they do it in the best and cheapest way."

### ➤ **THE FEATURES OF SCIENTIFIC MANAGEMENT ARE AS FOLLOWS:**

- (i) It is a systematic approach to handle management problems.
- (ii) It implies scientific techniques in method of work, recruitment, selection and training of workers.
- (iii) It rejects the age old method of rule of thumb' or 'hit or miss' approach.
- (iv) It attempts to discover the best method of doing the work at the lowest cost.
- (v) It attempts to develop each worker to his greatest efficiency.

(vi) It involves a complete change in the mental attitude of the workers as well as of the management.

➤ **THE OBJECTIVES OR AIMS OF SCIENTIFIC MANAGEMENT MAY BE SUMMARIZED AS UNDER:**



**(a) Higher Productivity:**

Increase in the rate of production by use of standardized tools, equipment's, methods and training of the workers.

**(b) Cost Reduction:**

Reduction in the cost of production by rational planning and regulation, and cost control techniques.

**(c) Elimination of Wastes:**

Elimination of wastes in the use of resources and methods of manufacturing.

**(d) Quality Control:**

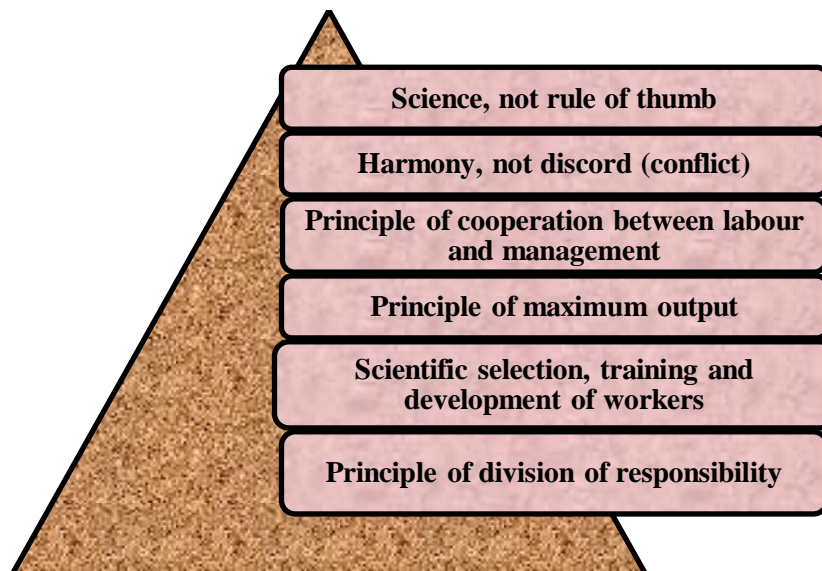
Improvement in the quality of output by research, quality control inspection devices.

**(e) Right Men for Right Work:**

Placement of right persons on the right jobs through scientific selection and training of workers.

**(f) Incentive Wages:**

Relating wage payments to the efficiency of the workers, i.e., giving wages at the higher rates to the efficient workers.

**➤ PRINCIPLES OF SCIENTIFIC MANAGEMENT****(1) Science, Not Rule of Thumb:**

This principle says that we should not get stuck in a set routine with the old techniques of doing work, rather we should be constantly experimenting to develop new techniques which make the work much simpler, easier and quicker.

**(2) Harmony, Not Discord (conflict) :**

As per this principle, such an atmosphere should be created in the organization that labor (the major factor of production) and management consider each other indispensable.

Taylor has referred to such a situation as a '**Mental Revolution**'. Taylor firmly believed that the occurrence of a mental revolution would end all conflicts between the two parties and would be beneficial to both of them.

**(3) Cooperation, Not Individualism:**

According to this principle, all the activities done by different people must be carried on with a spirit of mutual cooperation. Taylor has suggested that the manager and the workers should jointly determine standards. This increases involvement and thus, in turn, increases responsibility. In this way we can expect miraculous results.

**(4) Development of Each and Every Person to His / Her Greatest Efficiency and Prosperity:**

According to this principle, the efficiency of each and every person should be taken care of right from his selection. A proper arrangement of everybody's training should be made. It should also be taken care that each individual should be allotted work according to his ability and interest. Such a caring attitude would create a sense of enthusiasm among the employees and a feeling of belongingness too.

**(5) Principle of Maximum Output:**

Both the management and workers should try to achieve maximum output in place of restricted output. This will be beneficial to both the parties. Maximum output will result in higher wages for the workers and greater profit for the management. Increased productivity is also in the interest of the consumers and the society at large.

**(6) Scientific Selection, Training and Development of Workers:**

The procedure for selection of workers should be designed scientifically. The errors committed at the time of selection may prove to be very costly later on. If we do not have right workers on the right job, the efficiency of the organization will be reduced.

Therefore, every organization should follow a scientific system of selection. The selected workers should be trained to avoid wrong methods of work.

✓ **ADVANTAGES OF SCIENTIFIC MANAGEMENT**

The following are the principal advantages of scientific management.

1. It provides trained minds for achieving higher degree of excellence in all branches of shop management.
2. It completely revolutionizes and improves layout, routing, scheduling, purchasing, stores keeping and accounting.
3. It aims to standardize the materials, tools, equipment and methods of work.
4. It offers facilities for specialization and division of labour.
5. It replaces the old system of management rule of thumb method and introduces new and scientific methods.
6. Careful time and motion studies eradicate delays, avoid bodily strains of the workers, eliminate wastage and thereby contribute to the efficiency of the workers and ensures waste less utilization of the resources.
7. It seeks to introduce a mental revolution in the ideas of both the employer and employee and assures co-operation of the labour force.
8. It seeks a reduction in the cost of production through increased output. This would help the organization to complete on a better footing and thereby enlarge the market.
9. The workers are in a position to get higher wages. This removes most of the causes for industrial disputes and unrest. Further, enhanced earnings also lead to higher standard of living of the workers Thus, scientific management does justice to various sections of the society such as producers, workers and the consumers.

➤ **DISADVANTAGES OF SCIENTIFIC MANAGEMENT**

- ✓ **Disadvantages of Scientific management from EMPLOYERS POINT OF VIEW**

### **1. High Costs**

It is a costly affair. A thorough overhauling of the existing plant and organizational structure is highly expensive. Time and motion studies as well as other improvements involve a heavy initial outlay of capital.

### **2. Unsuitable for Small Firms**

Since the introduction of Scientific Management involves huge expenditure, small firms cannot afford to adopt it.

### **3. Response from the workers**

The system can be successfully implemented only with the heartfelt co-operation of the workers. If they fail to respond favorably, the system shall fail to bring the desired results.

### **✓ Disadvantages of scientific management from EMPLOYEES POINT OF VIEW**

**The principal objections raised by the organized trade unions and the labour class are as follows:**

#### **1. Loss of Individual's Initiative**

The leading objection to Scientific Management that comes from workers is that it leads to excessive job standardization. Under Scientific Management, methods of work are all standardized and instructions are given to the workers by the foreman. The workers are supposed to perform the work in the same style and carry out the instructions given by the foreman. This tends to destroy the individual worker's initiative, renders their skill useless, makes their work monotonous and converts them into automatic machines.

#### **2. Speeding up of Workers**

Scientific Management aims to speed up the workers, not consideration of their health and well being. Mere speeding up of the workers without corresponding structural changes in the organization and working conditions shall not lead to higher output but create only harmful mental conditions in the workers.

### **3. Autocratic Control of Functional Bosses**

Another severe objection raised against the Scientific Management is that it is undemocratic in nature as it gives absolute control to the functional bosses and lessens the interest and responsibility of the workers. The workers ought to obey the orders and the instructions given by the superior or the foreman.

### **4. Creation of Unemployment**

The critics of scientific management also argue that scientific management creates unemployment and hits the workers hard as a consequence of the adoption of labour saving devices both in the machinery and in the arrangement of work.

### **5. Unfairness**

Another objection is that it tends to be unfair to the workers. A lion's share of the additional profit arising out of increased efficiency does not go to the workers but goes to the coffers of the employer. It is also stated that the introduction of Scientific Management, has the effect of lowering the wages of the workers. But it is not true because Taylor himself has proved with statistical data that workmen in the scientifically managed companies received wages 35% higher than those doing the same job in other companies.

### **6. Monotony**

Separation of planning function from that of doing, and excessive specialization, reduces the work to a mere routine. It would create monotony. Monotony refers to a mental state of slackness, inefficiency and a loss of interest in the job.

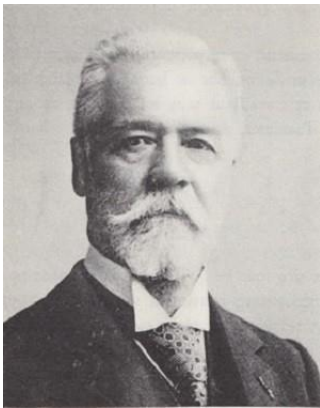
### **7. Opposed by Trade Unions**

Under Scientific Management, the dominant issues of wages and working conditions are scientifically determined. This aspect embraces the workers and tries to introduce ideal conditions of work. Such a thing will naturally upset the very basis of the trade union movement.

### **8. Absence of Non-financial Incentives**

Absence of non-financial incentives is another drawback of the Scientific Management. Non financial incentives can do many things more than what financial incentives can do.

## 2. ADMINISTRATIVE MANAGEMENT THEORY



**Henry Fayol**

- The **Administrative Theory** is based on the concept of departmentalization, which means the different activities to be performed for achieving the common purpose of the organization should be identified and be classified into different groups or departments, such that the task can be accomplished effectively.
- **Administrative management theory** attempts to find a rational way to design an organization as a whole. The theory generally calls for a formalized administrative structure, a clear division of labor, and delegation of power and authority to administrators relevant to their areas of responsibilities.
- The administrative theory was given by **Henry Fayol**, who believed that more emphasis should be laid on organizational management and the human and behavioral factors in the management. Thus, unlike the scientific management theory of Taylor where more emphasis was on improving the worker's efficiency and minimizing the task time, here the main focus is on how the management of the organization is structured and how well the individuals therein are organized to accomplish the tasks given to them.
- **Henri Fayol (1841-1925)**: Fayol was born in France, where he worked for a coal-mining business. **He developed 14 administrative principles for organizational structure and management.**



➤ **FAYOL'S ANALYSIS OF THE WORK DONE BY MANAGERS**

- ✓ **Management is an activity which is different from other activities.**
- ✓ **Management has the quality of being universal.**

**MANAGEMENT IS AN ACTIVITY WHICH IS DIFFERENT FROM OTHER ACTIVITIES**



✓ **MANAGEMENT HAS THE QUALITY OF BEING UNIVERSAL**

There are five basic functions that a manager performs that seem very obvious but in reality form the cornerstone of administrative management theory.

**1. Planning**

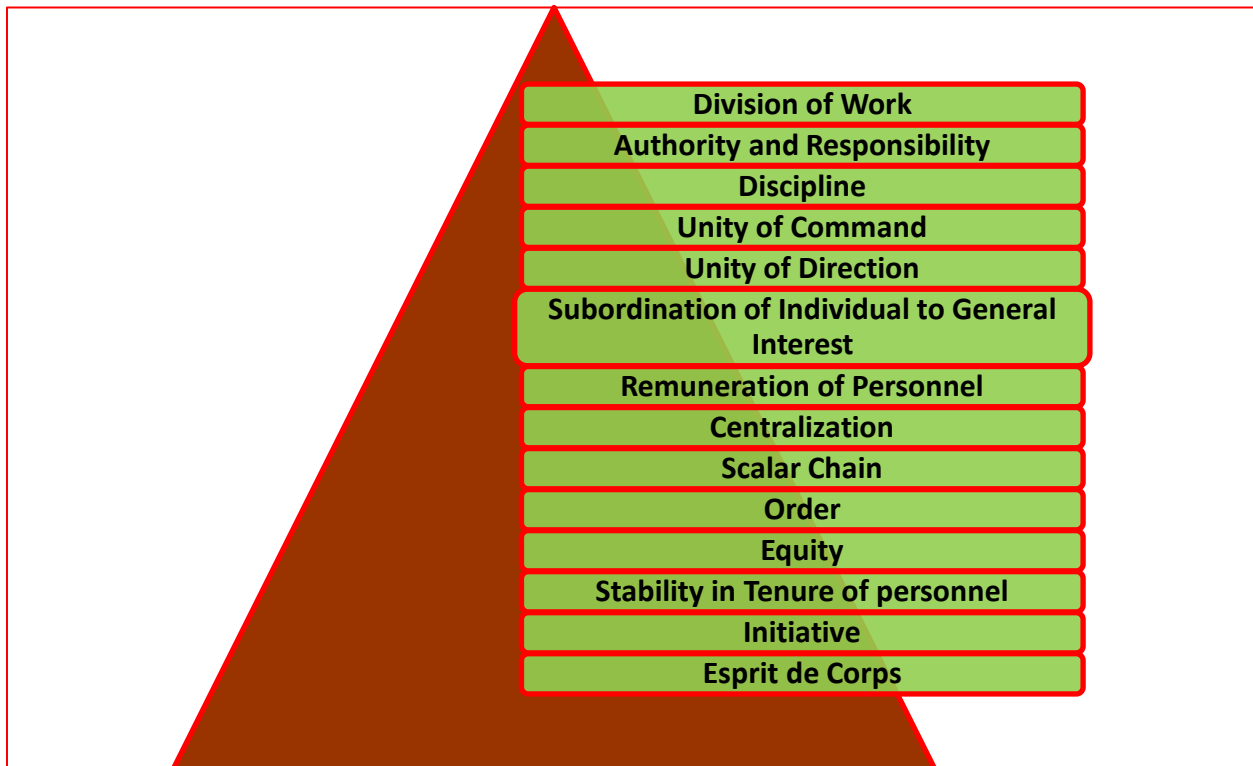
**2. Organizing**

**3. Co-ordinating**

#### 4. Directing

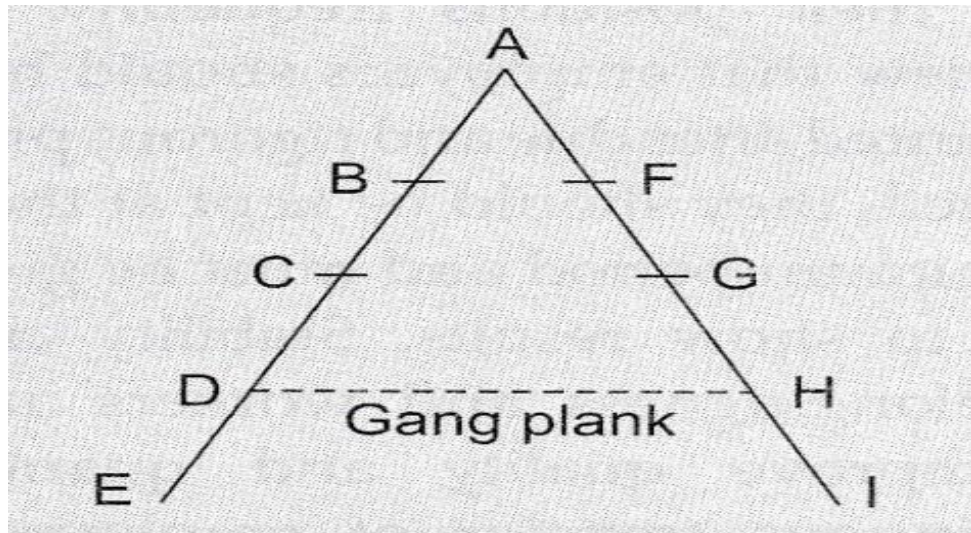
#### 5. Controlling

#### ➤ HENRY FAYOL'S 14 PRINCIPLES OF MANAGEMENT



1. **Division of Work:** The work should be divided among the individuals on the basis of their specializations, so as to ensure their full focus on the effective completion of the task assigned to them.
2. **Authority and Responsibility:** The authority and responsibility are related to each other. Authority means the right to give orders while the responsibility means being accountable. Thus, to whomsoever the authority is given to exact obedience must be held accountable for anything that goes wrong.

3. **Discipline:** The individuals working in the organization must be well-disciplined. The discipline refers to the obedience, behavior, respect shown by the employees towards others.
4. **Unity of Command:** According to this principle, an individual in the organization must receive orders from only one supervisor. In case an individual has the reporting relationship with more than one supervisor then there may be more conflicts with respect to whose instructions to be followed.
5. **Unity of Direction:** Unity of direction means, all the individual or groups performing different kinds of a task must be directed towards the common objective of the organization.
6. **Subordination of Individual to General Interest:** According to this principle, the individual and organizational interest must coincide to get the task accomplished. The individual must not place his personal interest over the common interest, as this will result in conflict.
7. **Remuneration of Personnel:** The payment methods should be fair enough such that both the employees and the employers are satisfied.
8. **Centralization:** Fayol defines centralization as the means of reducing the importance of subordinate's role in the organization, and the extent to which the authority is centralized or decentralized depends on the organization type in which the manager is working.
9. **Scalar Chain:** This means there should be a proper hierarchy in the organization **that facilitates the proper flow of authority and communication.** It suggests that each individual must know from whom he shall get instructions and to whom he is accountable to. Also, the communication either going up or down must pass through each level of authority. In certain circumstances where the quick flow of communication is required, the rigidity of a scalar chain can pose problems. Thus, Henry Fayol has suggested “**gang plank**” which means anybody in the hierarchy can interact with each other irrespective of their authority levels.



10. **Order:** This principle is related to the systematic arrangement of things and people in the organization. This means every material should be in its place, and there should be a place for every material. Likewise, in the case of people, a right man should be in the right job.
11. **Equity:** All the employees in the organization must be treated equally with respect to the justice and kindness.
12. **Stability of Tenure:** The employees should be retained in the organization, as new appointments may incur huge selection and training cost.
13. **Initiative:** The manager must motivate his subordinates to think and take actions to execute the plan. They must be encouraged to take initiatives as this increases the zeal and energy among the individuals.
14. **Esprit de Corps:** This means “unity is strength”. Thus, every individual must work together to gain synergy and establish cordial relations with each other.

Thus, Henry Fayol emphasized on the managerial activities and classified these further into five sub-activities Viz. Planning, Organizing, Directing, coordinating and controlling and for the better understanding of these he had proposed 14 principles of management.

### **3. BUREAUCRATIC THEORY**

- The **Bureaucratic Theory** is related to the structure and administrative process of the organization and is **given by Max Weber**, who is regarded as the father of bureaucracy. **What is Bureaucracy?** The term bureaucracy means the rules and regulations, processes, procedures, patterns, etc. that are formulated to reduce the complexity of organization's functioning.
- According to Max Weber, the bureaucratic organization is the most rational means to exercise a vital control over the individual workers. A bureaucratic organization is one that has **a hierarchy of authority, specialized work force, standardized principles, rules and regulations, trained administrative personnel, etc.**
- The Weber's bureaucratic theory differs from the traditional managerial organization in the sense; it is impersonal, and the performance of an individual is judged through rule-based activity and the promotions are decided on the basis of one's merits and performance.
- Also, there is a hierarchy in the organization, which represents the clear lines of authority that enable an individual to know his immediate supervisor to whom he is directly accountable. This shows that bureaucracy has many implications in varied fields of organization theory.
- Thus, Weber's bureaucratic theory contributes significantly to the classical organizational theory which explains that precise organization structure along with the definite lines of authority is required in an organization to have an effective workplace.

- The main features of this approach are as follows:



**1. Division of Work:** There is division of work on basis of specialization of jobs in bureaucratic organizations. Each employee performs his specialized work in a predictable manner.

**2. Rules and Regulations:** Detailed rules and regulations regarding work behavior, rights and duties of employee are laid down. Rules are designed to ensure the consistency in work performance.

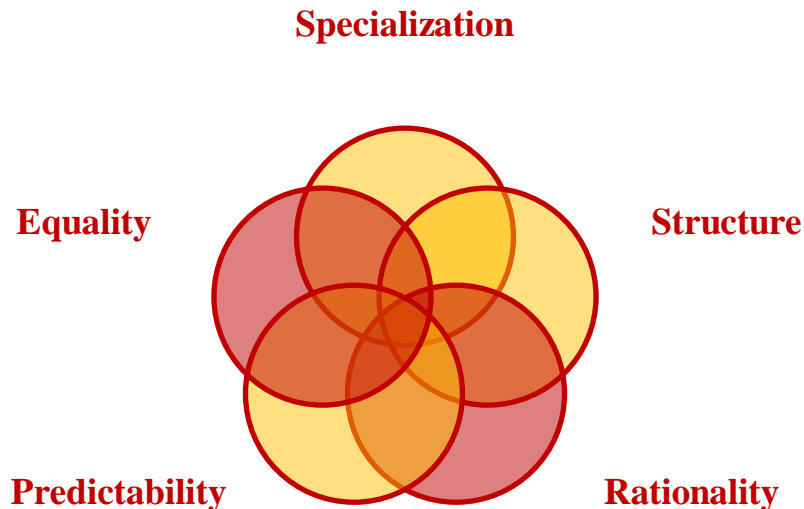
**3. Hierarchy of Authority:** Hierarchy in organizations is characterized by downward delegation of authority. Each superior exercises control over his subordinates.

**4. Technical Competence:** Selection and promotion of employees are based on the technical competence of employees. Training is also provided to familiarize the employees with the rules and administrative procedures of the organization.

**5. Record Keeping:** Every decision and action is recorded in its original as well as draft form.

**6. Impersonal Relations:** Superiors are formal in dealings with their subordinates

➤ **ADVANTAGES OF BUREAUCRACY**



- 1. Specialization:** A bureaucratic organization provides the advantages of specialization because every member is assigned a specialized task to perform.
- 2. Structure:** A structure of form is created by specifying the duties and responsibilities and reporting relationships within a command hierarchy. Structure sets the pace and framework for the functioning of the organization.
- 3. Rationality:** A measure of objectivity is ensured by prescribing in advance the criteria for decision making in routine situations.
- 4. Predictability:** The rules, regulations, specialization, structure and training impart predictability and thereby ensure stability in the organization. Conformity to rules and roles in the structural framework bring about order to cope with complexity.
- 5. Equality:** The management remains unbiased towards the employees and ensures a fair-judgment at the time of any issue or problem in the organization.

➤ **DISADVANTAGES OF BUREAUCRACY:**

**One Way Communication**

**The exploitation of Power**

**Wastage of Time, Efforts and Money**

**Delay in Business Decision-Making**

**Hinders Innovation and Creativity**

**Inflexible and Rigid Methods**

**Paperwork**

1. **One Way Communication:** The bureaucracy theory emphasizes on the passing of information, i.e., tasks, orders, rules and regulations, from the top-level management to the bottom level; however, feedback concerning the operational issues and other suggestions are not taken from the employees.
2. **The exploitation of Power:** In a bureaucracy, managers have a higher authority which can be misused by them to meet their interest or to dominate their subordinates.
3. **Wastage of Time, Efforts and Money:** It involves the recording of all the business transactions and operations to create documents which require a lot of time, money and efforts of the personnel.
4. **Delay in Business Decision-Making:** The top-level management keeps the decision-making authority with itself. Therefore, the lower-level managers have to rely upon the top-level managers, even in the case of any emergency or situations demanding immediate action.



5. **Hinders Innovation and Creativity:** The supervisor controls every activity of the employees, which ultimately restrict the subordinates to apply creativity and innovation to their work.
6. **Inflexible and Rigid Methods:** The bureaucracy theory does not entertain any change or modification in the management system, which makes it quite rigid.
7. **Paperwork:** A lot of paperwork may be required even for very simple work.

## II. NEO CLASSICAL APPROACH

The **Neoclassical Theory** is the extended version of the classical theory wherein the behavioral sciences gets included into the management.

Neoclassical theory which primarily focused on the human beings in the organization. This approach is often referred to as “**behavioral theory of organization**” or “**human relations**” approach in organizations.

### ✓ THIS APPROACH INCLUDES TWO PILLARS:

#### 1. HUMAN RELATIONS MOVEMENT:



George Elton Mayo

- Human relations movement deals with the factors which encourage higher performance on the part of workers. The improvement of working conditions, lowering of hours of work, improvement of social relations of workers, besides monetary gains help in increasing productivity.
- According to Human Relations Approach, management is the Study of behaviour of people at work. **Elton Mayo** is rightly called as **father of Human Relations Movement**.
- This approach had its origin in a series of experiments conducted by Professor Elton Mayo and his associates at the Harvard School of Business at the Western Electric Company's Hawthorne Works in USA during 1927 to 1932.

**During his experiments Elton Mayo and his colleagues studied the following factors:**

- 1) Relationship between light and production
- 2) Relationship between the condition of work and production.(condition of work includes light, air, working hours, period of rest etc.)
- 3) Informal group and relationship with production.
- 4) Relationship between economic incentives and production.

The outcome of these experiments was that production was not so much related with the condition of work as it was associated with emotional factors.

Mayo and his associates reached the conclusion that during the time of work the informal relationship among the employees plays a important role.

**They said that the workers are not merely the means of production but they are social being having their own desires, feelings and tendencies.**

➤ **PROS AND CONS OF HAWTHORNE EXPERIMENTS:**

**Pros:**

- i. Man is not motivated by money alone; to motivate people, a healthy social climate is necessary.
- ii. If treated well, human beings can expand their energies and show good results.
- iii. Groups have more influence on workers than organisation rules.
- iv. Friendly supervision ensures good results, better morale and healthy interpersonal relations.

**Cons:**

- i. Mayo overstressed experimentation and drew conclusions on the strength of observations about a small sample of employees.
- ii. The experiments lacked a scientific basis. The choice of work, the employees, the work environment, etc. was not scientific.
- iii. The conclusions of Hawthorne experiments were open to doubt as the sample was not sufficiently representative.
- iv. Mayo exhibited pro-management bias by thinking that management knows what is best for workers (who are mostly driven by emotions, sentiments, etc.).
- v. Mayo wanted to humanize the workplace by keeping workers in good humor always. However, there is no guarantee that happy workers will be productive.

**2. BEHAVIORAL SCIENCES MOVEMENT:**

Behavioral science movement is regarded as a further refinement of human relations movement. It covered wider aspects in inter-personal roles and responsibilities. It laid emphasis on the

application of the methods and findings of general and social psychology and sociology for understanding the organizational behaviour.

**The important aspects of behavioural approach were:**

- (i) Motivation of employees for improving productivity,
- (ii) Organisation as a social system,
- (iii) Leadership-study of managerial behavior,
- (iv) Communication for better understanding in the organisation,
- (v) Employee development- upgrading of employee and managerial skills

The contributors to this thinking of management included Abraham Maslow, Douglas McGregor, Rensis Likert, Chester Bernard.

✓ **Abraham Maslow:**

Abraham Maslow, an eminent U.S. psychologist, gave a general theory of motivation known as Need Hierarchy Theory in his paper published in 1943.



**He classified the needs as follows:**

**Physiological needs----Safety needs----- Social needs-----Ego or esteem needs-----Self-fulfillment or self-actuation needs**

- **Douglas-McGregor (1906-1964):**

McGregor is known for the development of a theory on Motivation. He named it as Theory X and Theory Y.

**Theory X is based on the following assumptions:**

1. People are by nature indolent. That is, they like to work as little as possible.
2. People lack ambition, dislike responsibility, and prefer to be directed by others.

3. People are inherently self-centered and indifferent to organizational needs and goals.
4. People are generally gullible and not very sharp and bright.

**On the contrary, Theory Y assumes that:**

1. People are not by nature passive or resistant to organizational goals.
2. They want to assume responsibility.
3. They want their organisation to succeed.
4. People are capable of directing their own behavior.
5. They have need for achievement

**III. MODERN MANAGEMENT THEORY:**

The Modern Period (1950 to present). After, 1950 management thought has been turning somewhat away from the extreme human relations ideas particularly regarding the direct relation between morale and productivity. Present management thinking wishes equal emphasis on man and machine.

**Under modern management thought three streams of thinking have been noticed:**

- (i) Quantitative or Mathematical Approach (ii) Systems Approach. (iii) Contingency Approach.

**(i) QUANTITATIVE OR MATHEMATICAL APPROACH:**

The quantitative approach was propounded by **C.W. Churchman** and his colleagues around the year 1950. This approach is also known by the name operational research or operational analysis. This approach involves the use of quantitative techniques, such as **break even analysis, cost benefit analysis network analysis** etc to improve decision making.

## (ii) SYSTEMS MANAGEMENT THEORY

The **systems management theory** has had a significant effect on management science. A system is an **interrelated set of elements functioning** as a whole. An organization as a system is composed of four elements:

- **Inputs** — material or human resources
- **Transformation processes** — technological and managerial processes
- **Outputs** — products or services
- **Feedback** — reactions from the environment

In relationship to an organization, *inputs* include resources such as raw materials, money, technologies, and people. These inputs go through a **transformation process** where they're planned, organized, motivated, and controlled to ultimately meet the organization's goals. The *outputs* are the products or services designed to enhance the quality of life or productivity for customers/clients. Feedback includes comments from customers or clients using the products. This overall systems framework applies to any department or program in the overall organization.

## (iii) CONTINGENCY APPROACH

- Contingency approach, also known as **situational approach**, is a concept in management stating that **there is no one universally applicable set of management principles** to organizations. Organizations are individually different, face different situations, and require different ways of managing.
- Contingency theory is beneficial to organizations because of the potential for learning from specific situations and using these lessons to influence future management of the same or similar situations. The ability to adapt to external pressures and changes is also an advantage.
- Contingency theory may also produce more well-rounded leaders who are able to develop their skills in multiple areas.

## PLANNING

### ➤ INTRODUCTION

All organizations whether it is the government, a private business or small businessman require planning. To turn their dreams of increase in sale, earning high profit and getting success in business all businessmen have to think about future; make predictions and achieve target. To decide what to do, how to do and when to do they do planning.

### ➤ MEANING

- Planning can be defined as “thinking in advance what is to be done, when it is to be done, how it is to be done and by whom it should be done”. In simple words we can say, planning bridges the gap between where we are standing today and where we want to reach.
- Planning involves setting objectives and deciding in advance the appropriate course of action to achieve these objectives so we can also define planning as setting up of objectives and targets and formulating an action plan to achieve them.

### ➤ FEATURES/NATURE/CHARACTERISTIC OF PLANNING:

#### **1. Planning contributes to Objectives:**

Planning starts with the determination of objectives. We cannot think of planning in absence of objective. After setting up of the objectives, planning decides the methods, procedures and steps to be taken for achievement of set objectives. Planners also help and bring changes in the plan if things are not moving in the direction of objectives.

**For example,** if an Organization has the objective of manufacturing 1500 washing machines and in one month only 80 washing machines are manufactured, then changes are made in the plan to achieve the final objective.



**2. Planning is Primary function of management:**

Planning is the primary or first function to be performed by every manager. No other function can be executed by the manager without performing planning function because objectives are set up in planning and other functions depend on the objectives only.

**For example**, in organizing function, managers assign authority and responsibility to the employees and level of authority and responsibility depends upon objectives of the company. Similarly, in staffing the employees are appointed. The number and type of employees again depends on the objectives of the company. So planning always proceeds and remains at no. 1 as compared to other functions.

**3. Pervasive:**

Planning is required at all levels of the management. It is not a function restricted to top level managers only but planning is done by managers at every level. Formation of major plan and framing of overall policies is the task of top level managers whereas departmental managers form plan for their respective departments. And lower level managers make plans to support the overall objectives and to carry on day to day activities.

**4. Planning is futuristic/Forward looking:**

Planning always means looking ahead or planning is a futuristic function. Planning is never done for the past. All the managers try to make predictions and assumptions for future and these predictions are made on the basis of past experiences of the manager and with the regular and intelligent scanning of the general environment.

**5. Planning is continuous:**

Planning is a never ending or continuous process because after making plans also one has to be in touch with the changes in changing environment and in the selection of one best way So, after making plans also planners keep making changes in the plans according to the requirement of the company. **For example**, if the plan is made during the boom period and during its execution there is depression period then planners have to make changes according to the conditions prevailing

**6. Planning involves decision making:**

The planning function is needed only when different alternatives are available and we have to select most suitable alternative. We cannot imagine planning in absence of choice because in planning function managers evaluate various alternatives and select the most appropriate. But if there is one alternative available then there is no requirement of planning.

**For example**, to import the technology if the licence is only with STC (State Trading Co-operation) then companies have no choice but to import the technology through STC only. But if there is 4-5 import agencies included in this task then the planners have to evaluate terms and conditions of all the agencies and select the most suitable from the company's point of view.

**7. Planning is a mental exercise:**

It is mental exercise. Planning is a mental process which requires higher thinking that is why it is kept separate from operational activities by Taylor. In planning assumptions and predictions regarding future are made by scanning the environment properly. This activity requires higher level of intelligence. Secondly, in planning various alternatives are evaluated and the most suitable is selected which again requires higher level of intelligence. So, it is right to call planning an intellectual process.

**➤ OBJECTIVES OF PLANNING:****Time-Related Objectives**

One type of objective includes a time factor. These objectives are short-term, medium-term or long-term, ranging from one month to several years. Planning that includes short-term objectives specifies what immediate results are expected from actions currently in progress. These objectives focus on day-to-day activities.

Medium-term objectives are results that influence the annual budgets, reports and strategies. They deal with monthly action plans. Long-term objectives look at results the company needs to meet its overall goals. They focus on results from yearly reviews. Planning specifies time-related objectives as an overall framework for plan implementation.

## 2. Monitoring Routine Objectives

Some objectives don't have a specific time frame but deal with expected results from routine, continuous activities. Normal production levels translate into routine objectives. Monitoring safety to prevent the accident rate from rising involves routine objectives. Such objectives typically remain at a constant rate.

Management monitors routine objectives for deviations from the norm and to institute corrective action if necessary. Planning specifies routine objectives and assumes the company will meet them as it has in the past.

## 3. Development Objectives for New Initiatives

While time-related objectives deal with normal activities within a time frame and routine objectives deal with regular activities, development objectives result from new initiatives. External change imposed on a business or internal changes motivated by new goals result in planning for new development. Such plans specify new activities and estimate the results. These desired results translate into objectives at the various organizational levels.

Since the activities are new, the objectives may not be realistic and managers have to be ready to make adjustments to this type of objective.

### ➤ IMPORTANCE/SIGNIFICANCE/ SCOPE OF PLANNING:

#### 1. Planning provides Direction:

Planning is concerned with predetermined course of action. It provides the directions to the efforts of employees. Planning makes clear what employees have to do, how to do, etc. By stating in advance how work has to be done, planning provides direction for action. Employees know in advance in which direction they have to work. This leads to Unity of Direction also. If there were no planning, employees would be working in different directions and Organization would not be able to achieve its desired goal.

**2. Planning Reduces the risk of uncertainties:**

Organizations have to face many uncertainties and unexpected situations every day. Planning helps the manager to face the uncertainty because planners try to foresee the future by making some assumptions regarding future keeping in mind their past experiences and scanning of business environments. The plans are made to overcome such uncertainties. The plans also include unexpected risks such as fire or some other calamities in the Organization. The resources are kept aside in the plan to meet such uncertainties.

**3. Planning reduces over lapping and wasteful activities:**

The Organizational plans are made keeping in mind the requirements of all the departments. The departmental plans are derived from main Organizational plan. As a result there will be co-ordination in different departments. On the other hand, if the managers, non-managers and all the employees are following course of action according to plan then there will be integration in the activities. Plans ensure clarity of thoughts and action and work can be carried out smoothly.

**4. Planning Promotes innovative ideas:**

Planning requires high thinking and it is an intellectual process. So, there is a great scope of finding better ideas, better methods and procedures to perform a particular job. Planning process forces managers to think differently and assume the future conditions. So, it makes the managers innovative and creative.

**5. Planning Facilitates Decision Making:**

Planning helps the managers to take various decisions. As in planning goals are set in advance and predictions are made for future. These predictions and goals help the manager to take fast decisions.

**6. Planning establishes standard for controlling:**

Controlling means comparison between planned and actual output and if there is variation between both then find out the reasons for such deviations and taking measures to match the actual output with the planned. But in case there is no planned output then controlling manager will have no base to compare whether the actual output is adequate or not.

**For example**, if the planned output for a week is 100 units and actual output produced by employee is 80 units then the controlling manager must take measures to bring the 80 unit production upto 100 units but if the planned output, i.e., 100 units is not given by the planners then finding out whether 80 unit production is sufficient or not will be difficult to know. So, the base for comparison in controlling is given by planning function only.

### **7. Focuses attention on objectives of the company:**

Planning function begins with the setting up of the objectives, policies, procedures, methods and rules, etc. which are made in planning to achieve these objectives only. When employees follow the plan they are leading towards the achievement of objectives. Through planning, efforts of all the employees are directed towards the achievement of Organizational goals and objectives.

## **PLAN**

### ➤ **MEANING:**

Plan is a document that outlines how goals are going to be met. It is a specific action proposed to help the organization achieve its objectives. There may be more than one way and means of reaching a particular goal but with the help of logical plans, objectives of an organization could be easily achieved.

### ➤ **TYPES OF PLANS**

1. **Coverage** – Strategic, tactical, and operational,
2. **Time frame** – Short and long term,
3. **Specificity** – Specific versus directional,
4. **Frequency of use** – Single use and standing.

These planning classifications aren't independent. For instance, short-and long- term plans are closely related to strategic and operational ones. And single-use plans typically are strategic, long term, and directional.

### **1. Strategic, Tactical and Operational Plans:**

**a. Strategic Plans:**

Strategic plans are designed to meet the broad objectives of the organization – to implement the mission that provides the unique reason for organization's existence. They are set at the top managerial level, and are meant to guide the whole organization.

An organization's strategic plan is the starting point for planning. The aim of strategic planning is to help a company select and organize its businesses in a way that would keep the company healthy in spite of unexpected upsets occurring in any of its specific businesses or product lines.

**For example- in order to deal with uncertainties of raw material availability, a company's strategic plan may purport to acquire its own facilities for generating raw material. Strategic plan serves as a guide to the development of sound sub plans to accomplish the organizational objectives.**

**b. Tactical Plans:**

Top level managers set the strategies that an organization should focus to achieve organizational goals. **Examples** of strategies include set-up a plant to generate raw material for the organization's manufacturing activities, explore North-East market, and likewise. Middle managers interpret these strategies and develop tactical plans for their departments that follow strategies in order to contribute to the organizational goals.

In order to develop tactical plans, middle management needs detail reports (financial, operational, market, external environment). Tactical plans have shorter time frames and narrower scopes than strategic plans. Tactical planning provides the specific ideas for implementing the strategic plan. It is the process of making detailed decisions about what to do, who will do it, and how to do it.

**In short, tactical plans may be understood in following terms:**

1. Tactical planning deals primarily with the implementation phase of the planning process
2. Tactical planning turns strategy into reality
3. Tactical planning usually has a 1-2 year time horizon
4. Tactical planning is usually tightly integrated with the annual budget process

**c. Operational Plans:**

The supervisor interprets the strategic and tactical management plans as they apply to his unit. This way, he makes operational plans to support tactical plans. These plans provide the details of how the strategic plans will be accomplished. **Examples** of planning by supervisors include scheduling the work of employees and identifying needs for staff and resources to meet future changes. Operating plans tend to be repetitive and inflexible over the short run. Change comes only when it is obvious that plans and specific action steps are not working.

**There are two main type of operational plans** – Single use plans which are developed to achieve specific purposes and dissolved when these have been accomplished; standing plans are standardized approaches for handling recurring and predictable situations.

## **2. Short-Range and Long-Range Plans:**

Time is an important factor in planning. George Terry says, “The time period covered by planning should preferably include sufficient time to fulfil the managerial commitments involved.”

Generally a short range planning (SRP) means a plan **for one or two years** and long range planning (LRP) means a plan for **three to five years or more**. Though this division may be considered as arbitrary, but it may have a general acceptability. This period of course, may vary according to the nature and size of business.

When a concern requires long gestation period, it is natural that the long range planning may cover a longer period than five years. For example- organizations, such as oil or mining companies, or airlines must make long range planning because of their particular purposes and objectives. A home video-rental store or a book store might concentrate on seasonal or annual goals.

## **3. Specific and Directional Plans:**

Specific plans are established to achieve a specific purpose and dissolves when the purpose is accomplished. **For example- a manager who seeks to increase his firm’s sales by 20 per cent over a given twelve-month period might establish specific procedures, budget allocations, and schedules of activities to reach that objective.** These represent specific plans.

Directional plans identify general guidelines. They provide focus but do not lock managers into specific objectives or courses of action. Instead of following a specific plan to cut costs by 4 per cent and increase revenues by 6 per cent in the next six months, a directional plan might shoot for improving corporate profits by 5 to 10 per cent every year.

#### **4. Single Use and Standing Plans:**

A single-use plan is a one-time plan specifically designed to meet the needs of a unique situation and created in response to non-programmed decisions that managers make.

In contrast, standing plans are ongoing plans that provide guidance for activities repeatedly performed in the organization. Standing plans are created in response to programmed decisions that managers make and include the policies, rules, and procedures.

##### **i. Single-Use Plans:**

Single-use plans are detailed courses of action that probably will not be repeated in the same form in the future. For example- a firm planning to set up a new warehouse because it is expanding rapidly will need a specific single-use plan for that project, even though it has established a number of other warehouses in the past.

**It will not be able to use an existing warehouse plan, because the projected warehouse presents unique requirements of location, construction costs, labour availability, zoning restrictions, and so forth. The major types of single-use plans are programs, projects, and budgets.**

##### **a. Programs:**

A program covers a relatively large set of activities. The program shows- (1) the major steps required to reach an objective, (2) the organization unit or member responsible for each step, and (3) the order and timing of each step. The program may be accompanied by a budget or a set of budgets for the activities required.

##### **b. Projects:**



Projects are the smaller and separate portions of programs. Each project has limited scope and distinct directives concerning assignments and time. In the warehouse example, typical projects might include the preparation of layouts, a report on labour availability, and recommendations for transferring stock from existing facilities to the new installation. Each project will become the responsibility of designated personnel who will be given specific resources and deadlines.

**c. Budgets:**

Budgets are statements of financial resources set aside for specific activities in a given period of time. They are primarily devices to control an organization's activities and so are important components of programs and projects. Budgets itemize income as well as expenditures and thus provide targets for such activities as sales, departmental expenses, or new investments.

Managers often use budget development as the process by which decisions are made to commit resources to various alternative courses of action. In this sense, budgets can be considered single-use plans in their own right.

**ii. Standing Plans:**

**a. Policies:**

A policy is a general statement designed to guide employees' actions in recurring situations. It establishes broad limits, provides direction, but permits some initiative and discretion on the part of the supervisor. Thus, policies are guidelines. Some policies deal with very important matters, like those requiring strict sanitary conditions where food or drugs are produced or packaged. Others may be concerned with relatively minor issues, such as the way employees dress.

Policies are usually established formally and deliberately by top managers of the organization.

**b. Procedures:**

A procedure is a sequence of steps or operations describing how to carry out an activity. It is more specific than a policy and establishes a customary way of handling a recurring activity. Thus, less discretion on the part of the supervisor is permissible in its application. For example—the refund department of a large discount store may have a policy of “refunds made, with a smile, on all merchandise returned within seven days of purchase.”

**c. Rules:**

A rule is an established guide for conduct. Rules include definite things to do and not to do. There are no exceptions to the rules. An example of a rule is “No Smoking.” Managers frequently use rules when they confront a well-structured problem because they are simple to follow and ensure consistency. For example- rules about lateness and absenteeism permit supervisors to make disciplinary decisions rapidly and with a relatively high degree of fairness.

**➤ PLANNING PROCESS:****Step 1- Identify Need for Planning:**

First of all need for making plans should be identified clearly. The managers should be sensitive enough to judge which area need planning. For example- falling sales of the company may alarm the managers to review and plan its sales function.

**Step 2- Establish a Goal or Set of Goals:**

Next step is to decide what exactly the Organization or sub-unit wants or needs in order to accomplish organizational purpose. For example- the goal of the marketing unit may be to reach a particular quantum of turnover in the given time. Identifying priorities and being specific about them enable organizations to focus their resources effectively.

**Step 3- Define the Present Situation:**

How far is the organization or the subunit from its goals? What resources are available for reaching the goals? Only after the current state of affairs is analyzed can plans be drawn up to chart further progress. Open lines of communication within the Organization and between its sub-units provide the information—especially financial and statistical data—necessary for this third stage.

**Step 4- Identify the Aids and Barriers to the Goals:**

What factors in the internal and external environments can help the organization reach its goals? What factors might create problems? Planning requires an intimate understanding of present resources (human, material, and financial), core competencies, and actual obstacles with respect to the business unit, all of which describe the current condition.

A clear vision of the desired future state with respect to its impact on the organization's ability to overcome potential obstacles, fulfil its mission, and serve its customers, needs to be obtained.

### **Step 5- Develop a Plan or Set of Actions for Reaching the Goal(s):**

Each Goal must be broken down into an Action Plan which has four parts to it-

- (1) **WHAT** – This involves tasks- although goals clarify what is to be done in organization, each goal must be broken down into specific tasks that will help to accomplish the goal.
- (2) **WHO** – this involves delegating – the work a leader does to identify the capabilities of each member of the team and delegate tasks to them.
- (3) **WHEN** – this involves scheduling- the work of putting a time factor on our programme and inserting the calendar into the programme with dates and time durations.
- (4) **WITH WHAT** – this involves budgeting – the application of resources (personnel, time and equipment) to help achieve the goal

### **Step 6- Monitor the Progress of Plan:**

After the plan is set into motion, next task is to monitor its progress. Is it leading the organization in the same direction as was perceived while planning? If not, what could be the reason?, can any change make the things better?, if yes, the planning process again starts. Monitoring is a continuous process, and is required to be done at each stage of implementation of plans, and so is the planning process.

Note that different planners might have different names for the above activities and groups them differently. However, the nature of the activities and their general sequence remains the same

### **➤ LIMITATIONS OF PLANNING:**

#### **1. Planning leads to rigidity:**

Once plans are made to decide the future course of action the manager may not be in a position to change them. Following predefined plan when circumstances are changed may not bring positive results for Organization. This kind of rigidity in plan may create difficulty.

**2. Planning may not work in dynamic environment:**

Business environment is very dynamic as there are continuously changes taking place in economic, political and legal environment. It becomes very difficult to forecast these future changes. Plans may fail if the changes are very frequent.

The environment consists of number of segments and it becomes very difficult for a manager to assess future changes in the environment. For example there may be change in economic policy, change in fashion and trend or change in competitor's policy. A manager cannot foresee these changes accurately and plan may fail if many such changes take place in environment.

**3. It reduces creativity:**

With the planning the managers of the Organization start working rigidly and they become the blind followers of the plan only. The managers do not take any initiative to make changes in the plan according to the changes prevailing in the business environment. They stop giving suggestions and new ideas to bring improvement in working because the guidelines for working are given in planning only.

**4. Planning involves huge Cost:**

Planning process involves lot of cost because it is an intellectual process and companies need to hire the professional experts to carry on this process. Along with the salary of these experts the company has to spend lot of time and money to collect accurate facts and figures. So, it is a cost-consuming process. If the benefits of planning are not more than its cost then it should not be carried on.

**5. It is a time consuming process:**

Planning process is a time-consuming process because it takes long time to evaluate the alternatives and select the best one. Lot of time is needed in developing planning premises. So, because of this, the action gets delayed. And whenever there is a need for prompt and immediate decision then we have to avoid planning.

**6. Planning does not guarantee success:**

Sometimes managers have false sense of security that plans have worked successfully in past so these will be working in future also. There is a tendency in managers to rely on pretested plans.

It is not true that if a plan has worked successfully in past, it will bring success in future also as there are so many unknown factors which may lead to failure of plan in future. Planning only provides a base for analysing future. It is not a solution for future course of action.

**7. Lack of accuracy:**

In planning we are always thinking in advance and planning is concerned with future only and future is always uncertain. In planning many assumptions are made to decide about future course of action. But these assumptions are not 100% accurate and if these assumptions do not hold true in present situation or in future condition then whole planning will fail.

**For example**, if in the plan it is assumed that there will be 5% inflation rate and in future condition the inflation rate becomes 10% then the whole plan will fail and many adjustments will be required to be made.

**8. Natural calamity:**

Natural calamities such as flood, earthquake, famine etc. may result in failure of plan.

**9. Change in competitors' policies:**

Sometimes plan may fail due to better policies, product and strategy of competitor which was not expected by manager.

**10. Change in taste/fashion and trend in the market:**

Sometimes plans may fail when the taste/fashion or trend in market goes against the expectation of planners.

**11. Change in technologies:**

The introduction of new technologies may also lead to failure of plans for products using old technology.

## BUSINESS FORECASTING

### ➤ MEANING OF BUSINESS FORECASTING:

Business forecasting is an act of predicting the future economic conditions on the basis of past and present information. It refers to the technique of taking a perspective view of things likely to shape the turn of things in the foreseeable future. As the future is always uncertain, there is a need for an organized system of forecasting in business.

### **Thus, scientific business forecasting involves:**

- Analysis of the past economic conditions, and.
- Analysis of the present economic conditions; so as to predict the future course of events accurately.

In this regard, business forecasting refers to the analysis of the past and present economic conditions with the object of drawing inferences about the future business conditions.

### ➤ **BASIC FORECASTING TECHNIQUES MAY BE CLASSIFIED AS:**

- (1) Qualitative and
- (2) Quantitative.

#### **(1) Qualitative Techniques:**

##### **(i) Market Research Techniques:**

Under this technique, polls and surveys may be conducted to find out the sale of a product. This may be done by sending questionnaires to the present and prospective consumers. In addition, this may also be interviewed personally, though questions and interviews, the manager can find out whether the consumers are likely to increase or reduce their consumption of- the product and

if so, by what margin. This interviews etc., and hence this method is somewhat costly and time consuming.

**(ii) Past Performance Technique:**

In this technique the forecasts are made on the basis of past data. This method can be used if the past has been consistent and the manager expects that the future will resemble the recent past.

**iii) Internal Forecast:**

Under this technique indirect data are used for developing forecasts. For Example—For developing sales forecasts, each area sales manager may be asked to develop a sales forecast for his area. The area sales manager who is in charge of many sub-areas may ask his salesmen to develop a forecast for each sub-area in which they are working. On the basis of these estimates the total sales forecast for the entire concern may be developed by the business concern.

**(iv) Deductive Method:**

In the deductive method, investigation is made into the causes of the present situation and the relative importance of the factors that will influence the future volume of this activity. The main feature of this method is that it is not guided by the end and it relies on the present situation for probing into the future. This method, when compared to others, is more dynamic in character

**(v) Delphi Technique:**

This is another judgmental technique. It polls a panel of experts and gathers their opinions on specific topics. The forecasting unit decides the experts whose opinions it wants to know. Each

expert does not know who the others are. The experts make their forecasts and the coordinator summarizes their responses. Here, the experts express their views independently without knowledge of the responses of other experts.

On the basis of anonymous votes, a pattern of response to future events can be determined. This technique is used to reduce the “crowd effect” or “group think” in which everyone agrees with “the experts” when all are in the same room.

## (2) Quantitative Techniques:

Quantitative techniques are known as **statistical techniques**. They focus entirely on patterns and on historical data. In this technique the data of past performance of a product or product line are used and analysed to establish a trend or rate of change which may show an increasing or decreasing tendency.

**Following are the important quantitative techniques used for the purpose of forecasting:**

### (i) Business Barometers Method:

This is also called **Index Number Method**. Just as Barometer is used to measure the atmospheric pressure similarly in business Index numbers are used to measure the state of **economy between two or more periods**. When used in conjunction with one another or combined with one or more index numbers, provide an indication of the direction in which the economy is heading.

For example—a rise in the amount of investment may bring an upswing in the economy. It may reflect higher employment and income opportunity after some period.

Thus, with the help of business activity index numbers, it becomes easy to forecast the future course of action projecting the expected change in related activities within **a lag of some period**. This lag period though difficult to predict precisely, gives some advance signals for likely change in future.

The forecasts should bear in mind that such barometers (index numbers) have their own limitations and precautions should be taken in their use. These barometers may be used only when general trend may reject the business of the forecasts. It has been advised that different index numbers should be prepared for different activities.

### (ii) Trend Analysis Method:

This is also known as **'Time Series Analysis'**. This analysis involves trend, seasonal variations, cyclical variations and irregular or random variations. This technique is used when data are available for a long period of time and the trend is clearly visible and stable. It is based on the assumption that past trend will continue in future. This is considered valid for short term projection. In this different formulas are used to fit the trend.



**(iii) Regression Analysis Method:**

In this method two or more inter-related series are used to disclose the relationship between the two variables. A number of variables affect a business phenomenon simultaneously in economic and business situation. This analysis helps in isolating the effects of various factors to a great extent.

**For example-** there is a positive relationship between **sales expenditure and sales profit**. It is possible here to estimate sales on the basis of expenditure on sales (independent variable) and also profits on the basis of projected sales, provided other things remain the same.

**(iv) Economic Input Output Model Method:**

This is also known as “**End Use Technique.**” The technique is based on the hypothesis of various sectors of the economy industry which are inter-related. Such inter-relationship is known **as coefficient in mathematical terms.**

**For example—Cement requirements** of a country may be well predicted on the basis of its rate of usage by various sectors of economy, say industry, etc. and by adjusting this rate on the basis of how the various sectors behave in future.

As the data required for this purpose are easily available this technique is used in forecasting business units.

**(v) Technological Forecasting:**

It focuses on predicting what future technologies are likely to emerge and how they are likely to prove economically feasible. It deals with technological changes that can affect the organization. In fact, some technological advancements, such as word processing, computers, lasers, and pace technologies, have greatly affected the operations of business.

**➤ THE GROWING IMPORTANCE OF BUSINESS FORECASTING:****1. Promotion of new business:**

Forecasting is of utmost importance in setting up a new business. It is not an easy task to start a new business as it is full of uncertainties and risks. With the help of forecasting the promoter can

find out whether he can succeed in the new business; whether he can face the existing competition; what is the possibility of creating demand for the proposed product etc.

After discovering the business opportunity, he will see the possibilities of assembling men, money, materials etc. The success of a business unit depends upon as to how sound is the forecasting? Proper forecasting will help to minimise the role of luck or chance in determining business success or failure. A successful promoter is also the prophet of economic conditions.

## **2. Estimation of financial requirements:**

The importance of forecasting can't be ignored in estimating the financial requirements of a concern. Efficient utilisation of capital is a delicate issue before the management. No business can survive without adequate capital. But adequacy of either fixed or working capital depends entirely on sound financial forecasting.

Financial estimates can be calculated in the light of probable sales and cost thereof. How much capital is needed for expansion, development etc., will depend upon accurate forecasting?

## **3. Smooth and continuous working of a concern:**

'Forecasting of earnings' ensures smooth and continuous working of an enterprise, particularly to newly established ones. By forecasting, these concerns can estimate their expected profits or losses. The object of a forecast is to reduce in black and white the details of working of a concern.

## **4. Correctness of management decisions:**

The correctness of management decisions to a great extent depends upon accurate forecasting. As Meivin, T. Copeland says, "Administration is essentially a decision making process and authority has responsibility for making decisions and for ascertaining that the decisions made are carried out.

In business, whether the enterprise is large or small, changes in conditions occur; shifts in personnel take place, unforeseen contingencies arise. Moreover, just to get the wheels started and to keep them turning, decisions must be made."

This shows that the decision making process continues throughout the life of the concern. Forecasting plays an important role in various fields of the concern. As in the case of production planning, management has to decide what to produce and with what resources. Thus forecasting is considered as the indispensable component of business, because it helps management to take correct decisions.

#### **5. Success in business:**

The accurate forecasting of sales helps to procure necessary raw materials on the basis of which many business activities are undertaken. The accurate sales forecasting becomes the basis for several other budgets. In the absence of accurate sales forecasting, it is difficult to decide as to how much production should be done.

Thus, to a great extent, the budgets of other departments depend upon the compilations based on the sales forecasts and the accuracy of these budgets also depends upon correctness of sales forecasting. Thus, the success of a business unit depends on the accurate forecasting by the various departments.

#### **6. Plan Formulation:**

The importance of correct forecasting is apparent from the Key role it plays in planning. It should not go unaccounted that forecasting is an essential element in planning since planning premises include some forecasts. There are forecast data of a factual nature having enormous implication on sound premises.

Undoubtedly, forecasting is a prelude to planning and indeed it is the foundation on which planning takes place. Infact, planning under all circumstances and in all occasions involve a good deal of forecasting, i.e. appraising the future in the light of existing conditions and environment. Forecasting and planning are closely related. Adequate planning, no matter whether it is overall or sectoral, short-term or long term, largely depends on forecasting.

### **7. Co-Operation and co-ordination:**

Forecasting is not one man's job. It needs proper co-ordination of all departmental heads in a company. Thus, by bringing participation of all concerned in the process of forecasting, team spirit and coordination is automatically encouraged.

According to Henry Fayol, "The act of forecasting is of great benefit to all who take part in the process, and is the best means of ensuring adaptability to changing circumstances. The collaboration of all concerned leads to a united front, an understanding of the reasons for decisions and a broadened outlook."

### **8. Complete Control:**

Forecasting provides the information which helps in the achievement of effective control. The managers become aware of their weaknesses during forecasting and through implementing better effective control they can overcome these weaknesses.

## **MANAGEMENT BY OBJECTIVES**

### ➤ **MEANING:**

The process of setting objectives in the organization to give a sense of direction to the employees is called as **Management by Objectives**. This approach was proposed by **Peter Drucker** in **1960**.

- It refers to the process of setting goals for the employees so that they know what they are supposed to do at the workplace.
- Management by Objectives defines **roles and responsibilities for the employees** and help them chalk out their future course of action in the organization.
- Management by objectives guides the employees to deliver their level best and achieve the targets within the stipulated time frame.

An MBO programme or process consists of **four common ingredients**. These are: specificity, participative decision making, a specified time period, and performance feedback.

- **A brief description of these follows.**

### **1. Specificity:**

The objective in MBO should be clear and precise that can be measured and evaluated. To state a desire to cut costs, for example, may not be enough. Instead, to cut costs by 5 per cent will be more clear, exact and measurable objective.

### **2. Participative Decisions / Objectives:**

In MBO goals are not imposed on people. The superior and subordinate jointly set objectives to be attained.

### **3. Explicit Time: (specific)**

Each objective is to be completed within a specific time period, be it three months, six months or a year.

### **4. Performance Feedbacks:**

The final ingredient in MBO programme is **feedback on performance**. It includes continuous and systematic measurement and review of performance. Based on these Corrective actions are taken to achieve the planned objectives.

## ➤ **IMPORTANT CHARACTERISTICS OF MANAGEMENT BY OBJECTIVE (MBO)**

### **1. Goal Orientation:**

MBO focuses on the determination of unit and individual goals in line with the organizational goals. **These goals define responsibilities of different parts of the Organization and help to integrate the Organization with its parts and with its environment.**

MBO seeks to balance and blend the long term objectives (profit, growth and survival of the firm with the personal objectives of key executives. It requires that all corporate, departmental and personal goals will be clearly defined and integrated.

### **2. Participation:**

The MBO process is characterized by a **high degree of participation of the concerned people** in goal setting and performance appraisal. Such participation provides the opportunity to influence decisions and clarify job relationships with superiors, subordinates and peers.

It also helps to improve the motivation and morale of the people and results in role clarity. Participative decision-making is a prerequisite of MBO. MBO requires all key personnel to contribute maximum to the overall objectives.

### **3. Key Result Areas:**

The emphasis in MBO is on performance improvement in the areas which are of critical importance to the Organization as a whole. By identification of key result areas (KRAs), MBO ensures that due attention is given to the priority areas which have significant impact on performance and growth of the Organization.

### **4. Systems Approach:**

MBO is a systems approach of managing an Organization. It attempts to integrate the **individual** with the **Organization** and the Organization with its environment. **It seeks to ensure the accomplishment of both personal and enterprise goals by creating common goals.**

### **5. Optimization of Resources:**

The ultimate aim of MBO is to secure the optimum utilization of physical and human resources of the organization. MBO sets an evaluative mechanism through which the contribution of each individual can be measured.

### **6. Simplicity and Dynamism:**

MBO is a non-specialist technique and it can be used by all types of managers. At the same time it is capable of being adopted by both business and social welfare organizations. MBO applies to every manager, whatever his function and level, and to any Organization, large or small.

### **7. Multiple Accountability:**

Under MBO, accountability for results is not centralized at particular points. Rather every member of the organization is accountable for accomplishing the goals set for him.

Multiple centers of accountability discourage ‘buck-passing’ and ‘credit-grabbing’. MBO establishes a system of decentralized planning with centralized control.

➤ **MANAGEMENT BY OBJECTIVES PROCESS**

**1. Formulating Organizational Objectives:**

The first step in MBO program is to determine main objectives of the business. The major objectives of the business are survival and expansion. To achieve these major objectives, derivative objectives are set up. Different departments set departmental objectives. The objectives from top level to individual level are aimed at achieving the main business objectives.

**2. Setting-Up Sub-Ordinate Goals:**

The sub-ordinate goals are set at department level, section level, unit or individual level etc. The sub-ordinate objective will assign specific responsibilities to persons at various levels. Everybody in the organization should know what is expected of him? The sub-ordinate goals, in no way should be inconsistent with the overall objectives of all business. These goals should aim at contributing towards the overall business goals.

**3. Periodic Meeting:**

The ultimate aim of various objectives may be at any levels, should be to achieve overall business objectives. There should be periodic meetings to know the views of subordinate staff. The top level management will be able to know the views and difficulties faced by the staff in achieving need any modification, it should also be done to make the objectives realistic.

**4. Performance Appraisal:**

Evaluation of performance at the end of a period is essential to assess the work. The superior should evaluate the work of the sub-ordinates and find out deviations, if any. The persons whose performance is below the standard performance are penalized and those whose performance is

outstanding are rewarded. The process of appraisal will enable the management to take collective measures if there are deviations in performance.

➤ **BENEFITS OF MBO:**

**Following are the advantage of MBO:**

1. The need to clarify objectives is stressed and suggestion for improvement is obtained from all levels of management.
2. All managers have a clear idea of the important areas of their work and of the standards required.
3. The performance of staff can be assumed and their needs for improvement highlighted.
4. Greater participation may improve morale and communication.
5. It makes individuals more aware of Organizational goal.

➤ **LIMITATIONS OF MBO:**

**MBO suffers from the following disadvantages also:**

1. It takes a few years to be effective.
2. Some companies always tend to raise goals. If these are too high, employees become frustrated.
3. Appraisals are sometimes made on personality traits rather than on performance.
4. Some employees do not want to be held responsible and goals forced upon them may lead to ill-feeling.



## **DECISION MAKING**

### ➤ **Decision**

A decision is a choice made between 2 or more available alternatives.

### ➤ **Decision Making**

Decision Making is the process of choosing the best alternative for reaching objectives.

- Managers make decisions affecting the organization daily and communicate those decisions to other organizational members.
- Decision making is the process of making choices by identifying a decision, gathering information, and assessing alternative resolutions.
- Using a step-by-step decision-making process can help you make more deliberate, thoughtful decisions by organizing relevant information and defining alternatives. This approach increases the chances that you will choose the most satisfying alternative possible.

➤ **Characteristics of Decision Making**

**1. Mental and Intellectual Process**

Decision making is a mental and intellectual process because whatever decisions are taken, they are based on logical deliberations to make them more rational. **For which** intelligence, knowledge, experience, educational level, and mental facilities are essential.

**Similarly**, in decision making, the voice of inner conscious is also important, along with intellectual logic.

**2. It is a Process**

Decision making is a process to find out the solution to any problem or for the achievement of a specific result, problems are well analyzed, during the course of decision making.

**3. Pervasive function of management**

This function is performed by managers at all levels though the nature of decisions may differ from one level to another. Decision making is a continuous process.

**4. It is an Indicator of Commitment**

This is an indicator of commitment because decision making ties up with the result of its decision.

The decision maker has to bear the result the decisions of in one or the other form.

**Not only that**, but decision making is also the indicator of commitment because, for its implementations, individual and collective efforts are required.

### **5. It is a Best Selected Alternative**

Decision making is the best-selected Alternative.

The best alternative is selected, out of two or more possible alternatives, for solving any problem.

### **6. Decision Making might be Positive or Negative**

Decision making is positive or negative. The decision of implementing any plan to do some work is positive, whereas the decision not to do any work or not to implement and plan is negative.

Hence, **negative decisions are also as good decisions**, as are the positive decisions.

### **7. Continuous and Dynamic Process**

This is a continuous process because decisions are to be taken continuously in the business organizations, for routine and Special Tasks. **Besides**, it is a dynamic also, because the situations and circumstances of each decision are different than the situations and circumferences of the preceding decisions.

### **8. It is a Measurement of Performance**

Decision making is a measurement on the basis of which the success or failure and execution or non-execution of the decisions taken by the managers depends.

**Hence**, the evolution of the efficiency of managers etc. is possible by the measurement of decision making.

### **9. It is a Human and Social Process**

Decision making is a human and social process also because all human factors are to be kept into consideration, before final selection of any particular alternative, in the **decision-making process**. Similarly, it also includes the use of intuition and Justice.

### **10. Other Characteristics**

- New decision emerges from the decision making process.
- Decision making is synonymous of Management.
- Decision making is part of planning.
- The forecast is part of decision making.
- Decision making is different from the decision.

### ➤ **PROCESS IN DECISION MAKING**

#### **1. Identify and define the problem:**

The first and the foremost step in the decision-making process are to define the real problem. A problem can be explained as a question for and appropriate solution. The manager should consider **critical or strategic factors** in defining the problem. These factors are, in fact, obstacles in the way of finding proper solution. These are also known as limiting factors.

For example, **sales reduced and it is not according to the standard set**. There can be many cause of decline in sales: improper functioning of machinery, inefficient employees, little expenditure on the advertisements etc . **let say inferior quality of the product** is the critical factor

**Other examples of critical or limiting factor** may be materials, money, managerial skill, technical know-how, employee morale and customer demand, political situation and government regulations, etc.

## **2. Analyzing the problem:**

After defining the problem, the next important step is a systematic analysis of the available data. Sound decisions are based on proper collection, classification and analysis of facts and figures.

**There are three principles relating to the analysis and classification as explained below:**

(i) The futurity of the decision. This means to what length of time, the decision will be applicable to a course of action.

(ii) The impact of decision on other functions and areas of the business.

(iii) The qualitative considerations which come into the picture.

**Example:** analysis of inferior quality of product: whether inferior quality raw material was purchased, have the **machinery not worked properly**, Inefficient training of workers etc.

## **3. Developing alternative solutions:**

After defining and analyzing the problem, the next step is to develop alternative solutions. The main aim of developing alternative solutions is to have the best possible decision out of the available alternative courses of action. In developing alternative solutions the manager comes across creative or original solutions to the problems.

In modern times, the techniques of operations research and computer applications are immensely helpful in the development of alternative courses of action.

**Example: 1. Purchase of new machinery 2. Hire machinery 3. Repair 4. Second hand machinery**

## **4. Selecting the best type of alternative:**

After developing various alternatives, the manager has to select the best alternative. It is not an easy task. Evaluation is done on the basis of Cost, time, Benefit

**The following are the four important points to be kept in mind in selecting the best from various alternatives:**

- (a) Risk element involved in each course of action against the expected gain.
- (b) Economy of effort involved in each alternative, i.e. securing desired results with the least efforts.
- (c) Proper timing of the decision and action.
- (d) Final selection of decision is also affected by the limited resources available at our disposal. Human resources are always limited. We must have right type of people to carry out our decisions. Their caliber , understanding, intelligence and skill will finally determine what they can and cannot do.

#### **5. Implementation of the decision:**

Under this step, a manager has to put the selected decision into action.

#### **For proper and effective execution of the decision, three things are very important i.e.,**

- (a) Proper and effective communication of decisions to the subordinates. Decisions should be communicated in clear, concise and understandable manner.
- (b) Acceptance of decision by the subordinates is important. Group participation and involvement of the employees will facilitate the smooth execution of decisions.
- (c) Correct timing in the execution of decision minimizes the resistance to change. Almost every decision introduces a change and people are hesitant to accept a change. Implementation of the decision at the proper time plays an important role in the execution of the decision.

#### **6. Follow up:**

A follow up system ensures the achievement of the objectives. It is exercised through control. Simply stated it is concerned with the process of checking the proper implementation of decision. Follow up is indispensable so as to modify and improve upon the decisions at the earliest opportunity.

## 7. Monitoring and feedback:

Feedback provides the means of determining the effectiveness of the implemented decision. If possible, a mechanism should be built which would give periodic reports on the success of the implementation. In addition, the mechanisms should also serve as an instrument of “preventive maintenance”, so that the problems can be prevented before they occur.

According to Peter Drucker, the monitoring system should be such that the manager can go and look for himself for first hand information which is always better than the written reports or other second-hand sources.

## ➤ TYPES OF DECISIONS

### 1. Programmed and non-programmed decisions:

Programmed decisions are concerned with the problems of repetitive nature or routine type matters

A standard procedure is followed for tackling such problems. These decisions are taken generally by **lower level managers**. Decisions of this type may pertain to e.g. purchase of raw material, granting leave to an employee and supply of goods and implements to the employees, etc. Non-programmed decisions relate to difficult situations for which there is no easy solution.

These matters are very important for the organisation. For example, opening of a new branch of the organisation or a large number of employees absenting from the organisation or introducing new product in the market, etc., are the decisions which are normally taken at the higher level.

### 2. Routine and strategic decisions:

Routine decisions are related to the general functioning of the organisation. They do not require much evaluation and analysis and can be taken quickly. Ample powers are delegated to lower ranks to take these decisions within the broad policy structure of the organisation.

**Strategic** decisions are important which affect objectives, organizational goals and other important policy matters. These decisions usually involve huge investments or funds. **These are**

**non-repetitive in nature and are taken after careful analysis and evaluation of many alternatives.** These decisions are taken at **the higher level of management.**

### **3. Tactical (Policy) and operational decisions:**

Decisions pertaining to various policy matters of the organization are policy decisions. These are taken by the top management and have long term impact on the functioning of the concern. For example, decisions regarding location of plant, volume of production and channels of distribution (Tactical) policies, etc. are policy decisions. **Operating decisions** relate to day-to-day functioning or operations of business. Middle and lower level managers take these decisions.

An example may be taken to distinguish these decisions. Decisions concerning payment of bonus to employees are a policy decision. On the other hand if bonus is to be given to the employees, calculation of bonus in respect of each employee is an operating decision.

### **4. Organizational and personal decisions:**

**When an individual takes decision as an executive in the official capacity, it is known as organizational decision.** If decision is taken by the executive in the personal capacity (thereby affecting his personal life), it is known as personal decision.

Sometimes these decisions may affect functioning of the organization also. For example, if an executive leaves the organization, it may affect the organization. The authority of taking organizational decisions may be delegated, whereas personal decisions cannot be delegated.

### **5. Major and minor decisions:**

Another classification of decisions is major and minor. **Decision pertaining to purchase of new factory premises is a major decision.** Major decisions are taken by **top management.** **Purchase of office stationery is a minor decision which can be taken by office superintendent.**



## **6. Individual and group decisions:**

When the decision is taken by a single individual, it is known as individual decision. Usually routine type decisions are taken by individuals within the broad policy framework of the organization.

Group decisions are taken by group of individuals constituted in the form of a standing committee. Generally very important and pertinent matters for the organization are referred to this committee. The main aim in taking group decisions is the involvement of maximum number of individuals in the process of decision- making.

### ➤ **TECHNIQUES OF DECISION MAKING:**

#### **1. Intuition:**

Intuition is the ability to know something by using feelings rather than considering the facts. Some managers are highly intuitive by nature; and arrive at conclusions vis-a-vis decision-making more sharply and quickly, by virtue of their intuitive powers than others who just indulge in elaborate decision-making formalities and procedures and even then cannot arrive at precise decisions.

Decision-making in an intuitive manner is the entrepreneurial style or technique of decision--making; and is highly suitable in emergency situations calling for immediate decision. Decision--making of this type is affected by the psychology, beliefs, attitudes and perceptions of the intuitive decision-maker.

#### **2. Experience:**

Experience as a technique of decision-making implies that an experienced manager utilizes feedback of his past experiences in judging the soundness of present decisions. In this technique,

the manager may also take advantage of the experiences of others, operating in the same lines of activities and faced with similar decision-making situations.

There is no substitute of experience as a technique of decision-making; just as an experienced doctor who diagnoses the disease of a patient immediately and in an accurate manner without making the patient undergoes complicated medical testing.

### **3. Brain Storming:**

In a brain storming session, a problem (for which a solution/decision) is desired), is posed before a number of managers (or other participants); and ideas are invited from them for a solution to the problem. As the name implies, in a brain storming session, when a problem is posed before participants; there is a sort of storm in their minds and each one under 'brain-in-storm' offers his/her own ideas for solving the problem.

After the brain-storming sessions is over; the ideas of members are critically examined and useful ideas are processed further, for arriving at a solution to the problem. In this way, through this technique, many-a-times, unique solutions to complicated problems are obtained.

### **4. Delphi Technique:**

Under this technique of decision-making, a panel of experts related to a particular problem area is prepared. The experts are kept apart and their identity is kept secret from one another. A questionnaire is carefully designed and sent to each expert, for obtaining his/her response to the questions contained in the questionnaire.

The answers are studied carefully and on those answers on which experts have differences of opinion; feedback is provided to such experts. The experts are requested to communicate the reasons for their divergence; and give further opinions on which also feedback is sent to them.

This process of giving feedback is repeated till a convergence of opinions begins to emerge.

Decision is taken when a convergence of opinions has taken place.

## **5. Linear Programming**

Linear Programming is a quantitative technique. It is used to decide how to distribute the limited resources for achieving the objectives. Here, linear, means the relationship between variables, and programming means taking decisions systematically. Linear programming is used when two or more activities are competing for limited resources. For e.g. product mix decisions, inventory management decisions, etc. Linear programming is used for Agriculture, Industry, Contract bidding and Evaluation of tenders.

## **6. Decision Tree**

A decision tree is a diagram which shows all the possible alternatives of a decision. All this information can be seen at one glance. It is also easy to understand. A decision tree is like a horizontal tree. The base of the tree is called the Decision Point. From this point, the different alternatives and sub-alternatives are shown as branches and sub-branches. The manager must study all the alternatives very carefully and select the best alternative.

### ➤ ADVANTAGES OF DECISION TREE:

1. Compared to other algorithms decision trees requires less effort for data preparation during pre-processing.
2. A decision tree does not require normalization of data.
3. A decision tree does not require scaling of data as well.
4. Missing values in the data also do NOT affect the process of building a decision tree to any considerable extent.

5. A Decision tree model is very intuitive and easy to explain to technical teams as well as stakeholders.

➤ **DISADVANTAGE OF DECISION TREE:**

1. A small change in the data can cause a large change in the structure of the decision tree causing instability.
2. For a Decision tree sometimes calculation can go far more complex compared to other algorithms.
3. Decision tree often involves higher time to train the model.
4. Decision tree training is relatively expensive as the complexity and time has taken are more.
5. The Decision Tree algorithm is inadequate for applying regression and predicting continuous values.

## **7. Game Theory**

A game is a situation involving at least two people. Each person's decision is based on what he expects the other to do. Game theory is used for deciding about competitive pricing. For e.g. A company may increase the price of its product when it feels that the competitor may also increase the price. For e.g. Pepsi will increase its price if it feels that Coca Cola will also increase its price. Here, both decision-makers adapt to each other's decisions.

## **8. Simulation**

Simulation technique is used to decide about complex problems. The effect of the decision is observed in a simulated situation and not in a real situation. For e.g. A company can find out the

effectiveness of its new advertisement by first showing it to few people before telecasting it on TV.

### **9. Queuing Theory**

This technique is used to find solutions to the waiting list problems in case of airline reservations, railway reservations, college admissions, etc. Queuing theory helps to find out the optimum number of service facilities required and the cost of these services. For e.g. A transport company may introduce more vehicles to carry the passengers in the waiting list. This will prevent the passengers from going to the competitor's company.

### **10. Network Techniques**

Managers use network techniques like PERT (Program Evaluation Review Technique) and CPM (Critical Path Method) for complex projects, where many activities have to be completed. With the help of these techniques, complex projects can be completed as per the schedule. Network techniques save time and cost.

### **11. Probability Decision Theory**

Probability Decision theory is based on the assumption that the future is uncertain. There is a chance that a certain event may or may not take place. Based on available data and subjective judgment of the manager, various probabilities are assigned (given) to alternative courses of action (decision). The likely / possible outcomes of different alternatives are evaluated, and the most likely alternative is selected.

### **12. Network Technique:**

Network technique is a technique for planning, scheduling (programming) and controlling the progress of projects. This is very useful for projects which are complex in nature or where activities are subject to considerable degree of uncertainty in performance time.

This technique provides an effective management, determines the project duration more accurately, identifies the activities which are critical at different stages of project completion to

enable to pay more attention on these activities, analyse the scheduling at regular interval for taking corrective action well in advance, facilitates in optimistic resources utilisation, helps management for taking timely and better decisions for effective monitoring and control during execution of the project.

### **UNIT-III**

#### **ORGANIZATIONAL BEHAVIOUR**

##### **➤ Concept and Meaning of Organization**

An organization refers to a formal social group that is deliberately created and maintained to achieve some intended goals. In other words, an organization is a place where a group of individual with different skills and background are brought together to perform specific duties. Their tasks are supervised and coordinated by managers

##### **➤ Concept and Meaning of Behavior**

Behavior is a way of action. It is what a person does. More precisely, behavior can be defined as the observable and measurable activity of human being. It can include anything like decision making, handling of machine, communication with the other people, reaction or response to an order or instruction.

##### **➤ Concept and Meaning of Organization Behavior (OB)**

- Organizational behavior is the study of the human behavior in an organization. Organization cannot be thought without human resources but human resources do act in the different ways. Human resource is the most dynamic resources among all resources of the organization

because of its feeling and interpretation. No two individual are likely to behave in the same manner in a particular work situation. Managers should be able to predict and expected behavior of an individual in group. Thus, it is essential to know the way people interact within groups.

- The main objective to the study of organizational behavior is to apply scientific approach to manage human resources.
- Different theories of organization behavior are used for human resource management purpose to maximize the output from individual and group members. This study is most commonly applied to create more efficiency in business organization.

**Fred Luthans- "OB is directly concerned with the understanding, predicting and controlling of human behavior in organizations."**

➤ **FUNDAMENTAL ASPECTS OF ORGANIZATIONAL BEHAVIOR-**

**1) People:** This element is the soul of the Organization because people work to achieve the target of Organization and Organization works to fulfill the needs of individual or group of individuals. The word 'people' can be anyone who is working inside the Organization, like employees or any external person like supplier, customer, auditor, or any government official.

**2) Structure:** It is the body of the Organization which is to be taken care of to bring coordination between different levels of Organization, because Organization does not work aloof and is dependent on people which again work on the concept of division of labor. So, there is always a hierarchy in Organization which if not properly dealt with can mess the system because of nil scrutiny and flow of control

**3) Technology:** Organizations work on technologies to help people in efficiently doing their work. Same technology does not apply to each Organization but different Organizations demand different technologies for their different line of businesses e.g bank needs mediating technology which connects customers and bankers, Manufacturing companies need long linked technology

because of their assembly line process, and hospitals work on intensive technology because of their responsibility to provide specialized services in terms of doctors and medical equipments.

**4) Environment:** Organizations are influenced by the environment in which they work, at a substantial level. Environment is important to Organizations because of the following factors:

# Supply and demand comes from this environment.

# Human resource, competitors, government agencies, unions, and political parties comes from environment in which Organization is surviving.

## ➤ **CHARACTERISTICS OF ORGANIZATIONAL BEHAVIOR (OB)**

### **1. Multidisciplinary Character**

Through OB concerns with the study of human behavior within organization, the area of study of OB is developed from different traditional disciplines like psychology, sociology, anthropology, political science, economics, industrial engineering and some emerging disciplines such as communication, information system, women's studies and machine etc. This covers such diverse area to understand the individual behavior in group. The concept like learning, perception, attitude, motivation, etc. is borrowed from psychology, sociology and anthropology. Thus organizational behavior is multidisciplinary in nature.

### **2. Goal Oriented Character**

OB is goal-oriented and action oriented discipline. Main concern of OB is to obtain the organizational goals with fulfilling individual goals of employees concerning with organization.

### **3. Multi-Level Study Character**

OB is studied in different levels. It concerns with individual level, group level and organizational level. OB investigates the influence of each level in the overall organizational effectiveness.



#### **4. Situational Character**

OB is situational. It is very dynamic discipline. OB studies human behavior under a variety of situations. Every organization needs to operate in dynamic environment. Changes in political, legal, economic, socio-cultural and technological environment make the decision making and implementation more complex and challenging. By studying OB, we can predict the future behavior and control deviant behaviors. For this, new issues and concepts need to be addressed in organization. This, makes the OB also situational.

#### **5. Systematic and Scientific study Character**

OB is the systematic study and it concerns with causes and effects relationship. Conclusions are drawn with evidence but not in intuitions of the managers. It completely follows system. Similarly, the study of OB follows scientific tools, techniques and decision making criteria.

#### **6. Behavioural Approach to Management:**

Organizational behaviour is that part of whole management which represents the behavioural approach to management. Organizational behaviour has emerged as a distinct field of study because of the importance of human behaviour in organizations.

#### **6. Dynamic Character**

Organizational behavior is dynamic as it concerns with changing behavior of individual. Groups norms, values and interests are the matter of change which are directly or indirectly influence the individual behavior. In another way, OB tries to change the behavior of individual to make them socially acceptable. Its essence is reflected in change in behavior of individuals in organization.

#### **7. Beneficial to both Organisation and Individuals:**

Organisational behaviour creates an atmosphere whereby both organisation and individuals are benefitted by each other. A reasonable climate is created so that employees may get much needed satisfaction and the organisation may attain its objectives.

#### **➤ IMPORTANCE OF ORGANIZATIONAL BEHAVIOR (OB)**

Success of every organization largely depends upon effectiveness of employees. Their understanding level, perception, attitude and behavior affect on job effectiveness. With globalization, attitude and behavior of employees are changing as they are getting opportunity in global organization. Managers need to understand their behavior in individual level, group level and organization level so that deviant behavior can be identified timely and changed to positive behavior. Thus, each manager must be able to understand and implement concept of OB in organization.

➤ **Importance of Organizational Behavior**

- It builds better relationship by achieving people's, organizational, and social objectives.
- It covers a wide array of human resource like behavior, training and development, change management, leadership, teams etc.
- It brings coordination which is the essence of management.
- It improves goodwill of the organization.
- It helps to achieve objectives quickly.
- It makes optimum utilization of resources.
- It facilitates motivation.
- It leads to higher efficiency.
- It improves relations in the organization.
- It is multidisciplinary, in the sense that applies different techniques, methods, and theories to evaluate the performances

**1. Understanding employee perception**

Perception is the factor leading to attitude and behavior of people. It is the way in which people understand and think towards people, things, events and situation. OB provides sufficient knowledge to employee in group and organization. OB provides particular antecedents (background) cause behavior. This helps to identify controllable and uncontrollable antecedents of behavior.

## **2. Controlling human behavior**

OB provides knowledge to understand predict human behavior. It borrows theories from various disciplines so that overall characteristic of employees and change them as desired. Managers thus, can easily maintain good working environment to improve the effectiveness and productivity.

## **3. Better Industrial Relations**

OB helps to understand the perception, attitude and behavior of people involved in different responsibilities of organization. It helps managers to understand problems at individual level, group level as well as organizational level. Misunderstanding can be solved promptly so that mutual understanding and respect can be maintained. This helps to maintain good industrial relation.

## **4. Employee Motivation**

OB suggests number of tools and techniques to satisfy individual according to their needs and interests. OB identifies individual differences and similarities with understanding people at different levels. Such techniques motivate employees. Motivated employees increase the organizational effectiveness.

## **5. Better utilization of means**

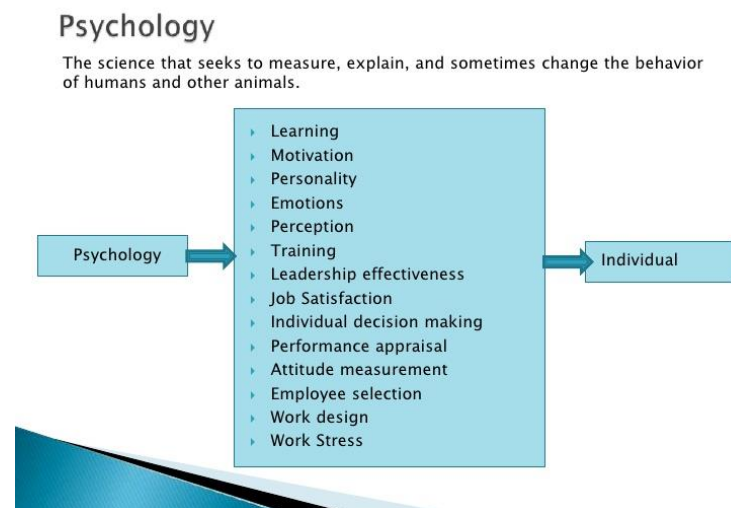
Organizations invest large capital in employee selection, training and development, reward management and HR maintenance. If it is done without understanding individual needs and interest, such activities may not work for purpose. OB helps managers to understand individual correctly so that required and effective programs can be initiated to increase effectiveness. Thus, OB increases in utilization of organizational means.

### **➤ CONTRIBUTING DISCIPLINES TO THE FIELD OF ORGANIZATION BEHAVIOR (OB)**

Organization behavior is consequences of different disciplines as it studies behaviors of individual, their impact in group dynamism and organizational performance. So, it considers the findings and assumptions of all the discipline under behavioral science. A number of behavioral science have contributed in the development of OB. They are discussed as:

## 1. Psychology

Psychology is the study of human mind to measure, explain and sometimes to change behavior. Study of fatigue, boredom, and other working condition was the initial contribution by industrial psychologist in OB which is now more concentrated in decision making processes, performance appraisal, reward management, attitude measurement, employee-selection process, training and development, motivation, work design and job stress. OB concerns regarding the study of individual psychology and behavior at work.



## 2. Social Psychology

Social psychology is the area of study of psychology in social setting i.e. group dynamism with the influence of individual influence. In OB, contribution of social psychologists is greatly shared specially for the study of group behavior, power and conflict. In order to measure, understand and change attitudes, identifying communication pattern and building trust by social psychology is must.

## 3. Sociology

Sociology is the area of study of people in relation to their social environment or culture. In order to understand and measure the group behavior in different organizational settings and to estimate their impact in organizational performance, contribution to sociology is being fruitful. Specially, OB uses the contribution of sociologists in studying organizational culture, organizational

structure, organizational technology, communication, power, and conflict in group and organizational level analysis.

Contributing Disciplines to the OB Field (cont'd)

### Sociology

The study of people in relation to their fellow human beings



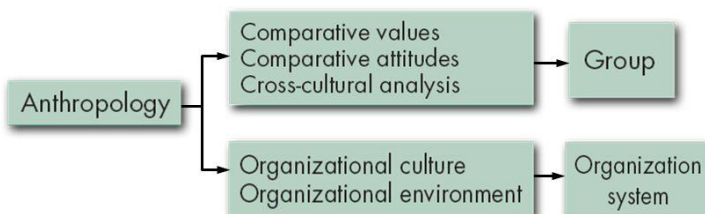
## 4. Anthropology

Anthropology is the area of study of people and their activities at work. This science focuses on cultures and environments to understand the fundamental differences in values, interest, attitudes and behaviors because of such culture and environments. In order to study the impact of national culture and organizational culture in activities, motivation and performance of employees, OB gets support of the contribution of anthropology.

### Contributing Disciplines to the OB Field (cont'd)

#### Anthropology

The study of societies to learn about human beings and their activities



## 5. Political Sciences

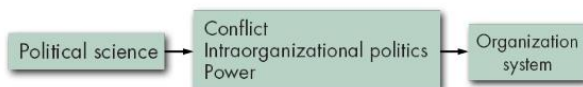
Contributions of political scientist are significant to the understanding of behavior in organizations. Political scientists study the behavior of individuals and groups within a political environment.

They contribute to understanding the dynamics of power centers, structuring of conflict and conflict resolutions tactics, allocation of power and how people manipulate power for individual self-interest.

### Contributing Disciplines to the OB Field

#### political science

The study of the behavior of individuals and groups within a political environment.



Political science provides an insight for the improvement and modification of the OB. The OB involves the application of political science at all levels. It may be at the highest level, like country, and at the lowest level, like an institute or organization. It involves the study of behaviour in a political environment.

## 6. Economics

Economics contributes organizational behavior to a great extent in designing the organizational structure. Transaction cost economics influence the organization and its structure.

Transaction costs economics implies costs components to make an exchange on the market.

This transaction cost economics examines the extent to which the organization structure and size of an organization varies in response to attempts to avoid market failures through minimizing production and transaction costs within the constraints of human and environmental factors.

Costs of transactions include both costs of market transactions and internal coordination.

A transaction occurs when a good or service is transferred across a ‘technologically separable barrier’ Transaction costs arise for many reasons.

So we can assume that there are various types of disciplines which involve organizational behavior. They, directly and indirectly, influence the overall activities of OB.

➤ **MAIN CHALLENGES AND OPPORTUNITIES OF ORGANIZATIONAL BEHAVIOR**

1. Improving Peoples' Skills.
2. Improving customer service
3. Total Quality Management (TQM)
4. Managing Workforce Diversity
5. Responding to Globalization.
6. Empowering People.
7. Coping with Temporariness.
8. Stimulating Innovation and Change.
9. Emergence of E-Organisation & E-Commerce
10. Improving Ethical Behavior.
11. **Helping employees balance work life conflicts**

**1. Improving People's Skills:**

Technological changes, structural changes, environmental changes are accelerated at a faster rate in the business field. Unless employees and executives are equipped to possess the required skills to adapt those changes, the targeted goals cannot be achieved in time. Two different categories of skills are – **managerial skills and technical skills**.

Some of the managerial skills include listening skills, motivating skills, planning and organizing skills, leading skills, problem-solving skill, decision-making skills etc.

These skills can be enhanced by organizing a series of training and development programs, career development programs, induction, and socialization etc.

**2. Improving customer service:** Many organization has failed because its employees failed to please customers. Management needs to create a customer responsive culture. Organizational behaviour can provide considerable guidance in helping managers create such cultures in which employees are friendly and courteous, accessible, knowledgeable, prompt in responding to customer needs, and willing to do what's necessary to please the customer.

### **3.Total quality management:**

It is a philosophy of management that is driven by the constant attainment of customer satisfaction through the continuous improvement of all organizational process.

The components of TQM are;

- (a) An intense focus on the customer,
- (b) Concern for continual improvement,
- (c) Improvement in the quality of everything the organization does,
- (d) Accurate measurement
- (e) Empowerment of employees.

### **4. Managing Workforce Diversity**

This refers to employing different categories of employees who are heterogeneous in terms of gender, race, relation, community, physically disadvantaged, elderly people etc.

The primary reason to employ heterogeneous category of employees is to tap the talents and potentialities, harnessing the innovativeness, obtaining synergetic effect among the divorce workforce. In general, employees wanted to retain their individual and cultural identity, values and life styles even though they are working in the same organization with common rules and regulations.

The major challenge for organizations is to become more accommodating to diverse groups of people by addressing their different life styles, family needs, and work styles.



## **5. Responding to Globalization**

Today's business is mostly market driven; wherever the demands exist irrespective of distance, locations, climatic Conditions, the business

Operations are expanded to gain their market share and to remain in the top rank etc. Business operations are no longer restricted to a particular locality or region.

Company's products or services are spreading across the nations using mass communication, the internet, faster transportation etc.

More than 95% of Nokia (Now Microsoft) hand phones are being sold outside of their home country Finland.

Japanese cars are being sold in different parts of the globe. Sri Lankan tea is exported to many cities around the globe.

## **6. Empowering People**

The main issue is delegating more power and responsibility to the lower level cadre of employees and assigning more freedom to make choices about their schedules, operations, procedures and the method of solving their work-related problems.

Encouraging the employees to participate in work related decision will sizably enhance their commitment to work. Empowerment is defined as putting employees in charge of what they do by eliciting some sort of ownership in them.

Managers will act as coaches, advisors, sponsors, facilitators and help their subordinates to do their task with minimal guidance.

## **7. Coping with Temporariness**

In recent times, the product life cycles are slimming, the methods of operations are improving, and fashions are changing very fast. In those days, the managers needed to introduce major change programs once or twice a decade. Today, change is an ongoing activity for most managers. The concept of continuous improvement implies constant change.

## **8. Stimulating Innovation and Change**

Today's successful organizations must foster innovation and be proficient in the art of change; otherwise, they will become candidates for extinction in due course of time and vanished from their field of business. Victory will go to those organizations that maintain flexibility, continually improve their quality, and beat the competition to the market place with a constant stream of innovative products and services.

**For example**, Amazon.com is putting a lot of independent bookstores out of business as it proves you can successfully sell books from an Internet website.

### **9. Emergence of E-Organisation & E-Commerce**

It refers to the business operations involving the electronic mode of transactions. It encompasses presenting products on websites and filling the order. The vast majority of articles and media attention given to using the Internet in business are directed at online shopping.

In this process, the marketing and selling of goods and services are being carried out over the Internet.

In e-commerce, the following activities are being taken place quite often – the tremendous numbers of people who are shopping on the Internet, business houses are setting up websites where they can sell goods, conducting the following transactions such as getting paid and fulfilling orders.

It is a dramatic change in the way a company relates to its customers. At present e-commerce is exploding. Globally, e-commerce spending was increasing at a tremendous rate.

**10. Improving ethical behavior:** In an organizational world characterized by cutbacks, expectations of increasing productivity, and tough competition, it's not surprising many employees feel pressured to cut corners, break rules, and engage in other questionable practices. Increasingly they face ethical dilemmas and ethical choices in which they are required to identify right and wrong conduct. Managers must create an ethically healthy climate for employees where

they can do their work productively with minimal ambiguity about what right and wrong behaviours are. Companies that promote a strong ethical mission can influence employee decisions to behave ethically and encourage employees to behave with integrity

**11. Helping employees balance work life conflicts:** Employees are increasingly complaining that the line between work and non-work time, has become blurred, creating personal conflicts and stress. Organizations are asking employees to put in longer hours. Recent studies suggest employees want jobs that give them flexibility in their work schedules so they can better manage work life conflicts. Try to help employees to achieve work life balance in a bid to attract and retain the most capable and motivated employees.

### **INDIVIDUAL BEHAVIOUR**

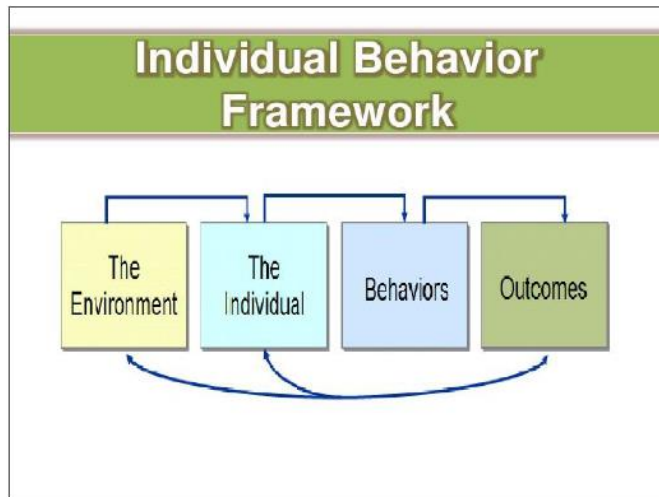
**Individual behavior** can be defined as a mix of responses to external and internal stimuli. It is the way a person reacts in different situations and the way someone expresses different emotions like anger, happiness, love, etc.

**Psychologist Kurt Lewin** stated the Field theory and outlined the behavior framework. This psychological theory studies the patterns of interaction between an individual and the environment. The theory is expressed using the formula

$$B = F(P,E)$$

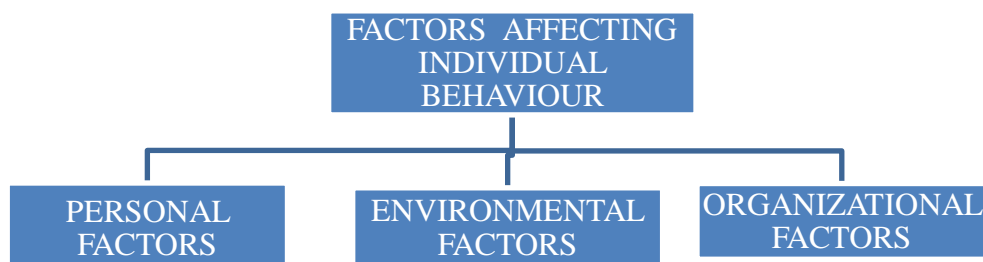
where, B – Behavior, F - Behavior Function, P – Person, and E - Environment around the person.

Say for example, a well paid person who loses his job in recession may behave differently when unemployed.



➤ **FACTORS AFFECTING BEHAVIOR OF AN INDIVIDUAL IN THE ORGANIZATION**

Every individual is different from each other, as the behavior of the human is considered as the most complex one. There are various challenges in an effective organization that could directly or indirectly affect the behavior of the employees. In certain situations, the manager of the organization have to first analyze the particular task, determine the skills required and gather a team that could complement and match the skills of each other. For addressing various factors, safety settings, capabilities of people and limitations have to be analyzed first. There are various factors that could affect the organizational behavior of an individual, some of them are:



A. **Personal factors** – The personal factors that can influence the behavior of an individual is further categorized into 2 parts that includes **Biographic and learned characteristics**.

**1. BIOGRAPHIC CHARACTERISTICS** – Every human being have certain type of characteristics which are inherited and genetic in nature. These characteristics cannot get changed. In an organization, if the manager will come to know about the limitations and qualities each personal possess, then they can easily make use of their behavior techniques of an organization in an effective manner. These characteristics include:

**(i) Physical Characteristics** – It mainly consists of skin, vision, height, complexion and many more. It creates impact on the performance of the individuals. Also, certain features includes tall, fat or slim. A person with good personality is always expected to dress and behave well in an organization, even if there is any correlation between the behavior and body structure or not.

1. **Age**– It is the inherited characteristic of an individual. In increasing performance, it is considered as an issue. Young people are expected to behave more energetic, adventurous, innovative, risk taking and ambitious. With the advancement in age, performance of a person is more likely to decline.

2. **Gender** – It is a genetical feature. This concept has initiated lots of discussion, debates and opinions. It is a traditional view that women are more emotional. A small difference between men and women can affect their job performance. Without any male-female differences, some of the people have competitive drive, leadership, motivation, learning ability, analytical skills or problem solving ability. A study have been conducted which says that the female employees generate more turnover rates. This is because there are more chances of females to quit their job for their personal reasons.

3. **Religion**– In determining some of the aspects of individual behavior, religion and its related cultures plays a significant role especially that have the basic concern with ethics, morals and code of conduct. It also helps in identifying the attitude of an individual towards their work and financial management incentives. But nobody can deny from the fact that people who are highly religious have more moral values than others.

4. **Marital Status** – A recent research says that the responsibilities of the person inclined with their marital status and it has become difficult to stable in a particular job for the longer period of time. Employees that are married have fewer absences, more job satisfaction and fewer turnovers.

5. **Experience** – The tenure or the experience of an employee plays a significant role within the organization. It creates lot of speculations and misconceptions due to the seniority factor. Also, work experience is considered as a good indicator that helps in increasing productivity with greater efficiency and effectiveness. There is a positive relationship between the job performance and the seniority. The turnover of an employee is also considered as negative in relation to the seniority.

2. **Learned Characteristics** – Learning is defined as a permanent change in the behavior of an employee that results in the interactions with the environment. The biographical features of a person are impossible to modify. Therefore, the managers of the organization paid a great interest in learning, studying and predicting the learned characteristics that include:

(1)**Personality**– Personality does not only lie with the physical appearance of the person. A person with a good personality comprised of smart person, smiling face and charming personality. This concept is considered as dynamic that describes the growth and development of the psychological system of the person. It is also refereed as personal traits or characteristics that include persistence, dominance, aggressiveness and other qualities that is reflected through the behavior of the person within the organization.

(2)**Perception**– It is the viewpoint that helps in the interpretation of some situation. Also, it is considered as the process which allows the information to enter in the minds and allowed to obtain sensible meaning for the whole world.

(3)**Values** – Values are considered as the global belief that instructs different judgments and actions across various situations. It consists of an individual's idea based on the right, good and desirable opinions. It is closely embedded in the people who could be reflected through their behavior. Also, most of time values are directly influenced from the teachers, parents, friends and various other external factors that completely changed the ideas, opinions and thoughts of

the person. For an organizational behavior, values are very significant. It helps in understanding the motivation and the attitude of an individual along with the influences of their perceptions or view point.

**B. ENVIRONMENTAL FACTORS** – On the behavior of a person, the external environment plays a significant role.

1. **Economic Factors** – In an economic environment, the behavior of an individual is largely affected due to certain factors including:

(a) **Employment Level** – The employment opportunities available to an individual directly influence the behavior of an individual. Even after the lack of job satisfaction, the individual have to stick to the same job as there are less job opportunities for him/her. In such cases, it is important that they may be loyal to the company in providing better productivity; they are only remaining in the same organization due to the monetary benefits offered to them.

(b) **Wage Rates** – Every employee is majorly concern with the wages offered to them by the company or the organization. The decision of a worker or an employee is directly affected by the monetary terms from the side of the company.

(c) **General Economic Environment** – There are various employees that does not have any effect of economic cycle whether in a public sector undertakings or government offices. Regardless of their economic position within the organization, they will receive their salaries. Employees in the private sectors are greatly affected by the stable income and job security but the former employees can be motivated from other factors.

Similarly, there are various other environmental factors in an organization that could affect the behavior of the employees, including social factors, political factors or legal environment.

**(d) Technological Development**

Though technology is not an economic factor, but we include it in the economic factors because of the impact it has on the individual job opportunities. The technological development has made the job more intellectual and upgraded. Some workers will be dislocated unless they are well

equipped to work on new machines. This makes it the duty of management to retrain the employees. For those, who pickup and acquaint themselves with new technology, the jobs will be rewarding and challenging.

## **2. Socio-cultural Factors:**

The social environment of an individual includes his relationship with family members, friends, colleagues, supervisors and subordinates. The behaviour of other people not with the individual, but in general, is also a part of his social environment. Similarly, every individual has a cultural background, which shapes his values and beliefs. Work ethics achievement need, effort-reward expectations and values are important cultural factors having impact on the individual behaviour.

## **3. Political Factors**

Political environment of the country will affect the individual behaviour not directly, but through several other factors. In a politically stable country there will be a steady level of employment (both in quantity and quality) and high level of capital investment. Whereas companies are reluctant to invest large sums of money in a politically instable country.

The political ideology of a country affects the individual behaviour through the relative freedom available to its citizens. A country can have a controlled society or less controlled society. The relative freedom available to the individuals can affect their career choice, job design and performance.

## **4. Legal Environment.**

Rules and laws are formalized and written standards of behaviour. Both rules and laws are strictly enforced by the legal system. Laws relate to all the members of the society e.g. Murder is a crime which is illegal and punishable by law and applies to all the people within the system. Observing the laws voluntarily allows for predictability of individual behaviour

**C. ORGANIZATIONAL FACTORS** – With wide variety of resources and organizational systems, individual behavior is influenced that includes:



1. **Physical Facilities** – At a workplace, the physical environment is considered as an arrangement of people and things positive that could also create influence on other people. There are certain factors that influence the behavior of an individual including cleanliness, light, ventilation, noise level, nature of job, number of people working, etc.

2. **Organizational Structure and Design** – The way in which every department of the organization is set-up has direct concern with the structure and design. The performance and the behavior of an individual is directly influenced by the position at which person could perfectly fits in the whole organizational hierarchy.

3. **Leadership** – The management of the organization establish the system of leadership so that the proper assistance, advice, guidance, direction and coaching could be given to the individuals. The behavior of each employee is influenced to the large extent to the behavior of the leaders or the superiors of the same organization. The behavior of the leaders is more important than the qualities of the leaders.

4. **Reward System** – The performance and the behavior of individuals are directly influenced by the reward system that is established by the organization so that the employees could be able to compensate.

### PERCEPTION

“Perception is the process through which the information from outside environment is selected, received, organized and interpreted to make it meaningful to you. This input of meaningful information results in decisions and actions.”

**Perception** is a process by which people regard, analyze, retrieve and react to any kind of information from the environment. **For example**, some people feel happy about earning money while others feel happy about spending money.

It is the process of interpreting something that we see or hear in our mind and use it later to judge and give a verdict on a situation, person, group etc.

It can be divided into six types –

- **Of sound** – The ability to receive sound by identifying vibrations.
- **Of speech** – The competence of interpreting and understanding the sounds of language heard.
- **Touch** – Identifying objects through patterns of its surface by touching it.
- **Taste** – The ability to receive flavor of substances by tasting it through sensory organs known as taste buds.
- **Other senses** – They approve perception through body, like balance, acceleration, pain, time, sensation felt in throat and lungs etc.
- **Of the social world** – It permits people to understand other individuals and groups of their social world. **Example** – Priya goes to a restaurant and likes their customer service, so she will perceive that it is a good place to hang out and will recommend it to her friends, who may or may not like it. Priya’s perception about the restaurant is good.

### **CHARACTERISTICS OF PERCEPTION**

#### **1. Perception is a selective process:**

We do not perceive each and everything in the world or around us. We attend to only a part of the stimuli around us. We select only a limited range of stimuli to which we attend. Attention is a basic process in perception. It makes our perception selective in nature. What we select would depend upon our needs, interests, and motives or on the nature of stimuli to which we are exposed.

#### **2. Perception involves past experience:**

Perception involves past experience also. The present information can be meaningfully understood only when we integrate our past and interpret it in terms of present or future consequences.

#### **3. Change is the basis of perception:**

Perception is always a response to some change or difference in the environment. If the world were uniformly the same we would experience no perception. E.g., change in the weather, style of dress, food, etc. is easily perceived. Any change in the normal routine is perceived quickly.

#### **4. Perception is objective as well as subjective:**

We all perceive certain things as the same e.g., table, chair, etc. are perceived by every one of us in a more or less similar manner. This is objective perception. In many cases our perception is considerably influenced by our thoughts, motives, interests, etc. Such perception is subjective in nature, e.g., an ambiguous event may be perceived differently by different individuals.

#### **5. Perception has affective aspect:**

Our perception often induces emotions in us. When we perceive an old friend we feel happy. When we perceive a snake we are afraid. Thus, perception produces feelings and emotions.

#### **6. Mental process:**

Perception is a mental process. Under it an individual chooses, organises and interprets information available in the environment. No individual can get attracted towards all the stimuli available in the environment. He selects only those stimuli which are related to him. After selecting the stimuli they are organised so that they are interpreted. In the end they are explained. In this way, one needs brain or intelligence at every step in the process of perception. Therefore, it will be quite right to call it a mental process.

#### **7. Affected by many factors**

The concept of perception is influenced by many factors factors which affect it are as follows.  
Major

- (i) **Internal Factors:** These factors are related to the perceiver. They mainly include needs, values, experiences, understanding, etc.
- (ii) **External Factors:** These factors are related to external environment which chiefly includes intensity, size, repetition, motion, etc.

## 8. Basis of human behavior

Understanding of perception has an important contribution in the anticipation and control of the behavior of the employees. People's behavior is according to their perception. If the manager can come to know how people perceive things, then he can anticipate organizational behavior and can also control it.

## 9. Unique interpretation

Perception is a particular interpretation of a real situation and is not an actual representation of reality. In other words, it can be said that perception is not a photocopy presentation but is only a description of some object, event or individual according to an individual's understanding. Every individual interprets the real world in a different manner. Two individuals can have difference of opinion on any single point. Out of these both the two or any one of them can be wrong.

### ➤ FACTORS AFFECTING PERCEPTION:

#### A. EXTERNAL FACTORS

**1. Intensity:** The intensity of stimulus implies that the more intense the stimulus audio or visual, the more is the likelihood it will be perceived. A loud noise, strong odour or bright light or bright colours will be more readily perceived than soft sound, weak odour or dim light. It is because of this advantage that advertisers employ intensity to draw the consumers' attention.

**2. Size:** The size of the object or stimulus has a greater impact on the perception process because the size influences attention and recognition in a more effective manner. A Great Den dog which is tall attracts the attention. At the same time a pocket dog also attracts attention because of its size. However, generally the larger the object the more likely it will be perceived. The amount of attention enhances with the size of the newspaper advertisement exposed to the individuals although the increase in attention may not be directly proportional to the increase in size.

**3. Contrast:** Contrasting objects have more impact on behaviour. The contrast principle states that external stimuli, which stand out against the background or which, are not what the people expect will receive attention. Plant safety signs, which have black lettering on a yellow background or white lettering on a red background, are attentions getting.

Any change in the accustomed atmosphere attracts attraction. His if one or more of the machines should come suddenly to a halt, the supervisor would immediately notice the difference in noise level. Also a person who has fallen asleep in a bus because of the drone of the engine wakes up immediately the engine stops.

**4. Repetition:** Repeated stimuli have more impact on performances than a single statement. Repetition has the advantage of being attention catching. Perhaps, it is because of this that supervisors tend to repeat directions regarding job instructions several times for even simple tasks to hold the attention of their workers. **Advertisers while putting T.V. or radio advertisements repeat the brand name they are advertising.**

**5. Motion:** The factor of motion implies that the individuals attend to changing objects in their field of vision than to static objects. It is because of this advantage that advertisers involve signs, which include moving objects in their campaigns. At an unconscious level the animals in the jungles make use of this principle. A tiger lying in wait is motionless until his prey is nearer him and then jumps at an appropriate moment.

**6. Novelty and familiarity:** A novel object in the familiar situation or a familiar object in a novel situation tends to attract attention. Thus a white person or a black person in India catches attention faster. Job rotation is an example of this principle. Recent research indicates that job rotation not only increased attention but also employees' acquisition of new skills

**7. Situations:** Situations have a great influence on people's perceptions. A favourable work environment develops a positive attitude and work culture because the perception process is easily channelized and rightly directed.

## **B. INTERNAL FACTORS**

**1. Personality:** The personality of the perceiver as well as the stimulator has an impact on the perception process. The age, sex, race, dress, etc of both the persons have a direct influence on the perception process.

**2. Habit:** Habits die hard and therefore individuals perceive objects, situations and conditions differently according to their habits. **e.g:** A Hindu will bow and do Namaskar when he sees a temple while walking on road, because of his well-established habit. These are several instances in life settings where individuals tend to react with the right response to the wrong signals. Thus a retired soldier may throw himself on the ground when he hears a sudden burst of car tyre

**3. Learning:** It refers to any relatively permanent change in behavior that occurs as a result of experience. Learning usually plays big role in developing perceptual set. A perceptual set is an expectation of a particular interpretation based on the past experience with the same or similar object. **For example: The phrase “turn off the the engine”** after a few seconds, you tend to notice that the word ‘the’ appears twice in the phrase.

**4. Economic and social background:** The employee perceptions are based on economic and social backgrounds. Socially and economically developed employees have a more positive attitude towards development rather than less developed employees.

**5. Motivation and interest:** It also plays a significant role in influencing the process of perception. **For example** a hungry person would react quickly by seeing the food than a non hungry person.

**6. Expectation:** It can influence your perception. In this you will see what you expect to see. If you imagine your boss unhappy with your performance you will likely to feel threatened by the termination notice. However if you imagine that your work is exceptionally good you will probably spend your weekend in a happy manner.

➤ **PERCEPTUAL PROCESS**

Important stages involved in perception process, i.e., (1) Perceptual Inputs, (2) Perceptual Mechanism, and (3) Perceptual Outputs.

### **I. Perceptual Inputs:**

A number of stimuli are constantly confronting people in the form of information, objects, events, people etc. in the environment. These serve as the inputs of the perceptual process. A few of the stimuli affecting the senses are the noise of the air coolers, the sound of other people talking and moving, outside noises from the vehicular traffic or a street repair shop or a loud speaker playing somewhere plus the impact of the total environmental situation. Some stimuli do not affect the senses of a person consciously, a process called subliminal perception.

### **II. Perceptual Mechanism:**

When a person receives information, he tries to process it through the following sub processes of selection, organisation and interpretation.

#### **(A) Perceptual Selectivity:**

Many things are taking place in the environment simultaneously. However, one cannot pay equal attention to all these things, thus the need of perceptual selectivity. Perceptual selectivity refers to the tendency to select certain objects from the environment for attention. The objects which are selected are those which are relevant and appropriate for an individual or those which are consistent with our existing beliefs, values and needs. For this, we need to screen or filter out most of them so that we may deal with the important or relevant ones.

#### **The following factors govern the selection of stimuli:**

(i) External Factors

(ii) Internal Factors

### **B. Perceptual Organisation:**

After having selectively absorbed the data from the range of stimuli we are exposed to at any given time, we then try to organize the perceptual inputs in such a manner that would facilitate us to extract meaning out of what we perceive. Or in other words, person's perceptual process

organizes the incoming information into a meaningful whole. While selection is a subjective process, organizing is a cognitive process.

**How we organize the stimuli is primarily based on the following principles:**

**(i) Figure and Ground:**

Figure-Ground principle is generally considered to be the most basic form of perceptual organisation. This principle simply implies that the perceived object or person or event stands out distinct from its back ground and occupies the cognitive space of the individual. For example, as you read this page, you see white as the background and black as the letters or words to be read. You do not try to understand what the white spaces amidst the black letters could mean.

Likewise, in the organisational setting, some people are more noticed or stand out than others. For example, an individual in the organisation might try to focus his entire attention on his immediate supervisor, trying to be in his good books, completely ignoring his colleagues and how they feel about his behaviour. According to this principle, thus, the perceiver tends to organize only the information which stands out in the environment which seems to be significant to the individual.

**(ii) Perceptual Grouping:**

Grouping is the tendency to curb individual stimuli into meaningful patterns. For instance, if we perceive objects or people with similar characteristics, we tend to group them together and this organizing mechanism helps us to deal with information in an efficient way rather than getting bogged down and confused with so many details. This tendency of grouping is very basic in nature and largely seems to be inborn.

**Some of the factors underlying his grouping are:**

**(a) Similarity:**

The principle of similarity states that the greater the similarity of the stimuli, the greater the tendency to perceive them as a common group. The principle of similarity is exemplified when



objects of similar shape, size or colour tend to be grouped together. For example, if all visitors to a plant are required to wear white hats while the supervisors wear blue hats, the workers can identify all the white hats as the group of visitors. Another example is our general tendency to perceive minority and women employees as a single group.

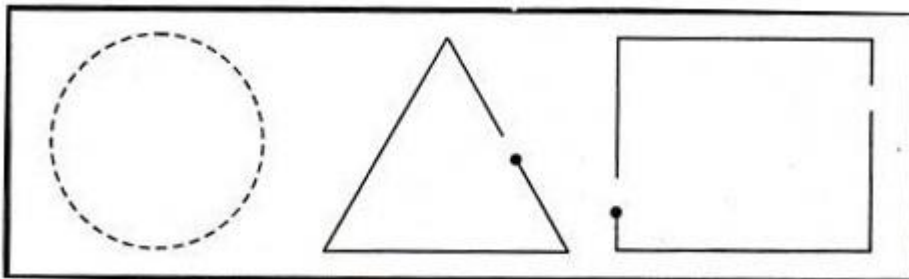
**(b) Proximity:**

The principle of proximity or nearness states that a group of stimuli that are close together will be perceived as a whole pattern of parts belonging together. **For example**, several people working on a machine will be considered as a single group so that if the productivity on that particular machine is low, then the entire group will be considered responsible even though, only some people in the group may be inefficient. The following figure demonstrates the proximity principle.

**(c) Closure:**

The principle of closure relates to the tendencies of the people to perceive objects as a whole, even when some parts of the object are missing. The person's perceptual process will close the gaps that are unfilled from sensory input.

**For example, in the following figure the sections of the figures are not complete, but being familiar with the shapes we tend to close the gaps and perceive it as a whole:**



Speaking from the point of view of an organisation, if a manager perceives a worker, on the whole, a hard worker, sincere, honest, then even, if he behaves in a contradictory way sometimes (which is a kind of a gap), the manager will tend to ignore it, because it does not fit in with the overall impression, that he has about the worker.

**(d) Continuity:**

Continuity is closely related to closure. But there is a difference. Closure supplies missing stimuli, whereas the continuity principle says that a person will tend to perceive continuous lines of pattern. The continuity may lead to inflexible or non creative thinking on the part of the organisational participants. Only the obvious patterns or relationships will be perceived. Because of this type of perception, the inflexible managers may require that employers follow a set and step by step routine leaving no ground for implementation of out of line innovative ideas.

**(iii) Perceptual Context:**

The highest and most sophisticated forms of organisation are context. It gives meaning and value to simple stimuli, objects, events, situations and other persons in the environment. The organisational structure and culture provide the primary context in which workers and managers do their perceiving. For example, a verbal order, a new policy, a pat on the back, a raised eye brow or a suggestion takes on special meaning when placed in the context of the work organisation.

**(iv) Perceptual Defence:**

Closely related to perceptual context is the perceptual defence. A person may build a defence against stimuli or situational events in a particular context that are personally or culturally unacceptable or threatening. Accordingly, perceptual defence may play a very important role in understanding union-management and supervisor-subordinate relationship. Most studies verify the existence of a perceptual defence mechanism.

The general conclusions drawn from these studies are that people may learn to avoid certain conflicting, threatening or unacceptable aspects of the context. The various defenses may be denial of an aspect, by modification and distortion, by change in the perception, then the last but not the least is recognition but refusal to change.

**C. Perceptual Interpretation:**

Perceptual interpretation is an integral part of the perception process. Without interpretation, selection and organization of information do not make any sense. After the information has been received and organised, the perceiver interprets or assigns meaning to the information. In fact,

perception is said to have taken place only after the data have been interpreted. Several factors contribute towards the interpretation of data.

More important among them are perceptual set, attribution, stereotyping, halo effect, perceptual context, perceptual defence, implicit personality theory and projection. It may also be noted that in the process of interpretation, people tend to become judgmental. They may tend to distort what they see and even ignore things that they feel are unpleasant.

#### **D. Checking:**

After data have been received and interpreted, the perceiver tends to check whether his interpretations are right or wrong. One way of checking is for the person himself to indulge in introspection. He will put a series of questions to himself and the answers will confirm whether his perception about an individual or object is correct or otherwise. Another way is to check the validity of the interpretation with others.

#### **E. Reacting:**

The last stage in perception is the reaction. The perceiver shall indulge in some action in relation to the perception. The action depends on whether the perception is favourable or unfavourable. It is negative when the perception is unfavourable and the action is positive when the perception is favourable.

### **III. Perceptual Outputs:**

Perceptual outputs encompass all that results from the throughout process. These would include such factors as one's attitudes, opinions, feelings, values and behaviours resulting from the perceptual inputs and throughputs. Perceptual errors adversely affect the perceptual outputs. The lesser our biases in perception, the better our chances of perceiving reality as it exists or at least perceiving situations with the minimum amount of distortions.

This will help us to form the right attitudes and engage in appropriate behavioural patterns, which in turn will be beneficial for attaining the desired organisational outcomes. It is essentially important for managers who are responsible for organisational results to enhance their skills in order to develop the right attitudes and behaviours.

➤ **FACTORS AFFECTING PERCEPTION:**

**A. EXTERNAL FACTORS**

**1. Intensity:** The intensity of stimulus implies that the more intense the stimulus audio or visual, the more is the likelihood it will be perceived. A loud noise, strong odour or bright light or bright colours will be more readily perceived than soft sound, weak odour or dim light. It is because of this advantage that advertisers employ intensity to draw the consumers' attention.

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**3. Contrast:** An object which contrasts with the surrounding environment is more likely to be noticed than the object which blends in the environment. For example, the Exit signs in the cinema halls which have red lettering on a black background are attention drawing or a warning sign in a factory, such as Danger, written in black against a red or yellow background will be easily noticeable. In a room if there are twenty men and one woman, the woman will be noticed first because of the contrast.

**4. Repetition:** Repeated stimuli have more impact on performances than a single statement. Repetition has the advantage of being attention catching. Perhaps, it is because of this that supervisors tend to repeat directions regarding job instructions several times for even simple tasks to hold the attention of their workers. Advertisers while putting T.V. or radio advertisements repeat the brand name they are advertising.

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jungles make use of this principle. A tiger lying in wait is motionless until his prey is nearer him and then jumps at an appropriate moment.

**6. Status:** High status people exert greater influence on the perception of the employees than the low status people. There will always be different reactions to the orders given by the foreman, the supervisor or the production manager.

**7. Situations:** Situations have a great influence on people's perceptions. A favourable work environment develops a positive attitude and work culture because the perception process is easily channelized and rightly directed.

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➤ **PERCEPTUAL ERROR**

Anything that inhibits or prevents us from making accurate perceptions is called a perceptual barrier or a perceptual error. Perceptual errors often result from the preconceived ideas perceivers hold about people and situations. Five of the most common perceptual barriers are selective perceptions, stereotypes, halo effect, projections, and expectations.

### **1. Selective Perception**

In the organizational context, selective perception means paying attention to information that supports your ideas and ignoring the rest. For instance, if you dislike some teachers, you would tend to focus on their negative personality characteristics and ignore any positive qualities that would be inconsistent with your opinion of them. Another type of selective perception is perceptual defense. This is the tendency for people to protect themselves from ideas, objects, or situations that are threatening. For instance, you may ignore a person who has ideas that threaten your deeply held convictions.

### **2. Stereotypes**

A stereotype is an oversimplified mental picture that is associated with a particular group (e.g., women are emotional, Scots are thrifty, and fat people are jolly). Stereotypes persist because people who hold them tend to practice selective perception. For example, a foreperson who believes that young people are lazy may notice that some of the younger

workers are taking extra breaks, but fail to perceive that older workers are doing the same. Positive stereotypes can be as misleading as negative ones. For instance, regardless of the reality, some of us tend to stereotype attractive people as warm, kind, sensitive, and honest.

### **3. Halo Effect**

The halo effect occurs in organizations when managers provide overly favourable evaluations of employees based on their observations of isolated successes. A typical halo error made by managers is to assume that a person with a good attendance record is responsible in all areas of performance. Another is being influenced by the previous year's performance evaluations.

### **4. Projection**

Projection is the tendency to attribute one's own beliefs, feelings, tendencies, motives, or needs to other people. For instance, a manager who enjoys taking on new responsibilities may project this tendency onto employees by assigning them extra job duties without first consulting them. Managers can avoid the negative consequences of projection by cultivating empathy and developing their listening skills.

### **5. Expectations**

An expectation is the tendency to find in a situation or a person what one expects to find. Our expectations have a big impact on how we perceive the world around us. For instance, when we ask people how they are doing, we expect them to answer, "Fine, thank you." If their response is accompanied by negative body language, we may choose to ignore the nonverbal information because it is not consistent with our expectations.

### **6. Impression:**

There is a popular saying that first impression is the last impression. We frequently form the impression of other on the first sight. Even before knowing any of their personality traits, they start having impressions and perceive thereby. This sometimes leads to perceptual errors.

**For example:** first bench students are disciplined and intelligent whereas last bench students are undisciplined and weak.

✓ **1. CASE STUDY ON PERCEPTION:**

The atmosphere at automobile parts manufacturer Alba Ltd. was palpable with tension. Vice President (Engineering) Vikas Malhotra's thoughts went back to the time when he had joined Alba at the age of 25, straight after management school. He had hoped then that he would take the company places and that together they would touch global horizons.

The managing director and the president of the company, Tapas Sen was quite appreciative of his work and contributions made towards the company. Today, 13 years later, they were totally at loggerheads and did not seem to have a consensus on anything. The company was involved in the manufacturing of automobile parts. Tapas Sen took over Alba at the age of 27 after his father's sudden death. Till then it relied on older methods of operations as there was no threat of competition and there were no other major players in its external environment. When Tapas took over in 1989, he wanted to bring in changes, but he was initially a bit apprehensive. In the wake of the liberalization measures adopted by the Indian government in 1991, the company faced unanticipated disturbances in business and the philosophy became to either "change or perish." Tapas decided to change. He brought in positive changes in the technology, systems, and processes and worked hard to maintain Alba's position in the market. Under his leadership, the company grew gradually and became one of the leaders in the market. It made variable profits depending on the state of the market and the demand for its products. In 2000, he decided to go public and made high profits for himself as well as the shareholders. He was labeled as a very hard-working, focused, and sincere businessman. In 1995, he inducted Vikas who proved to be an asset to the company. Vikas was appointed as an engineer, but in the last 13 years by dint of sheer hard work, commitment, and loyalty to the company, he had been promoted as a senior manager.

Due to the unexpected departure of the vice president (engineering), Vikas was promoted to take on his mantle. Prior to this, there were very few interactions between Vikas and Tapas because the chain of command did not require them to communicate much. Earlier, important discussions transpired between the VP and the MD. Vikas developed a dislike for his boss as the frequency



of the interaction between them increased. He also believed that Tapas did not like him much. They had differences about the promotional activities being carried out by the company to advertise its products. Tapas believed that in a competitive environment, products can be sold only with an effective advertising programme, while Vikas was convinced that the quality of the product would speak for itself. Vikas was of the opinion that the company should, therefore, focus more on the quality of the product and the needs of customers.

Tapas was disappointed when heard about Vikas's strong conviction about the importance of product quality over investment in advertising campaigns. He found his thoughts to be immature and also illogical. He also felt that Vikas's views might not be aligned with the long-term objectives of the company. Tapas communicated it very clearly to all his employees, especially to Vikas, that being the owner of the organization, he had complete control over its operations and would not permit anyone to interfere with his decisions. The argument between them ended on a sour note.

Vikas, now, decided to take a backseat and just focus on his work with the objective of adding value to the organization. He limited his discussions with Tapas to the minimum in order to avoid confrontations. He tried to work quietly but sometimes had to come to the forefront during Tapas's absence from work. Sometimes Vikas had to take decisions regarding promotion and reward strategies, and pricing of the product that were quite contrary to Tapas's beliefs. When Tapas would get to know of these decisions, he would fret and call Vikas to discuss the issues. Vikas, on the other hand, would avoid discussions for as long as possible as he did not want to get into arguments with Tapas. Vikas always had his thoughts aligned for the benefit of the organization and did not want to get into conflicting situations. Slowly, Vikas started realizing the stark personality differences between him and Tapas and felt disturbed by it. It was not possible for him to continue working in the same state. He proposed a meeting with Tapas immediately so as to clarify his areas of authority and responsibility. He requested Tapas for a meeting, a request that was grudgingly agreed to by Tapas. Vikas is now waiting for this meeting to take place so that he can decide his future course of action.

Tapas, however, is concerned about Vikas's behaviour. He is disturbed by the fact that Vikas seems more interested in making investments in technology and processes rather than improving the image of the company's products in the larger market with extensive advertising. He also feels that Vikas impinges on his authority during his absence and takes decisions that could damage the reputation of the company. He is annoyed with Vikas for trying to change the reward structure of the company without formally discussing it with him. He had always found Vikas evading issues whenever called for discussion. He feels now that it would be impossible to work with someone like Vikas.

### **Questions for discussion**

- 1. How do Vikas and Tapas perceive each other? Are they right in their perception and each other's evaluation?**
- 2. How do they perceive themselves? Why is there so much variation in their perception of each other and themselves?**
- 3. How can they improve their interaction with each other?**
- 4. If you were in Tapas's place, how would you handle the situation? What would you do if you were in Vikas's place?**

### **2. LINK FOR CASE STUDY ON PERCEPTION**

- 1. <https://www.slideshare.net/xyz123r/case-study-on-perception-46841015>**
- 2. <https://www.slideshare.net/LurveManIsya/organizational-behavior-case-study>**
- 3. [https://www.slideshare.net/TanuPriya3/case-study-on-organizational-behaviour?next\\_slideshow=2](https://www.slideshare.net/TanuPriya3/case-study-on-organizational-behaviour?next_slideshow=2)**

## ATTITUDE

“Attitude is manner, disposition, feeling and position with regard to a person or thing, tendency or orientation especially in the mind.”

### ➤ CHARACTERISTICS OR FEATURES OF ATTITUDE

#### **(a) Attitudes affect Behavior.**

People have the natural tendency to maintain consistency between two attitudes or attitude and behavior. Attitudes can lead to intended behavior if there is no external intervention.

#### **(b) Attitudes are Invisible.**

Attitudes constitute a psychological phenomenon which cannot be directly observed. However, we may observe an attitude indirectly thought observing its consequences. For example, if a person highly productive, we may infer that he has a positive towards his work.

#### **(c) Attitudes are acquired.**

Attitudes are gradually learnt over a period of time. The process of learning attitudes starts right from childhood and continues throughout the life of a person attitude of a child. For example, if the family members have a positive attitude toward business and negative towards service, there is a greater likelihood that child will inculcate similar attitudes towards these objects.

#### **(d) Attitudes are Pervasive.**

Attitudes are formed in the process of socialization and may relate to anything in the world. For example, a person may have so on. At our place of work, we have attitudes towards work, superiors peers, subordinates, clients, Government and its policies, investors and so on. Thus there is a endless list of attitude objects.

(e) **Valence:** It refers to the magnitude or degree of favorableness or unfavorableness toward the object/event. If a person is relatively indifferent toward an object then his attitude has low valence

(f) **Multiplicity:** It refers to the number of elements constituting the attitude. For example, one student may show interest in studies, but another not only shows interest, but also works hard, is sincere, and serious.

(g) **Relation to Needs:** Attitudes vary in relation to needs they serve. For example, attitudes of an individual toward the pictures may serve only entertainment needs. On the other hand, attitudes of an employee toward task may serve strong needs for security, achievement, recognition, and satisfaction.

#### ➤ **TYPES OF ATTITUDES**

A person can have thousands of attitudes, but OB focuses the attention only a very limited number of job related attitudes. The following are some types of attitudes:

**1) Job Satisfaction:** It refers to an individual's general attitude toward his or her job. A person with a high level of job satisfaction holds positive attitudes towards the job, while a person who is not satisfied holds a negative attitude about the job.

**2) Job Involvement:** It measures the degree to which a person identifies psychologically with his or her job and considers his or her perceived performance level important to his or her self worth. Employees with a high level of job involvement strongly identify with and really care about the kind of work they do on their job.

**3) Organizational Commitment:** It is defined as a state in which an employee identifies with a particular organization and its goals, and wishes to maintain membership in the organization. So high job involvement means identifying with one's specific job, while high organizational commitment means identifying with one's employing organization.

#### ➤ **COMPONENTS OF ATTITUDE**

**1. Informational or Cognitive Component:**

The informational component consists of beliefs, values, ideas and other information a person has about the object. It makes no difference whether or not this information is empirically correct or real. For example, a person seeking a job may learn from his own sources and other employees working in the company that in a particular company the promotion chances are very favourable. In reality, it may or may not be correct. Yet the information that person is using is the key to his attitude about that job and about that company.

**2. Emotional or Affective Component**

The informational component sets the stage for the more critical part of an attitude, its affective component. The emotional components involve the person's feeling or affect-positive, neutral or negative-about an object. This component can be explained by this statement." I like this job because the future prospects in this company are very good".

**3. Behavioral Component**

The behavioral component consists of the tendency of a person to behave in a particular manner towards an object. For example, the concerned individual in the above case may decide to take up the job because of good future prospects. Out of the three components of attitudes, only the behavioral component can be directly observed. One cannot see another person's beliefs (the informational component) and his feelings (the emotional component). These two components can only be inferred. But still understanding these two components is essential in the study of organizational behavior or the behavioral component of attitudes.

➤ **PERSONALITY:**

The term 'personality' is derived from the Latin word '**persona**' which means a mask. **According to K. Young**, "Personality is a patterned body of habits, traits, attitudes and ideas of an individual."

**G. W. Allport** defined it as "a person's pattern of habits, attitudes, and traits which determine his adjustment to his environment."

**NATURE OF PERSONALITY:**

**Personality is a dynamic whole:** The definition of Personality given by Allport reveals that the personality is the dynamic whole. The constituents of Personality are organised into units which are not static but active.

**Personality measures behavior:** Personality of an individual is more or less stable. It can be predicted by ones behavior.

**Outcome interaction** of heredity and environment: Most of the psychologists review that Personality is the net result of the interaction of heredity characters and environment factors. The growth and the development of physical, social, emotional and moral are affected by environmental factors.

**Motive Force:** There are many theories of motivation which contributes to the understanding of the dynamics of personality. Behavior is affected overall by motives, ego involvement, incentives, etc.

➤ **DETERMINANTS OF PERSONALITY:**

**1. Biological Factors**

- ✓ **Physique and Personality:** Various things influence the development of the personality. Physical development infrequence the development of personality such as; height, weight, physical defects, etc.
- ✓ **Intelligence:** . Intelligence is the thinking power of human. Due to intelligence, human is now in road towards development. Human beings can defeat anyone due to intelligence.

Persons who are very intelligent can make better adjustment in around them and depicts good personality..

- ✓ **Gender Differences:** Generally boys are more assertive and tough minded. They show interest in wining also in outdoor activities. Girls are interested in less vigorous( physically and mentally strong) games. They remain quiet and show interest in personal or physical appearance. That is why, most of the girls have a better sense of fine art. Thus, gender differences play a vital role in the development of individuals personality.
- ✓ **Nervous System:** Other major system which plays important role is nervous system. Nervous System controls or limits ones learning capacity. It is evident that development of personality is influenced by nature of nervous system.

## **2. Social Factors of Personality**

When an individual interact with other persons in his/her group give and take relationship takes place and it affects the personality of an individual social factors of personality are responsible for the formation of personality, when an individual has group experience and contact with others personality of an individual is influenced by others may be bad or good but depends on the association in which he/she keeps. In a society every person plays a specific role and status

**For example** in our society younger are expected to be respectful for elders. Many other social factors like environment, group life, family, media with which an individual interact in his/her society daily life mold their personalities. We can say that whatever comes in contact with an individual's social life affects personality of that individual and develop good or bad personality.

## **3. Cultural Factors of Personality**

An individual living in his/her culture adopts the traits consciously or unconsciously and acts accordingly. Culture of any society determines the behaviors and personality of an individual and he/she is expected to act according to the culture. A person follows all the social norms of a culture which results in the formation of good personality while non-conformity to the cultural rules develops abnormal or bad personality. So, the culture in which an individual seeks satisfaction adjusts himself/herself and develops personality.

## **4. Environment**

Physical environment also determines the personality of an individual. Environmental factors include land, river, mountains, hills, forests, plain area, atmosphere etc which affect the personality to be good or bad, healthy or weak.

- ✓ **Geographical environment:** Individuals personality is influenced by the geographical conditions. All the feelings, emotions, ideas, attitudes, habits and behavior as well as body structure is the result of physical environment of to which an individual belongs. For example, body structure, physique, color and health of the rural people are different from urban people. These people have different environment due to which they develop variety of personalities. The people living in cities have facilities and modern ways of life which creates to develop delicate bodies and minds as compare to the rural people who are deprived of these facilities.
- ✓ **Childhood experiences:** It is of vital importance. When in childhood, the individual is hunted by tensions and emotions, it influences its development.

### **5. Situational Factors of Personality:**

Situational factors of personality also have a complete share in the formation of personality of an individual. Situational factors of personality are changing according to the social situations. Every person face may situations in his life which enables him/her to change his/her behavior. For example, a teacher may be rigid and strict with students but may not with his/her family. An officer may behave with the subordinates differently as compare to his/her friends. Personality is not the result of only one factor but every factor is responsible to give complete share in its formation. A person behave and his/her personality exists when interacts with environment, culture, society, parents, friends and to those who come in contact by chance.

#### ➤ **MAIN FIVE TRAITS OF PERSONALITY**

1. Openness
2. Conscientiousness
3. Extraversion
4. Agreeableness
5. Neuroticism



**(you can remember these traits with the OCEAN)**

The Big Five were developed in the **1970s** by two research teams. These teams were led by **Paul Costa and Robert R. McCrae** of the National Institutes of Health and **Warren Norman and Lewis Goldberg** of the University of Michigan at Ann Arbor and the University of Oregon, according to Scientific American. The Big Five are the ingredients that make up each individual's personality. A person might have a dash of openness, a lot of conscientiousness, an average amount of extraversion, plenty of agreeableness and almost no neuroticism at all. Or someone could be disagreeable, neurotic, introverted, conscientious and hardly open at all.

Here's what each trait entails:

### **1. Openness**

Openness is shorthand for "openness to experience." People who are high in openness enjoy adventure. They're curious and appreciate art, imagination and new things. The motto of the open individual might be "Variety is the spice of life."

People low in openness is just the opposite: They prefer to stick to their habits, avoid new experiences and probably aren't the most adventurous eaters. Changing personality is usually considered a tough process, but openness is a personality trait that's been shown to be subject to change in adulthood.

### **2. Conscientiousness (thorough, careful in ones task performance)**

People who are conscientious are organized and have a strong sense of duty. They're dependable, disciplined and achievement-focused..

People low in conscientiousness is more spontaneous and freewheeling. They may tend toward carelessness. Conscientiousness is a helpful trait to have, as it has been linked to achievement in life and career.

### 3. Extraversion( who is outgoing, social person)

**Extraversion and introversion** is possibly the most recognizable personality trait of the Big Five. The more of an extrovert someone is, the more of a social butterfly they are. Extroverts are chatty, sociable and draw energy from crowds. They tend to be assertive and cheerful in their social interactions. A person who scores high in extraversion on a personality test is the life of the party. They enjoy being with people, participating in social gatherings, and are full of energy. **Introverts (reserved person)** on the other hand, need plenty of alone time, perhaps because their brains **process social interaction differently**. Introversion is often confused with shyness, but the two aren't the same. Shyness implies a fear of social interactions or an inability to function socially. Introverts can be perfectly charming at parties — they just prefer solo or small-group activities.

### 4. Agreeableness

Agreeableness measures the extent of a person's warmth and kindness. The more agreeable someone is, the more likely they are to be trusting, helpful and compassionate. Disagreeable people are cold and suspicious of others, and they're less likely to cooperate

### 5. Neuroticism (nervous and worried person):

It is one of the Big Five higher-order personality traits in the study of psychology. Individuals who score high on neuroticism are more likely than average to be moody and to experience such feelings as anxiety, worry, fear, anger, frustration, envy, jealousy, guilt, depressed mood, and loneliness. People high in neuroticism worry frequently and easily slip into anxiety and depression. In contrast, people who are low in neuroticism tend to be emotionally stable and balanced.

#### ➤ **IMPORTANCE OF PERSONALITY DEVELOPMENT**

- Ensures Continuous Improvement/Growth- one should always aim to be better than yesterday. As an individual, you should always keep on improving yourself. If you feel

that there some things you don't like about yourself work on changing them. Don't stagnate always seek a better you.

- Helps in Better Management- **Personality development** helps to have the right personality and social skills. With this two, team participation becomes easier because you can interact effortlessly with colleagues. With a good personality, your employees will enjoy working with you and most likely perform better because you're a good boss, who is full of positive energy.
- Builds Balance in Life- Personality development can help to be more organized, punctual, a person who keeps his word, etc. When you acquire such skills, you are able to plan every area of your life so none suffers. You create time for your family, time to exercise and meditate, work and so on. Every area benefits from a good and developed personality.
- **Ensures Excellence in one's Field**- If you are constantly developing yourself you will ultimately become the best version of yourself. You become the go-to person on any matter in your field. That is why you find many CEO's are very keen on theirs and staff development. You must keep learning new things to keep up with the ever-changing world. Personality development improves your chances of success in any undertaking-because you have the right mindset are goal oriented and likable.
- **Personality development improves the confidence level.** Personality development helps a person to understand the self. It helps him/her to develop characteristics and traits within them. It helps you to face all situations in life with a smile.
- **Personality development helps you to live a positive way of life.** It helps people to face difficult situations and find an appropriate solution to the same. This develops one to analyze situation in a correct manner and avoid negative attitude.

- **Personality development decreases stress.** As personality development helps you to understand the ways to deal with difficult situations, it decreases stress. It encourages you to look into the brighter side of the life.
- **Personality development improves your skills.** Improving skills and expanding knowledge is a method of personality development. As a result if you improve your personality, your skills will also enhance. Your communication skills, management skills, presentation skills, etc. are also improved by personality development.

## LEARNING

- **LEARNING**

It is the process of acquiring new, or modifying existing, knowledge, behaviors, skills, values, or preferences.<sup>[1]</sup> The ability to learn is possessed by humans, animals, and some machines;

- Learning is defined as “any relatively permanent change in behaviour that occurs as a result of practice and experience”. This definition has three important elements.
  - a. Learning is a change in behaviour—better or worse.
  - b. It is a change that takes place through practice or experience, but changes due to growth or maturation are not learning.
  - c. This change in behaviour must be relatively permanent, and it must last a fairly long time.
- All learning involves activities. These activities involve either physical or mental activities. They may be simple mental activities or complex, involving various muscles, bones, etc. So also the mental activities may be very simple involving one or two activities of mind or complex which involve higher mental activities.

➤ **TYPES OF LEARNING:**

**1. Motor learning:**

Most of our activities in our day-to-days life refer to motor activities. The individual has to learn them in order to maintain his regular life, for example walking, running, skating, driving, climbing, etc. All these activities involve the muscular coordination.

**2. Verbal learning:**

This type of learning involves the language we speak, the communication devices we use. Signs, pictures, symbols, words, figures, sounds, etc, are the tools used in such activities. We use words for communication.

**3. Concept learning:**

It is the form of learning which requires higher order mental processes like thinking, reasoning, intelligence, etc. we learn different concepts from childhood. For example, when we see a dog and attach the term 'dog', we learn that the word dog refers to a particular animal. Concept learning involves two processes, viz. abstraction and generalisation. This learning is very useful in recognising, identifying things.

**4. Discrimination learning:**

Learning to differentiate between stimuli and showing an appropriate response to these stimuli is called discrimination learning. Example, sound horns of different vehicles like bus, car, ambulance, etc.

**5. Learning of principles:**

Individuals learn certain principles related to science, mathematics, grammar, etc. in order to manage their work effectively. These principles always show the relationship between two or more concepts. Example: formulae, laws, associations, correlations, etc.

**6. Problem solving:**

This is a higher order learning process. This learning requires the use of cognitive abilities-such as thinking, reasoning, observation, imagination, generalization, etc. This is very useful to overcome difficult problems encountered by the people.

## 7. Attitude learning:

Attitude is a predisposition which determines and directs our behaviour. We develop different attitudes from our childhood about the people, objects and everything we know. Our behaviour may be positive or negative depending upon our attitudes. Example: attitudes of nurse towards her profession, patients, etc.

- Yoakman and Simpson have described the following **NINE IMPORTANT CHARACTERISTICS OF LEARNING.**

### (1) Learning is growth

The individual grows as he lives. This growth implies i both physical as well as mental development of the learner. The individual gains experiences through various activities. These are all sources of learning. The individual grows through living and learning. Thus growth and learning are inter-related and even synonymous.

### (2) Learning is adjustment

Learning enables the individual to adjust himself properly, with the new situations. The individual faces new problems and new situations throughout his life and learning helps him to solve the problems encountered by him. That is why; many psychologists describe learning as “a process of progressive adjustment to the ever changing conditions which one encounters.” The society in which we live is so complex and so dynamic that any one type of adjustment will not be suitable for all or many situations and problems. It is through learning that one could achieve the ability to adjust adequately to all situations of life.

### (3) Learning is purposeful

All kinds of learning is goal-oriented. The individual acts with some purpose. He learns through activities. He gets himself interested when he is aware of his objectives to be realized through these activities. Therefore all learning is purposive in nature.

### (4) Learning is experience

The individual learns through experiences. Human life is full of experiences. All these experiences provide new knowledge, understanding, skills and attitudes. Learning is not mere acquisition of the knowledge, skills and attitudes. It is also the reorganization of experiences or the synthesis of the old experiences with the new.

**(5) Learning is intelligent**

Mere cramming without proper understanding does not make learning. Thus meaningless efforts do not produce permanent results. Any work done mechanically cannot yield satisfactory learning outcomes. Learning therefore must be intelligent.

**(6) Learning is active**

Learning is given more importance than teaching. It implies self-activity of the learning. Without adequate motivation he cannot work whole-heartedly and motivation is therefore at the root of self-activity. Learning by doing is thus an important principle of education, and the basis of all progressive methods of education like the Project, the Dalton, the Montessori and Basic system.

**7) Learning is both individual and social**

Although learning is an individual activity, it is social also. Individual mind is consciously or unconsciously affected by the group activities. Individual is influenced by his peers, friends, relatives' parents and classmates and learns their ideas, feelings and attitudes in some way or others. The social agencies like family, church, markets, and clubs exert immense, influence on the individual minds. As such, learning becomes both individual as well as social.

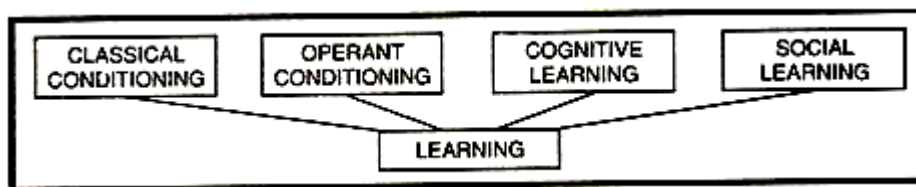
**(8) Learning is-the product of the environment**

The individual lives in interaction of the society. Particularly, environment plays an important part in the growth and development of the individual. The physical, social, intellectual and emotional development of the child is molded and remolded by the objects and individuals in his environment. Therefore, emphasized that child's environment should be made free from unhealthy and vicious matters to make it more effective for learning.

**(9) Learning affects the conduct of the learner**

Learning is called the modification of behavior. It affects the learner's behavior and conduct. Every learning experience brings about changes in the mental structure of the learner. Therefore attempts are made to provide such learning experiences which can mould the desired conduct and habits in the learners.

➤ **THEORIES OF LEARNING:**

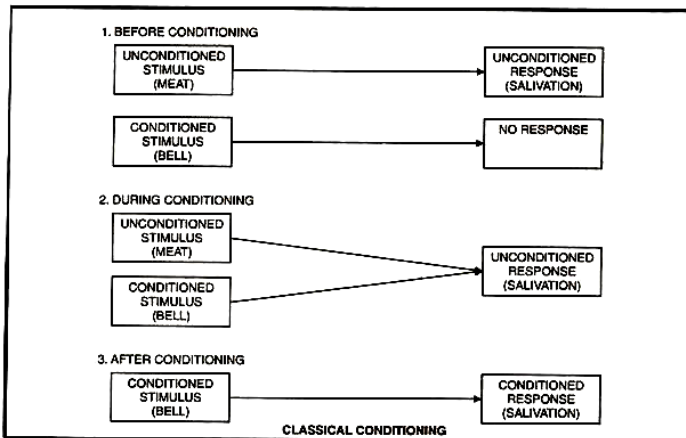


**1. Classical Conditioning:**

Classical conditioning is the association of one event with another desired event resulting in a behaviour. The most well known experiments on classical conditioning were conducted by Ivan Pavlov, the Russian psychologist, who won the Nobel Prize for his experiments on this subject. Pavlov conducted an experiment on dogs and tried to establish a Stimulus-Response (S-R) connection. He tried to relate the dog's salivation and the ringing of the bell. In his experiments, he put some meat in front of dogs.

The dogs responded to this stimulus by salivating. This response was instinctive or unconditioned. Pavlov next began to ring a bell at the same time as the meat was presented. Ringing the bell in itself, without the presentation of meat, was not connected to any responses. But by ringing the bell at the same time as presentation of meat, Pavlov established a relationship between the two stimuli-the bell and the meat- in the mind of the dogs. By continuing this process, the ringing of bell alone was sufficient stimulus to elicit a response of salivating, even when no meat was presented. Thus, the bell became a conditioned stimulus, resulting in conditioned or learned response.





The above diagram explains that the meat was an unconditioned stimulus. It caused the dog to react in a certain way i.e. noticeable increase in salivation. This reaction is called the unconditioned response. The bell was an artificial stimulus or conditioned stimulus. But when the bell was paired with the meat (an unconditioned stimulus), it eventually produced a response. After conditioning, the dog started salivating in response to the ringing of the bell alone. Thus, conditioned stimulus led to conditioned response.

In an organisational setting we can see classical conditioning operating. For example, at one manufacturing plant, every time the top executive from the head office would make a visit, the plant management would clean up the administrative offices and wash the windows. This went on for years.

## 2. Operant Conditioning:

Operant is defined as behaviour that produces effect. Operant conditioning is based on the work of B.F. Skinner who advocated that individuals emit responses that are rewarded and will not emit responses that are either not rewarded or are punished. Operant conditioning argues that behaviour is a function of its consequences. Behaviour is likely to be repeated if the consequences are favourable. Behaviour is not likely to be repeated if the consequences are unfavorable. Thus the relationship between behaviour and consequences is the essence of the operant conditioning.

Based upon this direct relationship between the consequences and the behaviour, the management can study and identify this relationship and try to modify and control behaviour. Hence, certain types of consequences can be used to increase the occurrence of a desired behaviour and other types of consequences can be used to decrease the occurrence of undesired behaviour.

One can see examples of operant conditioning in the organisations. For instance, working hard and getting the promotion will probably cause the person to keep working hard in the future. On the other hand, if a boss assures his subordinate that he would be suitably compensated in the next performance appraisal, provided the employee works over time.

However, when the evaluation time comes, the boss does not fulfill his assurance to his subordinate, even though the latter had worked overtime. Next time, the subordinate coolly declines to work overtime when the boss requests him to do so. Thus, it can be concluded that the behaviour consequences that are rewarding increase the rate of response, while the aversive consequences decrease the rate of response. Operant conditioning techniques are extensively used in clinical and educational research, control of alcoholism and control of deviant children in a class room.

### **3. Cognitive Learning:**

The pioneer of cognitive learning theory is Edward Tolman. He developed and tested this theory through controlled experiments. Using rats in his laboratory, he showed that they learnt to run through a complicated maze towards their goal of food. It was observed that rats developed expectations at every choice point in the maze. Thus, they learnt to expect that certain cognitive cues related to the choice point could ultimately lead to food. The learning took place when the relationship between the cues and expectancy was strengthened because the cues led to expected goals.

The cognitive theory recognizes the role of an organism in receiving, memorizing, retrieving and interpreting the stimulus and reacting to it. The cognitive explanation of learning differs from classical conditioning (stimulus response learning) and operant conditioning (response stimulus

learning). According to Tolman, cognitive approach could be termed as stimulus approach i.e. one stimulus leads to another.

#### **4. Social Learning:**

Individuals can also learn by observing what happens to other people and just by being told about something, as well as by direct experiences. Much of what we have learned comes from observing and imitating models-parents, teachers, peers, superiors, film stars etc. we can learn through both observation and direct experience which is known as social learning theory.

This theory assumes that learning is not a case of environmental determinism (classical and operant views) or of individual determinism (The cognitive view). Rather it is a blending of both. Thus, social learning theory emphasizes the interactive nature of cognitive, behavioural and environmental determinants. The influence of model is central to the social learning view point. Four processes have been found to determine the influence that a model will have on an individual.

##### **a. Attention Process:**

People learn from a model only when they recognize and pay attention to its critical features. We tend to be most influenced by models that are attractive, repeatedly available, important to us or similar to use in our estimation.

##### **b. Retention Processes:**

A model's influence will depend upon how well the individual remembers the model's action after the model is not longer readily available.

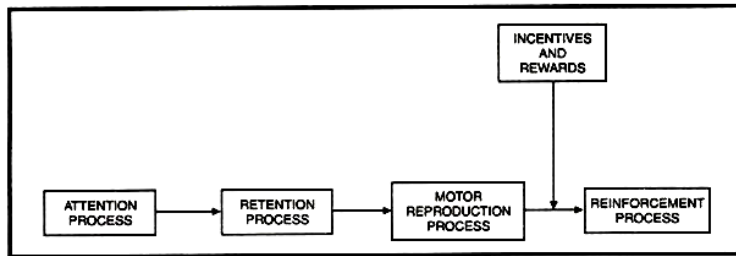
##### **c. Motor Reproduction Processes:**

After a person has seen a new behaviour by observing the model, the watching must be converted to doing. This process then demonstrates that the individual can perform the modelled activities.

##### **d. Reinforcement Processes:**

Individuals will be motivated to exhibit the modeled behaviour if positive incentives or rewards are provided. Behaviours that are positively reinforced will be given more attention, learned better and performed more often.

**The following diagram illustrates the effect of the social learning model on the individual:**



### **5. Behaviour modification:**

The learning process of individuals takes place on the job as well as prior to the job. In any organisation, managers will be concerned with how they can teach employees to behave in the ways that are most beneficial to the organisation. When an attempt is made by the managers to mould individuals by guiding their learning in graduated steps he is shaping their behaviour.

A manager can shape the behaviour by systematical reinforcing each successive step that move the individual closer to the desired response. For example, an employee who chronically leaves the office half hour early starts leaving the office only twenty minutes early, the manager can reinforce his behaviour so that it comes more close to the desired behaviour to leave the office in time. The first theoretical treatment given to reinforcement in learning and the framework that still dominates today is E.L. Thorndike's classic law of effect.

#### **➤ The Law of Effect:**

In Thorndike's own words, the law of effect simply states that, "Of several response made to the same situation, those which are accompanied or closely followed by satisfaction (Reinforcement)-will be more likely to recur, those which are accompanied or more closely followed by discomfort (Punishment- will be less likely to recur." The operant conditioning or learning approach to behaviour is based on the law of effect.

## MOTIVATION

### ➤ MOTIVATION MEANING:

It is an important factor which encourages persons to give their best performance and help in reaching enterprise goals. A strong positive motivation will enable the increased output of employee but a negative motivation will reduce their performance.

### ➤ DEFINITION:

- ✓ **Berelson and Steiner:** “A motive is an inner state that energizes, activates, or moves and directs or channels behaviour goals.’
- ✓ **Lillis:** “It is the stimulation of any emotion or desire operating upon one’s will and promoting or driving it to action

### ➤ NATURES/FEATURES/CHARACTERISTICS OF MOTIVATION

The nature of motivation can be defined in following manner:

#### **1. Psychological concept:**

Motivation is related to mental state of a person. So, motivation is a psychological aspect. Psychology is a mental condition which arises in the mind of a person and directs to act in a particular way. Motivation is related with the needs and motives which generate within an individual. It is the function of management which encourages the capable person to do work with his maximum efficiency. A man having physical, mental and technical capability may not be ready to work properly. But motivation techniques encourage to work with great efficiency.

**2.Never ending process:** Motivation is important till the existence of the management. It is an unending process. It is dynamic in nature. The needs of a person arise continuously one after another. For instance- a man satisfies one want or one set of wants and after getting satisfaction again he feels another want and tries to satisfy the same. As desires, wants, needs, and motives are dynamic and changes occur frequently, the motivation too should be considered as dynamic.

**3. Related to human resources:** Motivation is related to human resources and needs. It is concerned with the feelings, desires, motives and needs of a man. Ofcourse, a man may be motivated but we cannot motivate other factors of production or resources like capital, land and machine.

**4. Cause and effect of human satisfaction:**

A man works to fulfill his own motive. Wants, desires, environment, condition, attitude, thought or experiences are the several causes which may encourage a man to work to get satisfaction. Thus, motivation is the cause and effect of human satisfaction.

**5. Total individual motivation:**

Generally, an individual is found being motivated and satisfied as a whole. An individual is a whole. He cannot be separated. If a person gets wound in his hand or leg, after medicine, he cannot say that the hand/leg is satisfied and cures, not me, rather he feels the satisfaction as a whole.

**6. Inspiration and encouragement:** To motivate the people is a very difficult task and responsibility of a manager because he is responsible to inspire and encourage the subordinates in work in such a way that they could perform their job in efficient way.

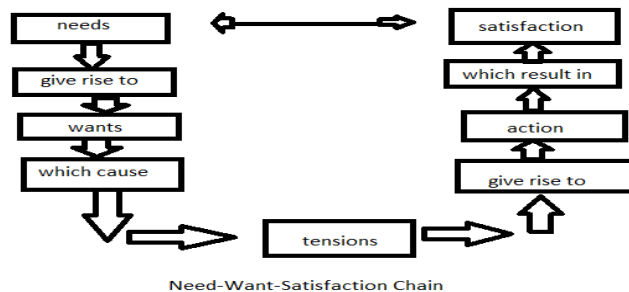
**7. Complex and unpredictable:**

Motivation is not that simple, it is very complex. No one can determine, explain and predict the behaviour of person as the desire, drives and attitudes are changed frequently in a varying in situation and circumstances.

**8. Positive and negative motivation:**

Motivation may be positive or negative on the part of employer. Positive motivation is concerned with the use of incentives like increase in salary, allowances, grant of reward, promotion etc. Whereas, negative motivation includes forcing people to work by holding out threats or punishment such as loss of job, demotion, deduction of salary etc.

➤ **Process Of Motivation**



➤ **IMPORTANCE OF MOTIVATION:**

Management tries to utilize all the sources of production in a best possible manner. This can be achieved only when employees co-operate in this task. Efforts should be made to motivate employees for contributing their maximum. The efforts of management will not bear fruit if the employees are not encouraged to work more. The motivated employees become an asset to the organisation. The following is the importance of motivation.

**1. High Performance:**

Motivated employees will put maximum efforts for achieving organisational goals. The untapped reservoirs, physical and mental abilities are tapped to the maximum. Better performance will also result in higher productivity. The cost of production can also be brought down if productivity is raised. The employees should be offered more incentives for increasing their performance. Motivation will act as a stimulant for improving the performance of employees.

**2. Low Employee Turnover and Absenteeism:**

When the employees are not satisfied with their job then they will leave it whenever they get an alternative offer. The dissatisfaction among employees also increases absenteeism. The employment training of new employees costs dearly to the organisation. When the employees are satisfied with their jobs and they are well motivated by offering them financial and non-financial incentives then they will not leave the job. The rate of absenteeism will also be low because they will try to increase their output.

**3. Better Organisational Image:**

Those enterprises which offer better monetary and non-monetary facilities to their employees have a better image among them. Such concerns are successful in attracting better qualified and experienced persons. Since there is a better man-power to development programme, the employees will like to join such organisations. Motivational efforts will simplify personnel function also.

**4. Better Industrial Relations:**

A good motivational system will create job satisfaction among employees. The employment will offer those better service conditions and various other incentives. There will be an atmosphere of confidence among employers and employees. There will be no reason for conflict and cordial relations among both sides will create a health atmosphere. So motivation among employees will lead to better industrial relations.

**5. Acceptability to Change:**

The changing social and industrial situations will require changes and improvements in the working of enterprises. There will be a need to introduce new and better methods of work from time to time. Generally, employees resist changes for fear of an adverse effect on their employment. When the employees are given various opportunities of development then they can easily adapt to new situations.

**6. Higher morale of personnel:** Motivation increases the working efficiency of the workers. The workers having higher morale are asserted as the assets or the organization. By lowering



turnover rate and keeping the absenteeism low, a motivated employee can contribute the organization.

➤ **TYPES OF MOTIVATION**

When a manager wants to get more work from his subordinates then he will have to motivate them for improving their performance. They will either be offered incentive for more work, or may be in the space of rewards, better reports, recognition etc., or he may instill fear in them or use force for getting desired work.

**1. Positive Motivation:**

Positive motivation or incentive motivation is based on reward. The workers are offered incentives for achieving the desired goals. The incentives may be in the shape of more pay, promotion, recognition of work, etc. The employees are offered the incentives and try to improve their performance willingly.

**2. Negative Motivation:**

Negative or fear motivation is based on force or fear. Fear causes employees to act in a certain way. In case, they do not act accordingly then they may be punished with demotions or lay-offs. The fear acts as a push mechanism. The employees do not willingly co-operate, rather they want to avoid the punishment.

**3. Financial motivation:**

It refer to monetary rewards. Incentives are nothing but the inducements provided to employees in order to motivate them. There should be direct relationship between efforts and rewards, financial reward should be substantial in value and must be in parity with others. It includes: bonus, Incentive

#### **4. Non-financial motivation:**

Non-financial incentives do not involve money payments. These are also important in motivating employees as they bring in psychological and emotional satisfaction to them. These include so many techniques. People do work for money-but they work even more for meaning in their lives. In fact, they work to have fun. **For example:** Job security, Challenging work, recognition of work done by the employees, increase in responsibilities etc

### ➤ **THEORIES OF MOTIVATION:**

#### **1. MASLOW'S NEED HIERARCHY THEORY:**

Maslow's theory is based on the following **assumption** and are described below:

##### **1.Unlimited wants:**

Human wants are unlimited and never ending. After one of his wants satisfied, another appears in its place. Again, to satisfy another wants, a man engages himself in work.

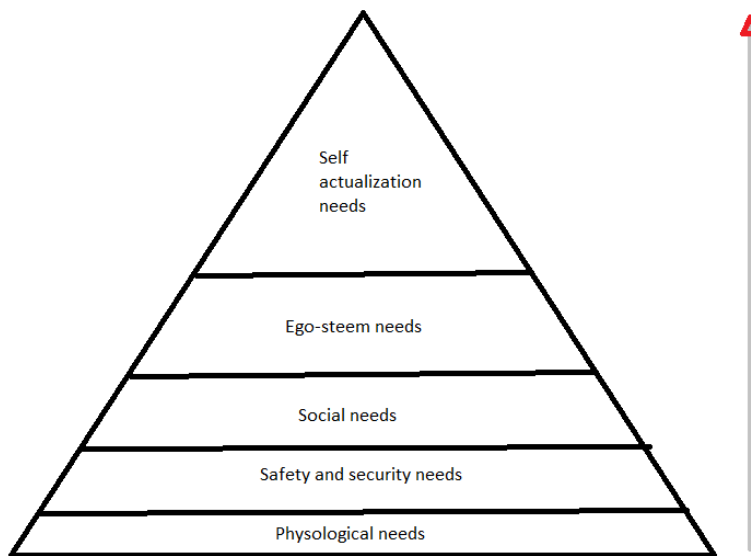
##### **2. Unsatisfied needs is a motivator:**

Man will lose his willingness to work and his capacity too, if needs are satisfied. So, it is only unsatisfied needs which may encourage or motivate the staff to perform the job.

##### **3. Hierarchy of importance:**

It is easy to determine the most important to less important needs. It says that needs can be classified according to priority and they can be arranged in priority according to a hierarchy of importance.

The basic human needs placed by Maslow in an ascending order of importance can be illustrated as under:



### **1. Physiological needs:**

These needs are the primary and the basic needs for food, water, air, clothing and shelter that are must be satisfied before the individual can consider higher order needs. For instance, a hungry person possessed by the need to obtain food, ignores other needs. After the satisfaction of physiological needs, other needs enter. Thus, these needs are generally satisfied by providing adequate salary, wages etc.

### **2. Safety and security needs:**

It is the second level needs in Maslow hierarchy theory which include security, protection from physical harm and avoidance of the unexpected risk of loss. Virtually, these needs are concerned with physical safety and economic security. For eg. saving accounts, life insurance, membership of health club etc.

### **3. Social needs:**

Human beings are social animals and they are social in nature. A man lives in society, loves society, believe in society, learns from society and gets from society. Being social, he gains experiences from the society and thus feels some needs. These needs include belongingness, friendship, love and affection etc. A manager should know these needs and manage well to

motivate the employees.

#### **4. Esteem or ego needs:**

These needs are of two types: (a) self esteem and (b) public esteem. Self esteem means esteem to the eye of self which in the eye of public as praise, power, prestige, appreciation, recognition etc. These all needs are concerned with one's prestige and respect of an individual.

#### **5. Self-actualization needs:**

It is the top level of needs in Maslow's need hierarchy theory. It is concerned with the need for fulfillment, for realizing one's own potential, for using one's talents and capabilities totally. These needs are also known as self prestige, self achievement and self confidence. This self actualization needs are most difficult to the manager to identify and focus.

## **2. HERZBERG'S MOTIVATION HYGIENE THEORY:**

The psychologist Frederick Herzberg extended the work of Maslow and proposed a new motivation theory popularly known as Herzberg's Motivation Hygiene (Two-Factor) Theory.

According to Herzberg, two kinds of factors affect motivation, and they do it in different ways:

**1. Hygiene factors or maintenance factors.** These are factors whose absence motivates, but whose presence has no perceived effect. They are things that when you take them away, people become dissatisfied and act to get them back. **For examples** decent working conditions, security, pay, benefits (like health insurance), company policies, interpersonal relationships.

**2. Motivators.** These are factors whose presence motivates. Their absence does not cause any particular dissatisfaction, it just fails to motivate. Examples are all the things at the top of the Maslow hierarchy, and the intrinsic motivators.

So hygiene factors determine dissatisfaction, and motivators determine satisfaction. The two scales are independent, and you can be high on both.

## Two Factor Theory of Motivation



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### 3. MCGREGOR'S X AND Y THEORY:

Douglas McGregor formulated two distinct views of human being based on participation of workers. The first basically negative, labeled Theory X, and the other basically positive, labeled Theory Y.

#### **Theory X is based on the following assumptions:**

1. People are by nature indolent. That is, they like to work as little as possible.
2. People lack ambition, dislike responsibility, and prefer to be directed by others.
3. People are inherently self-centered and indifferent to organisational needs and goals.
4. People are generally gullible and not very sharp and bright.

#### **On the contrary, Theory Y assumes that:**

1. People are not by nature passive or resistant to organisational goals.
2. They want to assume responsibility.

3. They want their organisation to succeed.
4. People are capable of directing their own behaviour.
5. They have need for achievement

#### 4. VROOM'S EXPECTANCY THEORY:

One of the most widely accepted explanations of motivation is offered by Victor Vroom in his Expectancy Theory. It is a cognitive process theory of motivation. The theory is founded on the basic notions that people will be motivated to exert a high level of effort when they believe there are relationships between the effort they put forth, the performance they achieve, and the outcomes/ rewards they receive.

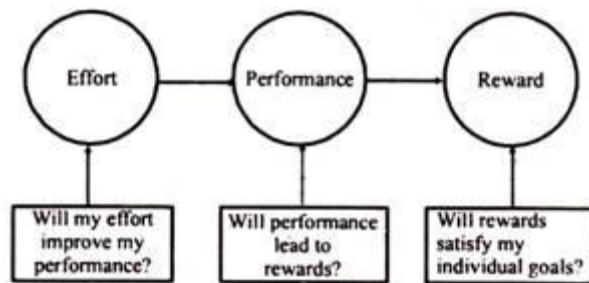


Fig 17.3: Vroom's Expectancy Model of Motivation

Thus, the key constructs in the expectancy theory of motivation are:

##### 1. Valence:

Valence, according to Vroom, means the value or strength one places on a particular outcome or reward.

##### 2. Expectancy:

It relates efforts to performance.

##### 3. Instrumentality:

By instrumentality, Vroom means, the belief that performance is related to rewards.

Thus, Vroom's motivation can also be expressed in the form of an equation as follows:

Motivation = Valence x Expectancy x Instrumentality

Being the model multiplicative in nature, all the three variables must have high positive values to imply motivated performance choice. If any one of the variables approaches to zero level, the possibility of the so motivated performance also touches zero level

### **5. Porter and Lawler's Expectancy Theory:**

In fact, Porter and Lawler's theory is an improvement over Vroom's expectancy theory. They posit that motivation does not equal satisfaction or performance. The model suggested by them encounters some of the simplistic traditional assumptions made about the positive relationship between satisfaction and performance. They proposed a multi-variate model to explain the complex relationship that exists between satisfaction and performance.

What is the main point in Porter and Lawler's model is that effort or motivation does not lead directly to performance. It is intact, mediated by abilities and traits and by role perceptions. Ultimately, performance leads to satisfaction,.

There are three main elements in this model. Let us briefly discuss these one by one.

#### **a) Effort:**

Effort refers to the amount of energy an employee exerts on a given task. How much effort an employee will put in a task is determined by two factors-

- (i) Value of reward and
- (ii) Perception of effort-reward probability.

#### **b) Performance:**

One's effort leads to his/her performance. Both may be equal or may not be. However the amount of performance is determined by the amount of labour and the ability and role perception of the employee. Thus, if an employee possesses less ability and/or makes wrong role perception, his/her performance may be low in spite of his putting in great efforts.

**c) Satisfaction:**

Performance leads to satisfaction. The level of satisfaction depends upon the amount of rewards one achieves. If the amount of actual rewards meet or exceed perceived equitable rewards, the employee will feel satisfied. On the contrary, if actual rewards fall short of perceived ones, he/she will be dissatisfied.

Rewards may be of two kinds—intrinsic and extrinsic rewards. Examples of intrinsic rewards are such as sense of accomplishment and self-actualisation. As regards extrinsic rewards, these may include working conditions and status. A fair degree of research support that, the intrinsic rewards are much more likely to produce attitudes about satisfaction that are related to performance.

## **LEADERSHIP**

It is a process of social influence in which one person can enlist the aid and support of others in the accomplishment of a common task.

**➤ Meaning:**

Leadership is an important element of the directing function of management. Wherever, there is an organized group of people working towards a common goal, some type of leadership becomes essential.

Leadership can simply be defined as the ability to influence others. Leadership is that work which is done by the leader

Koontz and O'Donnell, Leadership is the ability of a manager to induce subordinates to work with confidence and zeal.

2. Dubin, R. Leadership is the exercise of authority and making of decisions.



3. Allford and Beaty, Leadership is the ability to secure desirable actions from a group of followers voluntarily, without the use of coercion.

**According to Koontz and Donnell**, the act of leadership is the process of influencing people so that they will strive willingly and enthusiastically toward the achievement of the group goal.

➤ **NATURE AND CHARACTERISTICS OF LEADERSHIP:**

**1. Leadership derives from power and is similar to, yet distinct from, management.**

In fact, “leadership” and “management” are different. There can be leaders of completely unorganized groups, but there can be managers only of organized groups. Thus it can be said that a manager is necessarily a leader but a leader may not be a manager.

**2. Leadership is essential for managing.**

The ability to lead effectively is one of the keys to being an effective manager because she/he has to combine resources and lead a group to achieve objectives.

**3. Leadership and motivation are closely interconnected.**

By understanding motivation, one can appreciate better what people want and why they act as they do. A leader can encourage or dampen workers motivation by creating a favorable or unfavorable working environment in the organization.

**4. The essence of leadership is followership.** In other words, it is the willingness of people to follow a person that makes that person a leader. Moreover, people tend to follow those whom they see as providing a means of achieving their desires, needs and wants.

**5. Leadership involves an unequal distribution of power between leaders and group members.** Group members are not powerless; they can shape group activities in some ways. Still, the leader will usually have more power than the group members.

**6. Leaders can influence the followers' behavior in some ways.** In fact, leaders can influence workers either to do ill or well for the company. The leader must be able to empower and motivate the followers to the cause.

**7. The leader must co-exist with the subordinates or followers** and must have the clear idea about their demands and ambitions. This creates loyalty and trust in subordinates for their leader.

**8. Leadership is to be concerned about values.**

Followers learn ethics and values from their leaders. Leaders are the real teachers of ethics, and they can reinforce ideas. It is very important for leaders to make positive statements of ethics if they are not hypocritical.

➤ **Importance of Leadership**

**1. It Improves Motivation and Morale:**

Through dynamic leadership managers can improve motivation and morale of their subordinates. A good leader influences the behaviour of an individual in such a manner that he voluntarily works towards the achievement of enterprise goals.

**2. It Acts as a Motive Power to Group Efforts:**

Leadership serves as a motive power to group efforts. It leads the group to a higher level of performance through its persistent efforts and impact on human relations.

**3. It Acts as an Aid to Authority:**

The use of authority alone cannot always bring the desired results. Leadership acts as an aid to authority by influencing, inspiring and initiating action.

**4. It is Needed at All Levels of Management:**

Leadership plays a pivotal role at all levels of management because in the absence of effective leadership no management can achieve the desired results.

**5. It Rectifies the Imperfectness of the Formal Organisational Relationships:**

No organizational structure can provide all types of relationships and people with common interest may work beyond the confines of formal relationships. Such informal relationships are more effective in controlling and regulating the behaviour of the subordinates. Effective leadership uses these informal relationships to accomplish the enterprise goals.

**6. It Provides the Basis for Co-operation:**

Effective leadership increases the understanding between the subordinates and the management and promotes co-operation among them.

**➤ PROCESS OR TECHNIQUES OF EFFECTIVE LEADERSHIP:****The following are the techniques of effective leadership:**

1. The leader should consult the group in framing the policies and lines of action and in initiating any radical change therein.
2. He should attempt to develop voluntary co-operation from his subordinates in realizing common objectives.
3. He should exercise authority whenever necessary to implement the policies. He should give clear, complete and intelligible instructions to his subordinates.
4. He should build-up confidence and zeal in his followers.
5. He should listen to his subordinates properly and appreciate their feelings.
6. He should communicate effectively.
7. He should follow the principle of motivation.

**➤ TYPES OF LEADERSHIP STYLES****1. Autocratic leadership style**

Autocratic leadership style is a strong one-dimensional leadership style that gives full power or authority to the leader/boss/manager. In this style, the leader makes all the decisions without any consultation with subordinates or team members. He makes all the crucial calls which are then communicated to team members and they are expected to work on the instructions immediately.

In a nutshell, the leader is the ultimate decision-maker in an autocratic leadership style. Famous names such as **Donald Trump** and **Albert J Dunlap** favors the autocratic style of leadership.

## **2. Democratic leadership style**

Unlike the above leadership style, the democratic leadership style is more participative in nature where the leader involves team members while making critical decisions. It works well for an organization where team members are highly skilled and experienced. The best part of this kind of leadership style is that the communication is active upward to downward. Also called participative leadership, it requires the leader to be intelligent, creative, considerate, and competent.

## **3. Transformational leadership style**

Often considered as one of the most desirable leadership styles, it is all about creating a thriving work culture through effective communication in team. However, it demands a certain level of strategic vision and intellectual stimulation to initiate change in oneself and others in an organization.

Transformational leadership focuses on setting high goals with strict deadlines and working in unison to accomplish them on time. This way transformational leaders set challenging expectations for themselves and the team to achieve exceptional results

#### 4. Laissez-faire leadership style

The literal meaning of the French word *laissez-faire* is 'let them do' which can be translated as 'let it be' in English. In such a leadership style, leaders delegate the responsibility to team members and let them work on their own with minimum or no interference.

Laissez-faire leadership style gives the maximum scope for innovation and flexibility. It works best for the creative teams having self-motivated and experienced individuals who don't require that level of supervision and invigilance. **Mahatma Gandhi** was a laissez-faire leader who believed that people work best when they are not told what to do but encouraged to work on their own.

#### 5. Charismatic leadership style

Leaders applying charismatic leadership style are the ones who automatically or rather smartly attracts a plethora of people with their charm and charisma. They are self-motivated, passionate, and confident. Leadership style like this can be used to build a powerful standing in the marketplace and gain a huge fan-following using their strong self-image.

### ➤ **THEORIES OF LEADERSHIP:**

#### 1. The Trait Theory:

Ralph M. Stogdill proposed the trait theory of leadership in the late 1940s; he explained that an individual must possess the key personality traits and characteristics to be an effective leader and these traits are inherent by birth. Some of the core leadership traits based on this theory can be categorized as follows:

- **Physiological traits:** Height, weight, structure, colour, appearance and so forth.

- **Socioeconomic characteristics:** Gender, religion, marital status, age, occupation, literacy and earnings.
- **Personality traits:** Extraversion, self-confidence, patience, agreeable, reliable, honesty and leadership motivation.
- **Intellectual traits:** Decisiveness, intelligence, judgemental ability, knowledge and emotional attribute.
- **Task-related traits:** Attainment drive, dedication, initiative, determination and business expertise.
- **Social characteristics:** Socially active, cordiality and cooperation.
- Some of the other traits being charisma, adaptiveness, creativity, uniqueness.

This theory was criticised since it neglected the environmental factors which may not always remain the same. The list of traits is quite vast and keeps on changing from time to time. It was unable to explain failures despite possessing the certain traits specified in the theory. Moreover, of the identified traits can be acquired through learning and training.

➤ **Strengths/Advantages of Trait Theory**

- It is naturally pleasing theory.
- It is valid as lot of research has validated the foundation and basis of the theory.
- It serves as a yardstick against which the leadership traits of an individual can be assessed.
- It gives a detailed knowledge and understanding of the leader element in the leadership process.

➤ **Limitations of The Trait Theory**

- There is bound to be some subjective judgment in determining who is regarded as a 'good' or 'successful' leader

- The list of possible traits tends to be very long. More than 100 different traits of successful leaders in various leadership positions have been identified. These descriptions are simply generalities.
- There is also a disagreement over which traits are the most important for an effective leader
- The model attempts to relate physical traits such as, height and weight, to effective leadership. Most of these factors relate to situational factors. For example, a minimum weight and height might be necessary to perform the tasks efficiently in a military leadership position. In business organizations, these are not the requirements to be an effective leader.
- The theory is very complex

## 2. BEHAVIOURAL THEORY:

The behavioural theory of leadership evolved in the 1950s. After understanding that the personal traits of a leader are essential for effective leadership, the researchers were now keen to know that what leaders do to become effective leaders. Thus, they now focused on the leader's behaviour rather than traits. To study the behaviour of leaders, two major research programs were started by two different universities namely, the Ohio State Leadership Studies and the University of Michigan Studies.

- ✓ **The Ohio State University Studies:** A group of researchers at Ohio State University prepared a questionnaire to be surveyed in military and industrial setups, to determine the perception of the subordinates for the actual behaviour of their leaders. From their findings, the researchers identified two major categories of leader behaviour:

**A) Consideration:** The leaders are attentive towards their subordinates and build up an excellent inter-personnel relationship with them. They are very supportive and friendly. This was termed as 'people-oriented behaviour'.

**B) Initiating structure:** The leaders are majorly concerned about the achievement of goals and schedule and structure work accordingly. For such leaders, subordinates are just resources, and they have to make the optimal utilisation of them. This was termed as ‘task-oriented behaviour’.

✓ **The University of Michigan Studies:** This study is based on how the leader’s behaviour is related to group performance. Researchers made a comparison of effective managers with the ineffective ones and found that the two can be discriminated on the basis of their behaviour, i.e. job-centric behaviour and organisational-member centric behaviour.

The study further resulted in the identification of four additional behaviours essential for effective leadership which are:

Support

Goal emphasis

Work facilitation

Interaction facilitation

### **3. Likert’s Four Systems of Management:**

Professor Rensis Likert and his associates at the University of Michigan studied the patterns and styles of leaders and managers over three decades and developed certain ideas and approaches for understanding leadership behavior.

Likert considers an effective manager as one who is strongly oriented to subordinates and relies on communication to a great extent in order to keep all the departments or individuals working in unison. He suggested four systems of management.

#### **➤ System 1 Management:**

This is also described as an “**exploitive-authoritative**” style. This represents dictatorial leadership behavior, with all decisions made by the managers, and little employee participation. These managers are highly autocratic, hardly trust subordinates, use negative motivation tactics like fear and punishment, and keep the decision-making powers with them.



➤ **System 2 Management:**

This management style is called the “**benevolent-authoritative**” style. Here, managers are patronizing but have confidence and trust in subordinates. They permit upward communication to a certain degree and ask for participation from subordinates. Managers in this system use both rewards and punishment to motivate employees.

They allow subordinates to participate to some extent in decision-making but retain close policy control.

➤ **System 3 Management:**

System 3 management is referred to as the “**consultative**” style. Managers in this system do not have complete confidence and trust in subordinates. However, they solicit advice from subordinates while retaining the right to make the final decision.

**This management style involves:**

- (i) Motivating employees with rewards and occasionally punishment
- (ii) Broad policy and general decisions being made at the top while specific decisions are made at lower levels,
- (iii) Using both upward and downward communication flow, and
- (iv) Managers acting as consultants in order to resolve various problems.

➤ **System 4 Management:**

This style of management is called the ‘**participative leadership**’ style. Managers in this system trust their subordinates completely and have confidence in their abilities. They always ask the opinions of the subordinates and use them constructively. They encourage participation of employees at all levels in decision-making and use both upward and downward communication.

### **TRANSACTIONAL LEADERSHIP**

➤ **Transactional leadership meaning:**

The transactional style of leadership was first described by **Max Weber in 1947** and then by **Bernard Bass in 1981**.

They are more concerned with maintaining the normal flow of operations. Transactional leaders use disciplinary power and an array of incentives to motivate employees to perform at their best.

The term “**transactional**” refers to the fact that this type of leader essentially motivates subordinates by exchanging rewards for performance.

A transactional leader does not look ahead to strategically guiding an organization to a position of market leadership; instead, these managers are solely concerned with making sure everything flows smoothly today.

A leadership style based on the setting of clear goals and objectives for followers and the use of reward and punishments to encourage compliance.

Transactional leaders are those who guide or motivate their followers towards established goals by clarifying role and task requirement. Bill Gates is a great example, a transactional leader.

#### ➤ **CHARACTERISTICS OF TRANSACTIONAL LEADERSHIP**

- Reveal inefficiency.
- Very left-brained.
- Tend to be inflexible.
- Opposed to change.
- Focused on short-term goals.
- Favor structured policies and procedures.
- Thrive on following rules and doing things correctly

#### ➤ **ADVANTAGES OF TRANSACTIONAL LEADERSHIP**

- Awards those who are motivated by self-interest to follow instructions.
- Gives an unambiguous structure for large organizations, systems requiring repetitive tasks and infinitely reproducible environments.

- Achieves short-term goals quickly.
- Rewards and penalties are defined for workers.

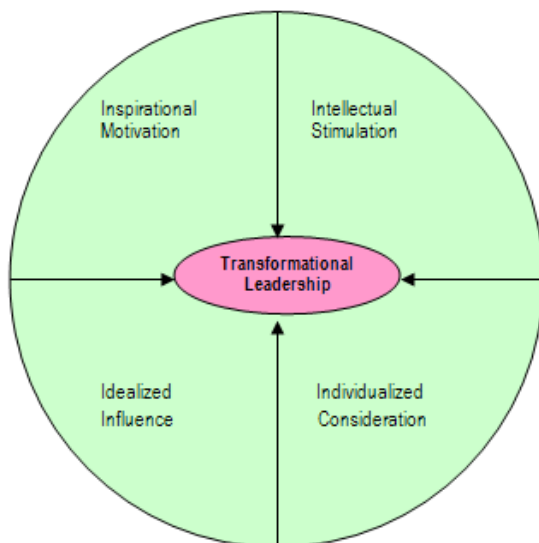
➤ **DISADVANTAGES OF TRANSACTIONAL LEADERSHIP**

- Rewards the worker on a practical level only, such as money or perks.
- Creativity is limited since the goals and objectives are already set.
- Does not reward personal initiative.

### **TRANSFORMATIONAL LEADERSHIP**

James MacGregor Burns is considered as the father of the **transformational leadership** theory, James V. Downton first coined the term.

Transformational leadership may be found at all levels of the organization: teams, departments, divisions, and organization as a whole. Such leaders are visionary, inspiring, daring, risk-takers, and thoughtful thinkers. They have a charismatic appeal. But charisma alone is insufficient for changing the way an organization operates. For bringing major changes, transformational leaders must exhibit the following four factors:



### **1. Inspiration Motivation**

The foundation of transformational leadership is the promotion of consistent vision, mission, and a set of values to the members.

Their vision is so compelling that they know what they want from every interaction.

Transformational leaders inspire and motivate others by “providing meaning and challenge to their followers’ work”.

The spirit of the team is “aroused” while “enthusiasm and optimism are displayed”.

The transformational leader builds relationships with followers through interactive communication, which forms a cultural bond between the two participants and leads to a shifting of values by both parties toward common ground.

The leader inspires followers to see the attractive future state while communicating expectations and demonstrating a commitment to goals and a shared vision. Idealized influence and inspirational motivation are usually combined to form charismatic-inspirational leadership.

### **2. Intellectual Stimulation**

Such leaders encourage their followers to be innovative and creative.

They encourage new ideas from their followers and never criticize them publicly for the mistakes committed by them.

Transformational leaders stimulate their followers’ efforts “to be innovative and creative by questioning assumptions, reframing problems, and approaching old situations in new ways”.

Followers’ mistakes are not publicly criticized and creativity is openly encouraged.

Transformational leaders solicit their followers’ ideas and creative solutions to problems, thereby including followers in problem-solving.

### **3. Idealized Influence**

They believe in the philosophy that a leader can influence followers only when he practices what he preaches. The leaders act as role models that followers seek to emulate.

Such leader always wins the trust and respect of their followers through their action.

Idealized influence is the charismatic element of transformational leadership in which leaders become role models who are admired, respected, and emulated by followers.

Consequently, followers demonstrate a high degree of trust in such leaders.

Idealized influence in leadership also involves integrity in the form of ethical and moral conduct.

The development of a shared vision is an integral component of the idealized, transformational leader's role.

It helps others to look at the futuristic state while inspiring acceptance through the alignment of personal values and interests to the collective interests of the group's purposes.

Transformational leaders are also willing to take and share risks with followers.

#### **4. Individualized Consideration**

Leaders act as mentors to their followers and reward them for creativity and innovation.

The followers are treated differently according to their talents and knowledge.

The transformational leader disburses personal attention to followers based on the individual follower's needs for achievement and growth.

To do this, the leader acts as a mentor or coach developing followers in a supportive climate to "higher levels of potential".

The considerate leader recognizes and demonstrates acceptance of the followers' individual differences in terms of needs and desires. By doing this, the transformational leader fosters two-way communication through effective listening.

The leader develops followers by delegating tasks and then unobtrusively monitoring those tasks—checking to see if additional support or direction is needed.

#### **➤ CHARACTERISTICS OF TRANSFORMATIONAL LEADERSHIP**

**1. Internal motivation and self-management:** Transformational leaders find motivation from within and use that as the driving force to effectively manage the direction of the company. The best natural form of motivation is to love what you do and ensure that your values are aligned with the organization you work with.

**2. The ability to make difficult decisions:** Difficult decisions are a part of being a leader. Transformational leaders do not back away or put off tough decisions. Difficult decisions are made easier when decisions align with clearly defined vision, values, goals, and objectives.

**3. Check their ego:** When placed in a position of power, it is easy to let your ego get the best of you. However, transformational leaders keep their ego in check and do not let it get in the way of doing what is best for business. The benefit of checking your ego ensures you put the company first over personal gain and encourages the best input from others within the organization — because when the company succeeds, you as a leader also succeed.

**4. Willing to take the right risks:** Anyone can take a risk. Transformational leaders take calculated risks that more often than not result in positive outcomes. Trusting your instinct, as well as your team to gather the necessary intelligence is important. Trusting your gut is easier when you have taken the time to research, evaluate and inform your decisions with input from those around you. Failure to take the appropriate risks and make these difficult decisions will inhibit change and your ability to grow.

**5. Organizational consciousness:** Transformational leaders share the collective conscious of their organization. They understand what actions to take to evoke change, spur innovation, and make decisions that will create growth. Since their own values are aligned with the organization they share a joint purpose with the organization and do not just view their position in the company as just a job.

**6. Adaptability:** Transformational leaders are willing to adapt and are always seeking new ways to respond to a constantly changing business environment. They know that the second they stand still is when they will be passed by their competitors; which means they are open-minded to change and lifelong learners.

**7. Willing to listen and entertain new ideas:** It is a rare individual who can build an empire. Transformational leaders understand that success is a team effort and growth is derived from the

willingness to be open and listen to ideas from all levels of their organization. Transformational leaders create intentional ways to listen to their team and incorporate their insights.

**8. Inspiration:** People want to be inspired. Transformational leaders have the ability to make those around rise to the occasion. Inspiration comes not just from a formal motivational speech or simple recognition for a job well done, but by treating people as individuals and taking the time to understand what motivates and inspires their team.

**9. Proactive:** Transformational leaders are proactive decision makers. They do not wait around for others to make decisions and then react. They are willing to take risks, try new things and take an innovative approach to growing the organization. However, they also understand how to manage risk and make decisions that are backed by research, multiple insights and are well thought out.

**10. Visionary:** Being a visionary is about setting a realistic and concise company mission, vision, and values that fit the culture of your organization. Transformational leaders have the ability not only to effectively communicate the vision, but also get every person to buy in and work toward that vision by communicating with passion and clearly emphasizing the direction they want the company to pursue.

Transformational leaders constantly strive to have these characteristics. Developing these characteristics is what separates companies that are led by managers versus leaders

## **UNIT-IV**

### **FOUNDATION OF GROUP BEHAVIOUR**

#### ➤ **GROUPS MEANING:**

“Groups consist of two or more persons engaged in social interaction who have some stable structure relationship with one another, are interdependent, share common goals and perceive that they are infact part of a group.” Thus when two or more individuals gather together to serve a common purpose or common motive it is called a group.

#### ➤ **WHY DO PEOPLE JOIN GROUPS?**

Organization is the collection of groups that are focused towards achieving the mutual goal of achieving success for the company. Thus people join groups to satisfy their mutual interests.

#### **1. Security**

Groups provide safety to the members, and protection against a common enemy. People feel stronger, have fewer self-doubts, and are more resistant to threats when they are part of a group.

#### **2. Status**



Inclusion in a group that is viewed as important by others provides recognition and status for its members.

### **3. Self-esteem**

Groups can provide people with feelings of self-worth. That is, in addition to conveying status to those outside the group, membership can also give increased feelings of worth to the group members themselves.

### **4. Affiliation**

Groups can fulfill social needs. People enjoy the regular interaction that comes with group membership. For many people, these on-the-job interactions are their primary source for fulfilling their needs for affiliation.

### **5. Power**

What cannot be achieved individually often becomes possible through group action. There is power in numbers.

### **6. Goal Achievement**

There are times when it takes more than one person to accomplish a particular task—there is a need to pool talents, knowledge, or power in order to complete a job. In such instances, management will rely on the use of a formal group.

### **7. Social Needs**

Being in groups helps satisfy people's basic need to be with others. It helps them in relating themselves to other people in terms of thinking, feeling and behaving.

#### **➤ CHARACTERISTICS OF GROUP:**

(1) A group consists of more than one person.

(2) They meet together to satisfy some common motive or common purpose say to collect money for flood affected persons, or national defence fund. The common motive may be biogenic or sociogenic.

(3) The group may disintegrate when the common motive is satisfied. This refers to a temporary group like a party or groups formed to collect money for relief fund or to celebrate Ganesh Puja.

But a group can also have permanent motive or purpose like family, religious groups and clubs which are formed to fulfil some permanent purposes. These are stable groups and continue for a long period. Usually sociogenic needs have got an upper hand in group situation.

### ➤ THEORIES OF GROUP FORMATION:

#### 1. Propinquity Theory:

The most basic theory explaining affiliation is propinquity. This interesting word simply means that individuals affiliate with one another because of spatial or geographical proximity. In an organisation employees who work in the same area of the plant or office or managers with offices close to one another would more probably form into groups than would those who are not physically located together. There is some research evidence to support the propinquity theory and on the surface, it has a great deal of merit for explaining group formation. The drawback of this theory is that it is not analytical and does not begin to explain some of the complexities of group formation. Some more theoretical and practical reasons need to be explored.

#### 2. Homan's Theory:

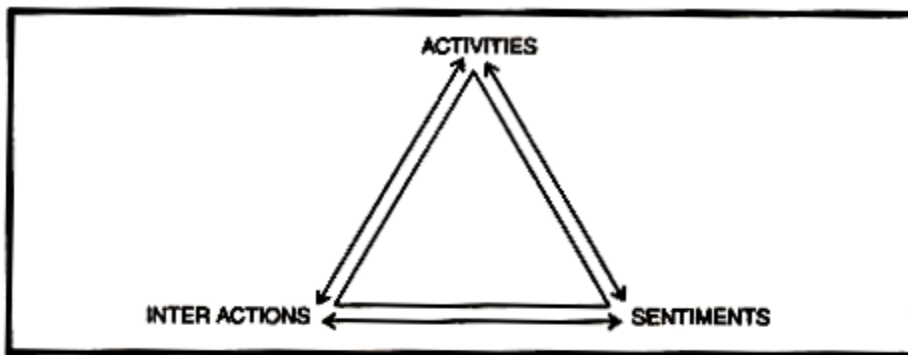
According to George C. Homans, "The more activities persons share, the more numerous will be there interactions and the stronger will be their shared activities and sentiments, and the more sentiments people have for one another, the more will be their shared activities and interactions."

It is a very comprehensive theory and based on activities, interactions and Homan's theory is based on sentiments. These three elements are directly related to each other. The members'

activities interactions and of a group share activities and interact with one another not just because of physical proximity but also to accomplish group goals.

The key element is interaction because of which they develop common sentiments for one another. These sentiments gradually get expressed through the formation of informal groups. If any disturbance is caused to any of the three-activities, interactions and sentiments, it is likely to disturb all the others.

**Their relationships are shown in the following figure:**



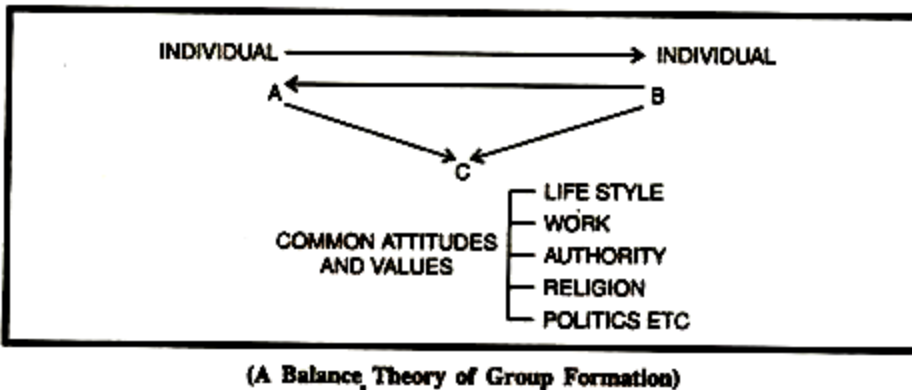
**(The Inter-Dependence of Activities, Interaction and Sentiments)**

### **3. Balance Theory:**

Another very comprehensive theory is a Balance Theory of group formation. This theory as proposed by Theodore Newcomb states that “Persons are attracted to one another on the basis of similar attitudes towards commonly relevant objects and goals. Once a relationship is formed, it strives to maintain a symmetrical balance between the attraction and the common attitudes. If an imbalance occurs, attempts are made to restore the balance. If the balance cannot be restored, the relationship dissolves.”

Thus, the balance theory is additive in nature in the sense, that it introduces the factor of balance to the propinquity and interaction factors. There must be a balance in the relationship between the group members for the group to be formed and for its survival. The following -figure shows the balance theory.

Individual (A) will interact and form a relationship/group with individual (B) because of common attitudes and values (C). Once this relationship is formed, the participants strive to maintain a symmetrical balance between the attraction and the common attitudes. If an imbalance occurs, an attempt is made to restore the balance. If the balance cannot be restored, the relationship dissolves.



#### 4. Exchange Theory:

This theory is based on reward-cost outcomes of interactions. To be attracted towards a group, a person thinks in terms of what he will get in exchange of interaction with group members. A minimum positive level (rewards greater than costs) of an outcome must exist in order for attraction or affiliation to take place. Rewards from interactions gratify needs while costs incur anxiety, frustrations, embarrassment or fatigue. Proximity, interaction and common attitudes all have roles in the exchange theory.

### ➤ GROUP PROPERTIES

#### 1. Purpose

Whether it's for the company as a whole or for a group in particular, groups have a shared purpose and mission. You may also define specific goals and objectives around the mission and purpose. Then your groups can break work into tasks that they can complete together or through their members as individuals. Members share a commitment to fulfilling the group's purpose and apply their various competencies in achieving its goals.

## 2. Roles

Each group member has a role. Their ability and willingness to fulfill the responsibilities of that role influence the group's success. Roles may be assigned formally or informally. Members may have multiple roles simultaneously.

Task-oriented roles are associated with how members work for the group. Examples include clarifier, information seeker or provider, informer, initiator, reality tester and summarizer.

Relationship-oriented roles apply to how members interact with one another. Examples include compromiser, consensus tester, encourager, gatekeeper and harmonizer.

Individual-oriented roles relate to how a member behaves. Such roles include aggressor, avoidance, blocker, cavalier and dominator.

## 3. Norms

Norms govern how group members behave. There may be written rules like for attendance or just known expectations like for punctuality. Aligning norms with your company's goals can improve organizational effectiveness. Norms can change as the group evolves.

Pivotal norms are required for membership while peripheral norms are wanted. The extent to which a member accepts the group's norms is called individual adjustment. Members conform by accepting both pivotal and peripheral norms. If they reject both types of norms, they're considered to be in open revolution. A member is considered to be expressing creative individualism if they only accept the pivotal norms but not the peripheral. Acceptance of the peripheral norms but not the pivotal norms is considered subversive rebellion. The group may exert pressure to make nonconforming members conform.

## 4. Cohesiveness

Cohesiveness describes the members' willingness to stick with the group. The greater the group's cohesion is, the more committed its members are to belonging. Cohesive groups tend

to have charismatic leaders and support each member's growth. They also have goals that are aligned with members' goals.

Groups with high cohesiveness can persevere through conflicts that would scuttle teams whose members are less committed. Cohesiveness typically increases over time as members develop stronger relationships built upon shared experiences. Employees who are in cohesive groups are often more satisfied and engaged than counterparts who aren't.

## **5. Tasks**

The tasks you assign to a group can affect the productivity and satisfaction of its members.

### **Task Type**

Tasks can be classified by activity. Production tasks require a group to produce an outcome, such as ideas, while discussion tasks require it to evaluate issues. Problem-solving tasks require a group to provide direction for resolving an issue.

## **6. Performing Requirements**

Group members complete disjunctive tasks through their individual efforts, while the completion of conjunctive tasks depends on their combined work. Additive tasks measure productivity by combining the outputs of each group member.

## **7. Status**

Status is also one of the characteristics of a group. It assesses the worth and respect accorded to an individual by their fellow members. A member's status may be derived from their standing within the group as well as their position within the organization. A manager will be perceived to have a higher status than one of her employees, for example.

A group usually is more effective if its highest-status members contribute the most, thus leading by example. But a group's effectiveness could diminish if the members with the highest statuses don't contribute as much as they could or should.

## **8. Structure**

Groups have leaders, whether they're appointed or not. When you put someone in charge of a group, its members may or may not follow them based on their leadership. Look for leaders who members will respect, see as capable and work for out of loyalty.

A group also has systems and processes, such as for communication. You may have distribution lists for emails among group members, for example. Members require resources as well, like time and money to accomplish their purpose. They also should have all of the necessary skills collectively. You can increase a group's effectiveness by giving it more resources and helping it to make the most of what they get.

### ➤ **INDIVIDUAL DECISIONS**

1. Decisions are taken by a single individual.
2. Individual decisions are less costly.
3. They are based on limited information gathered by managers.
4. Individual decisions are taken in situations of crisis or emergency.
5. They do not involve moral commitment on the part of members to accept and implement them.
6. Individual decisions do not affect morale or job satisfaction of employees.
7. They introduce one-man control.

8. Individual decisions do not promote interaction amongst superiors and subordinates.
9. Decisions are usually based on clear policy guidelines.
10. Though decisions are based on individual thinking, they are high-quality if the individual has expertise and experience in making such decisions.
11. Individual decisions are usually taken in competitive business situations where people are not open to suggestions.

➤ **GROUP DECISIONS:**

1. Decisions are taken by a group of persons.
2. Group decisions are costly in terms of time and money.
3. They are based on extensive information collected by members of the group.
4. Group decisions are taken when there is sufficient time to make decisions.
5. Group decisions are easier to implement as group members feel committed to them.
6. Group decisions positively affect morale and job satisfaction of employees.
7. They introduce self-control.
8. They promote superior-subordinate interaction and healthy relationships amongst them.
9. Group decisions are taken when the problem requires creativity and expert knowledge of a group.



10. It usually results in high-quality decisions as they are based on extensive brainstorming. They provide the benefit of synergy.

11. Group decisions are usually taken in supportive business situations where group members encourage problem-solving together.

### **CONFLICT MANAGEMENT**

Conflicts are natural in all walks of daily life – both at workplace and home. Conflict occurs when individuals or groups are not obtaining what they need or want and are seeking their own self-interest. Conflict is a process, where perception (real or otherwise) leads to disruption of desirable state of harmony and stability in an interdependent world.

#### ➤ **Characteristics of Conflict:**

##### **1. Conflict is a Process:**

Conflict occurs in ‘layers’. First layer is always misunderstanding. The other layers are differences of values, differences of viewpoint, differences of interest, and interpersonal differences. It is also called a process because it begins with one party perceiving the other to oppose or negatively affect its interests and ends with competing, collaborating, compromising or avoiding.

##### **2. Conflict is Inevitable:**

Conflict exists everywhere. No two persons are the same. Hence they may have individual differences. And the differences may be because of values or otherwise, lead to conflict. Although inevitable, conflict can be minimized, diverted and/or resolved. Conflict develops because we are dealing with people’s lives, jobs, children, pride, self-concept, ego and sense of mission. Conflict is inevitable and often good, for example, good teams always go through a “form, storm, norm and perform” period.

**3. Conflict is a Normal Part of Life:**

Individuals, groups, and organisations have unlimited needs and different values but limited resources. Thus, this incompatibility is bound to lead to conflicts. The conflict is not a problem, but if it is poorly managed then it becomes a problem.

**4. Perception:**

It must be perceived by the parties to it, otherwise it does not exist. In interpersonal interaction, perception is more important than reality. What we perceive and think affects our behaviour, attitudes, and communication.

**5. Opposition:**

One party to the conflict must be perceiving or doing something the other party does not like or want.

**6. Interdependence and Interaction:**

There must be some kind of real or perceived interdependence. Without interdependence there can be no interaction. Conflict occurs only when some kind of interaction takes place.

**7. Everyone is inflicted with Conflict:**

Conflict may occur within an individual, between two or more individuals, groups or between organisations.

**8. Conflict is not Undimensional:**

It comes into different ways in accordance with degree of seriousness and capacity. At times, it may improve even a difficult situation.

**➤ Concept of Conflict Management:**

‘Conflict management is the principle that all conflicts cannot necessarily be resolved, but learning how to manage conflicts can decrease the odds of non-productive escalation. Conflict management involves acquiring skills related to conflict resolution, self-awareness about conflict modes, conflict communication skills, and establishing a structure for management of conflict in your environment.’ All members of every organisation need to have ways of keeping conflict to

a minimum – and of solving problems caused by conflict, before conflict becomes a major obstacle to your work.

➤ **Types of Conflict:**

**1. On the basis of involvement:**

Conflicts may be intrapersonal (conflict with self), interpersonal (between two persons) and organisational. Organizational conflict, whether real or perceived, is of two types - intraorganizational and interorganizational. Interorganizational conflict occurs between two or more organizations.

Different businesses competing against each other are a good example of interorganizational conflict. Intraorganizational conflict is the conflict within an organization, and can be examined based upon level (e.g. department, work team, individual), and can be classified as interpersonal, intra group and intergroup.

Interpersonal conflict- once again- whether it is substantive or affective, refers to conflict between two or more individuals (not representing the group of which they are a part of) of the same or different group at the same or different level, in an organization.

Interpersonal conflict can be divided into intergroup and intergroup conflict. While the former— intragroup- occurs between members of a group (or between subgroups within a group), intergroup- occurs between groups or units in an organization.

**2. On the basis of Scope:**

Conflicts may be substantive and Affective. A substantive conflict is associated with the job, not individuals, while an affective conflict is drawn from emotions. Substantive conflicts may be over the facts of a situation, the method or means of achieving a solution to the problem, ends or goals, and values. Thus it includes task conflict and process conflict in its scope.

Procedural conflicts can include disagreements about factors such as meeting dates and times, individual task assignments, group organization and leadership, and methods of resolving disagreements. Unresolved procedural conflicts can prevent work on collaborative projects. Substantive conflict can enhance collaborative decision-making. Substantive conflict is also called performance, task, issue, or active conflict.

On the other hand, an affective conflict (also called as relationship or opposite of agreeable conflict) deals with interpersonal relationships or incompatibilities and centres on emotions and frustration between parties.

Affective conflicts can be very destructive to the organisation, if remains unresolved. Relationship conflict comes under the scope of affective conflicts. An affective conflict is nearly always disruptive to collaborative decision-making. The conflict causes members to be negative, irritable, suspicious, and resentful.

**For example**, when collaborators disagree on the recognition and solution to a task problem because of personal prejudices (e.g. prejudices stemming from strong social, political, economic, racial, religious, ethnic, philosophical, or interpersonal biases) they are seldom able to focus on the task.

The two concepts are related to each other. If one could make a distinction between good and bad conflict, substantive would be good and affective conflict would be bad. Substantive conflict deals with disagreements among group members about the content of the tasks being performed or the performance itself.

### **3. On the basis of Results:**

Conflict can be Constructive or Destructive, creative or restricting, and positive or negative. Destructive conflicts are also known as dysfunctional conflicts, because such conflicts prevent a group from attaining its goals.

Conflict is destructive when it takes attention away from other important activities, undermines morale or self-concept, polarises people and groups, reduces cooperation, increases or sharpens difference, and leads to irresponsible and harmful behaviour, such as fighting, name-calling.

On the other hand, constructive conflicts are also known as functional conflicts, because they support the group goals and help in improving performance. Conflict is constructive when it results in clarification of important problems and issues, results in solutions to problems, involves people in resolving issues important to them, causes authentic communication, helps release emotion, anxiety, and stress, builds cooperation among people through learning more about each other; joining in resolving the conflict, and helps individuals develop understanding and skills.

#### **4. On the basis of Sharing by Groups:**

Conflicts may be Distributive and Integrative. Distributive conflict is approached as a distribution of a fixed amount of positive outcomes or resources, where one side will end up winning and the other losing, even if they do win some concessions.

On the other hand, integrative – Groups utilizing the integrative model see conflict as a chance to integrate the needs and concerns of both groups and make the best outcome possible. This type of conflict has a greater emphasis on compromise than the distributive conflict. It has been found that the integrative conflict results in consistently better task related outcomes than the distributive conflict.

#### **5. On the basis of Strategy:**

Conflicts may be competitive and cooperative. Competitive conflict is accumulative. The original issue that began the conflict becomes irrelevant. The original issue is more of a pretext than a cause of the conflict. Competitive conflict is marked by the desire to win the fight or argument, even if winning costs more and causes more pain than not fighting at all.

Costs do not matter in competitive conflict, and therefore, irrationality remains its main mark. **Competitive conflict** is characterized by fear, which is one of the important ingredients in a conflict becoming irrational. If one is personally invested in the outcome, this too leads to

irrational conclusions, especially if issues of self-esteem, whether personal or national, are involved.

In a **cooperative situation** the goals are so linked that everybody ‘sinks or swims’ together, while in the competitive situation if one swims, the other must sink. A cooperative approach aligns with the process of interest-based or integrative bargaining, which leads parties to seek win-win solutions. Disputants that work cooperatively to negotiate a solution are more likely to develop a relationship of trust and come up with mutually beneficial options for settlement.

### ➤ **APPROACHES OF CONFLICT**

#### **1. Classical approach:**

According to this approach, management views conflict as bad and destructive for organisational performance. Conflict of opinion meant to result in anger and resentment. This creates disorder in the organization and effects its smooth functioning.

Conflict was, thus, dysfunctional (negative) in nature. If there was conflict in the organisational interest and individual interest, it gave importance to organisational interest as individual interest is considered subordinate to organisational interest (as advocated by Fayol). Conflict is thus, destructive as it cannot bind the management and workers together.

#### **2. Human relations approach:**

This is also known as the behaviouralists approach to conflict. While the classical approach views that organisations should not have conflict at all, the human relations approach assumes that conflict is unavoidable. It is bound to happen because of differences in opinion and perception amongst individuals.

As conflict cannot be avoided, it should be resolved in a friendly way. Conflict, thus, naturally occurs in all organisations but should be resolved for the benefit of the organisation and individuals.

### **3. Interactionist approach:**

While the human relations approach accepts that conflict is inevitable and, therefore, acceptable, the interactionist approach takes a broader view of conflict. It encourages conflict in the organisation as conflict promotes diverse opinions and beliefs. This promotes new ideas and easy adaptability to environmental changes.

Conflicts keep the group members lively in discussions and creative in idea generation. Thus, conflict is promoted as it promotes organisational performance.

#### ➤ **CAUSES OF CONFLICT:**

**Conflicts arise due to the following reasons:**

##### **1. Differences in perception:**

Differences in perceptions, values and attitudes of individuals or groups over the same problem leads to interpersonal or intergroup conflicts. For example, one group of individuals may want that all employees use HP computers to maintain standardisation while another group may promote different brands of computers to maintain individuality. Differences in views lead to conflicts.

##### **2. Excessive competition:**

Organisational resources (men, material, money, space etc.) are scarce and each unit wants maximum share of it. Competition amongst units for maximum share of resources leads to conflict.

##### **3. Differences in goals:**

Different goals of individuals or groups leads to conflict amongst them. In order to maximise profits, production department may want to produce limited varieties in large volume so that costs are minimised. Sales department, on the other hand, may feel that selling products of

different sizes, colours and models can increase sales and, thus, minimise costs. Differences in group goals leads to conflict between the two. It may even affect the quality of products.

#### **4. Interdependence of tasks:**

When work is passed from one unit to the other, interdependence amongst units can lead to conflict. Output of first unit becomes input of second unit. If first unit fails to process its work on time, the second unit will have to wait and stay idle till it receives the process. This can cause inter-group conflict.

#### **5. Habit patterns:**

Some people like to argue and debate. They enjoy conflict as a matter of habit. It acts as a motivator for them to improve their performance.

#### **6. Personal characteristics:**

When group members differ in work attitudes, age, education, temperament and status levels, the potential for inter-group conflict is high.

#### **7. Ill defined authority – responsibility relationships:**

When authority and responsibility of individuals and groups is not properly defined, people do not understand each other's role. There is lack of consistency in work activities and communication distortions take place. This becomes a source for inter-group conflict.

#### **➤ CONSEQUENCES OF CONFLICT:**

Conflict has both positive and negative consequences. Positive conflict is known as functional conflict and negative conflict is known as dysfunctional conflict.

##### **1. Positive Conflict (Functional Conflict):**

Conflict is not only inevitable, it is also desirable. It is constructive and encourages new ideas to solve organisational problems. It promotes change and keeps the organisation going in the desired direction.

**It believes that conflict has the following positive consequences:**



**1. High degree of cohesion:**

Inter-group conflict gives rise to commitment and loyalty amongst members of the group. Group members unite together, take advantage of opportunities, overcome threats and take strong actions to resolve their problems. All members of the group work together for a common goal.

It promotes group cohesiveness if people of different groups compete with each other. In order to do better, members of each group work together. They become loyal and bonded to each other which promotes organisational performance.

**2. Improvement in quality of decisions:**

When group members face conflict, they think of all possible solutions to the problem, evaluate the decisions and use their creative and innovative abilities to arrive at the best decisions. Inter-group conflict, thus, improves the quality of decisions and stimulates creativity and innovation. When people have conflicting opinions, they deeply analyse facts of the case. Deep understanding of concepts promotes new thinking, new ideas and, thus, fosters innovation.

**3. Emergence of leaders:**

Everybody does not think alike in conflicting situation. Group members bestow power on those who can positively contribute to the problem situation to take decisions. Increased power gives rise to leaders who act as the group captain. This also reduces rivalry amongst members to become group leaders.

**4. Response to change:**

Conflict promotes change if people do not readily agree to each other. Differences in opinions, values and perception introduce new ways of working which is different from the traditional thinking. Conflicts challenge the existing state of affairs and promote new ideas and reassessment of current group practices. Conflict signals something wrong with the present system of working and promotes ability to assess the present and desire for a better future. Conflict, thus, increases responsiveness of group to change.

**5. Increased productivity:**

It is empirically proved that productivity of conflicting groups is more than those which have close agreement amongst the members. Members with different perceptions and interests produce high-quality solutions to problems. This improves productivity of the group. Conflicts highlight weaknesses in the existing system of management. These weaknesses can be removed to improve efficiency of the organization's operating system.

#### **6. Releases strain:**

If group members do not agree with pre-defined values and norms, conflicts give them a ground for voicing their reservations. This releases strain that would otherwise remain suppressed in their minds. In conflicting situations, people openly express their thoughts and feelings, even if they are against the thought process of other members of the organisations. This releases strain and provides mental satisfaction to the members.

#### **2. Negative Conflict (Dysfunctional Conflict):**

In positive conflict, differences in opinion do not hurt anyone's feelings. People respect each other's ideas and arrive at new solutions to the problems to develop working relationships. In negative conflict, on the contrary, people show disrespect for others' ideas. They aim to promote their interests at the cost of others.

#### **The negative consequences of conflict are as follows:**

##### **1. Mental strain:**

Excessive conflict creates tension and frustration amongst people. This not only harms the individuals (as they may enter into a state of depression) but also harms the organisation (people do not positively contribute to organisational productivity).

##### **2. Discontentment:**

Conflict breeds antagonism and discontentment. This reduces power to think creatively and reduces group effectiveness. If people do not arrive at mutually agreeable solutions, it results in discontentment. People are not satisfied with their jobs. This lowers the organisational productivity.

##### **3. Communication breakdown:**

When individuals or groups develop conflicting ideas, they avoid interacting with each other. This reduces communication amongst them leading to inter-group rivalry and loss of productive ideas.

As conflicts lead to disagreement and communication breakdown, people do not agree with each other leading to splitting up of groups and units. This diverts energy from organisational goals and leads to instability in the organisational structure.

#### **4. Resignation:**

Discontentment can lead to resignation from jobs. If results are not in favour of people who strongly oppose certain decisions, they do not wish to work in those organisations and look for other job outlets. If these people are dynamic and creative individuals, it is loss for the organisation.

#### **5. Distorted perceptions:**

Groups hold strong perceptions about their activities and disregard those of the other group. They highlight their strong points and competitors' weak points. This leads to deviation from organisational goals.

#### **6. Competitive struggle:**

Conflict leads to competition. Rather than arriving at consensus, agreement or settlement, competitive struggle declines group's ability to think and act positively.

#### **7. Subordination of group goals to individual goals:**

Members promote personal goals rather than group goals. They think of ways to promote their personal interests rather than organisational interests. This reduces organisational efficiency. People divert energy from constructive to destructive thinking.

They think of how to win over conflicting situations rather than pursuing organisational goals. Short-term personal problems, thus, supersede long-term interests of the organisation. People focus on personal goals at the cost of organisational goals. This results in goal displacement as short-term perspective overpowers the long-term perspective.

### **8. Threat to group survival:**

In extreme situations, members can stop working. This stops functioning of the group and threatens its survival.

#### ➤ **MANAGEMENT OF CONFLICT:**

Conflict cannot and should not be avoided. There is always an optimum level of conflict at which organisational performance is the highest. When the level of conflict is low, the organisation will not be adaptive to change. This threatens its long-run survival.

When the level of conflict is too high, it creates chaos and disruptions in the organisation. This also threatens its long-run survival. There is need, therefore, for managers to resolve conflict. They should promote functional or constructive conflict and avoid dysfunctional or destructive conflict.

#### ➤ **Management of conflict involves:**

1. Stimulation of functional conflict and
2. Resolution of dysfunctional conflict.

#### **1. Stimulation of functional conflict:**

**The following methods help to stimulate or encourage constructive conflict:**

- (a) Bring managers with backgrounds, values and styles different from those who are presently working in the organisation.
- (b) Add or delete individuals and groups to the existing network. This will re-distribute power and, thus, stimulate conflict.
- (c) Break old teams and departments and re-organise them. New work, members and responsibilities will be created requiring adjustment with each other. This will give rise to conflict and new and improved methods of operation.
- (d) Allow members to openly communicate with each other. Members can freely discuss their problems, disagree with each other and have a wide perspective for decision-making.

- (e) Foster competition by paying financial and non-financial incentives for good performance. This will promote conflict as each member will try to outperform others.
- (f) Replace authoritarian managers with behavioural managers. They promote interaction amongst group members and bring out their hidden desires thereby, resulting in conflict.
- (g) Create an environment of creative and innovative thinking. When members find new ways for doing the work, it will promote conflict and productive suggestions.
- (h) Introduce changes in people, structure and technology.
- (i) Allow compromise where each party is concerned about their goal accomplishment and is willing to engage in 'give and take' to reach a reasonable solution.
- (j) Allow collaboration where parties try to manage conflict without making concessions by coming up with new ways to resolve differences.

## **2. Resolution of dysfunctional conflict:**

These methods suppress or resolve conflict rather than promote them.

### **They are as follows:**

- (a) Introduce changes in the organisation structure so that conflicting parties are separated and placed at different positions.
- (b) Introduce participative style of management where decisions reflect the opinion of all.
- (c) Integrate individual goals with organisational goals so that both individuals and organisations promote each other's interests.
- (d) Managers should call the conflicting parties, listen to their arguments and try to get one side into giving in. This is helpful when manager has more information than the parties and he can satisfy each one of them.

- (e) Provide incentives (financial and non-financial) to all rather than those who report outstanding performance.
- (f) Install training programmes for improving relationships amongst individuals and groups.
- (g) Avoiding action or taking no action saying that information is insufficient will postpone and resolve the conflict on its own.
- (h) Conflict can be resolved through compromise. Managers can convince each party to sacrifice some objectives in order to gain others.
- (i) Allow arbitration where conflicting parties submit to the judgement of a third party.
- (j) Transfer people from one work unit to the other and allow overlapping of membership. When one person is a member of two groups, conflict gets reduced.
- (k) Obeying rules strictly reduces conflict. Let every conflicting situation be handled according to rules.
- (l) Allow the parties to resolve conflict through consensus. The parties try to find solutions together rather than winning over each other.
- (m) Establish superordinate goals. These are goals set for level higher than that of conflicting parties and include the conflicting parties' lower level goals. The parties deviate from conflicts at their level to higher level goals. Achieving superordinate goals resolves conflicts at their level.

➤ **FIVE WAYS OF ADDRESSING CONFLICT ARE IDENTIFIED BY THOMAS AND KILMAN:**

**(a) Avoidance:**

One should avoid or postpone conflict by ignoring it or changing the subject. Avoidance can be useful as a temporary measure to buy time or as an expedient means of dealing with minor, non-recurring conflicts. In more severe cases, conflict avoidance can involve severing a relationship or leaving a group.

**(b) Collaboration:**

People should work together to find a mutually beneficial solution to the problem. Though this is a win-win solution to conflict, collaboration can also be time-intensive and inappropriate if there is absence of trust, respect or communication amongst participants.

**(c) Compromise:**

Conflicting parties find a middle ground in which each party is partially satisfied.

**(d) Competition:**

Both the parties should assert their viewpoint at the potential expense of another. It can be useful when achieving one's objectives outweighs one's concern for the relationship.

**➤ STAGES OF CONFLICT:**

- Latent Stage: Participants not yet aware of conflict
- Perceived Stage: Participants aware a conflict exists
- Felt Stage: Stress and anxiety
- Manifest: Conflict is open and can be observed
- Aftermath: Outcome of conflict, resolution or dissolution

**1. "Latent Stage,"** the first stage in the five stages of conflict, people may be in conflict without being aware that they are in conflict. An example of this could be that a server at a restaurant may have inputted an order incorrectly and the food being made for a table is the wrong food. The manager and table do not know this yet and conflict has not arisen yet.

**2. "Perceived Stage"** is when the people involved in a conflict become fully aware that there is a conflict, so the table has now been made aware and complained to management. Management will now go over to speak with the employee about it.

3. **“Felt Stage”** stress and anxiety are felt by one or more of the participants due to the conflict, the manager does not enjoy causing conflict and the employee does not enjoy being under scrutiny.
4. **“Manifest Stage,”** during which the conflict can be observed. The Manifest Stage can take a number of shapes including: e-mails, phone calls, phone messages, face-to-face meetings, or any situation in which the conflict could be observed. When the manager pulls the employee aside to speak with him or her, others perceive the conflict and it has manifested.
5. **“Aftermath Stage,”** which takes place when there is some outcome of the conflict, such as a resolution to, or dissolution of, the problem. When the manager corrects the mistake with the customer and takes appropriate steps to ensure the server is more careful in the future

### **POWER AND POLITICS IN THE ORGANIZATION**

#### ➤ **POWER**

Power is frequently defined by political scientists as the ability to influence the behavior of others with or without resistance. The term authority is often used for power perceived as legitimate by the social structure. Power can be seen as evil or unjust, but the exercise of power is accepted as endemic to humans as social beings. The use of power need not involve coercion, force or the threat of force. At one extreme, power closely resembles what English speakers call “influence”, although some authors make a distinction between the two.

#### ➤ **Types of Power:**

Max Weber (1958) believed that there are three (not one) independent and equally important orders of power as under.

##### **1. Economic power:**

For Marx, economic power is the basis of all power, including political power. It is based upon an objective relationship to the modes of production, a group’s condition in the labour market, and its chances. Economic power refers to the measurement of the ability to control events by virtue of material advantage.



**2. Social power:**

It is based upon informal community opinion, family position, honour, prestige and patterns of consumption and lifestyles. Weber placed special emphasis on the importance of social power, which often takes priority over economic interests. Contemporary sociologists have also given importance to social status so much so that they sometimes seem to have underestimated the importance of political power.

**3. Political power:**

It is based upon the relationships to the legal structure, party affiliation and extensive bureaucracy. Political power is institutionalized in the form of large-scale government bureaucracies. One of the persistent ideas has been that they are controlled by elites, that is, small, select, privileged groups.

Political power concerns the activities of the states which is not confined to national boundaries. The networks of political power can stretch across countries and across the globe. Political power involves the power to tax and power to distribute resources to the citizens.

✓ Besides, Weber's types of power, there are a few other types also which are as under:

**4. Knowledge power:**

To Foucault (1969), power is intimately linked with knowledge. Power and knowledge produce one another. He saw knowledge as a means of 'keeping tabs' on people and controlling them.

**5. Military power:**

It involves the use of physical coercion. Warfare has always played a major role in politics. Modern mass military systems developed into bureaucratic organizations and significantly changed the nature of organizing and fighting wars. According to Weber, few groups in society base their power purely on force or military might.

**6. Ideological power:**

It involves power over ideas and beliefs, for example, are communism, fascism and some varieties of nationalism. These types of ideologies are frequently oppositional to dominant institutions and play an important role in the organization of devotees into sects and parties.

According to Michael Mann (1986), there are two types of power, viz., distributional and collective.

### **7. Distributional power:**

It is a power over others. It is the ability of individuals to get others to help them pursue their own goals. It is held by individuals.

### **8. Collective power:**

It is exercised by social groups. It may be exercised by one social group over another.

### ➤ **SOURCES OF POWER:**

There are three basic sources of power: force, influence and authority.:

#### **1. Force:**

As defined earlier, force is the actual (physical force) or threatened (latent force) use of coercion to impose one's will on others. When leaders imprison or even execute political dissidents, they thus apply force. Often, however, sheer force accomplishes little. Although people can be physically restrained, they cannot be made to perform complicated tasks by force alone.

#### **2. Influence:**

It refers to the exercise of power through the process of persuasion. It is the ability to affect the decisions and actions of others. A citizen may change his or her position after listening a stirring speech at a rally by a political leader. This is an example of influence that how the efforts to persuade people can help in changing one's opinion.

#### **3. Authority:**

It refers to power that has been institutionalized and is recognized by the people over whom it is exercised (Schaefer and Lamm, 1992). It is established to make decisions and order the actions of others. It is a form of legitimate power. Legitimacy means that those subject to a government's authority consent to it (Giddens, 1997).

The people give to the ruler the authority to rule, and they obey willingly without the threat of force. We tend to obey the orders of police officer because we accept their right to have power over us in certain situations. Legitimate power is accepted as being rightfully exercised (for example, power of the king). Thus, sociologists distinguish power from authority.

➤ **POLITICS**

It is the process by which groups of people make decisions. The term is generally applied to behavior within civil governments, but politics has been observed in all human group interactions, including corporate, academic, and religious institutions. It consists of social relations involving authority or power, the regulation of political units, and the methods and tactics used to formulate and apply social policy.

➤ **FUNCTIONS OF ORGANIZATIONAL POLITICS**

Organizations, as is too well-known, are collections of individuals who pursue individual as well as common goals. They are also networks of individuals with widely different interests attempting to deal with a host of inconsistent demands from within and outside the organization.

Organizational politics helps three people to adapt and helps the organization to succeed in ways that the formal structure alone cannot guarantee. It may not be wrong to state that organizational politics adds life to the otherwise lifeless skeleton of an organization.

Especially, the functions of organizational politics are; overcoming personal inadequacies, coping with change, channelizing personal contacts, and substituting for formal authority

### **1. Overcoming Personnel Inadequacies**

There are several inadequacies in personnel and consequently, mismatches occur between people and positions in organizations. Even in the best-managed companies, mismatches arise among managers who are learning, lacking needed training and skills, overqualified, or lacking resources needed to accomplish their assigned tasks.

Organizational politics provide a mechanism for circumventing those inadequacies and getting the job done.

### **2. Cope with Change**

Changes in the environment and technology of an organization often come more quickly than an organization can restructure. Even in organizations known for detailed planning, unanticipated events occur.

To meet unanticipated problems, people and resources must be moved into place quickly before minor problems and move ambitious, problem-solving managers into the crisis.

### **3. Channel Personnel Contacts**

In larger organizations, it is, largely impossible to know the persons in every important position. Yet managers need to influence the individuals throughout the organization. The political network can provide the necessary access.

### **4. Substitute for Formal Authority**

When a person's formal authority breaks-down or fails to apply to a situation, political actions can be used to prevent a loss of influence.

Managers may use political behavior to maintain operations and achieve task continuity in circumstances where the failure of formal authority may otherwise cause problems. Henry Mintzberg identified some functional roles in organizational politics.

Most of them correspond with the functions listed above.

However, three of them are new and hence are stated below:

- The system of politics can act in a Darwinian way to ensure that the strongest members of the organization are brought into a position of leadership.
- The system of politics can ensure that all sides of an issue are fully debated, whereas the other systems of influence tend to promote only one.

- The system of politics can pave the path for the execution of decisions.

## 5. The Reality of Politics

Politics is a fact of life in organizations. People who ignore this fact of life do so at their own peril. But why, who may wonder, must politics exist? Isn't it possible for an organization to be politics-free?

It's possible but most unlikely. Organizations are made up of individuals and groups with different values, goals, and interests. This sets up the potential for conflict over resources.

Departmental budgets, space allocations, project responsibilities, and salary adjustments are just a few examples of the resources about whose allocation organizational members will discharge.

Resources in organizations are also limited, which often turns potential conflict into real conflict. If resources were abundant, then all the various-constituencies within the organization could satisfy their goals.

But because they are limited, not everyone's. Interests can be provided for. These forces create competition among members of the organization's limited resources.

Maybe the most important factor leading to politics within organizations is the realization that most of the "facts" that are used to allocate the limited resources are open to interpretation.

- What is a good performance?
- What's an adequate improvement?
- What constitutes an unsatisfactory job?

One person's view that an act is a "self-effort to benefit the organization" is seen by another as a "blatant attempt to further one's interest." Most managerial decisions take place in the large and ambiguous middle ground of organizational life.

Finally, because most decisions have to be made in a climate of ambiguity, people within organizations will use whatever influence they can to taint the facts to support their goals and interests.

### ➤ HOW TO DEAL WITH ORGANIZATIONAL POLITICS?

Organizational politics is a full-contact sport. It must be played with diligence and a full understanding of the landscape, players, and rules.

Like any good sports team, preparation before the game makes the game much easier to play and gives you a better chance of winning. Below are a few essential skills that will help you play the game better;

### **1. Be Data-Driven**

Usually, data trumps any sort of political agenda. When you are data-driven, you rely on the facts and that is your best method to diffuse any sort of political positioning.

### **2. Foster Alliances**

You need to build up alliances well in advance of any political conflict. Alliances are a great way to help each other ensure that nothing gets past your collective political radar.

### **3. Admit When You Are Wrong**

The power of admitting when you are wrong is seldom understood. When used correctly, it diffuses a politically charged situation within an instant. The trick is to use it sparingly since if you are wrong too often, people will start to question your competence.

### **4. Understand the Question Behind the Question**

In a politically charged environment, the line of questioning will always lead to some sort of political peak. Knowing where the questions are leading will allow you to anticipate this and adjust accordingly.

### **5. Tell the Truth**

This may seem obvious but most people will skirt the truth because it may make them look bad. Don't worry so much about looking bad that but rather, make sure you have the facts straight and that you are striving to seek the truth about the situation.

### **6. Use E-mail Sparingly**

Email can be a curse in a political environment since it's a record of half-baked ideas and half-truths. Use email sparingly and only when you have the facts straight.

### **7. Always Look Out for the Best Interest of the Company**

This is probably the single best thing you can do when in a politically charged company. No one can debate your motivation when it's in the best interest of the company.

### **8. Foster Relationships**

Personal insights into your coworkers can help you navigate the political landscape by giving you content into their personality. This is useful when the arguments get heated.

## **9. Stand up for Yourself**

When you are right, let everyone know it. Don't cower when someone attacks you. Rather, state the facts and be proud of how you handled the situation.

## **10. Help Others**

By helping others, you earn their trust and respect. You also earn their gratitude that will come in handy when you need help.

## **11. Try and Find Common Ground**

Common ground is where everyone in the situation can agree. In almost every situation, there is some common point where all parties will agree. Finding that will allow you to accomplish a critical political move — having the parties actually agree on something.

## **12. Agree to Disagree**

Sometimes a situation will descend into such chaos that the only solution is to agree to disagree. This should be your last alternative but it's a powerful tool when you are deadlocked.

## **13. Be the Peacemaker**

It's best that you get the reputation of someone who finds solutions to tricky problems. Being the peacemaker is one way to achieve that. Peacemakers are looked at favorably because they transcend the politics and focus on making progress.

## **14. Know When to Say "I don't know"**

It's much better to say I don't know than to try and make up an answer on the fly. Saying I don't know takes courage but when used correctly, those three simple words can diffuse a volatile situation for another day. Just be careful not to use it too much.

## **15. Constantly Adjust with the Approach**

As the saying goes, one size does not fit all. You need to read the situation you are in, and select the best approach to achieve your objectives. Doing this will allow you to be much more successful than if you just do the same thing over and over again.

One thing that stands out from the list above is the amount of effort it takes to interact in a politically charged organization.

Don't worry if you feel overwhelmed. Most people do get overwhelmed when they first jump into a political environment. The thing to remember is to ease into it, if possible and really understand the landscape before you start playing the game.

## ORGANISATION CHANGE

### ➤ ORGANISATION CHANGE MEANING:

It is defined as “**any alteration in one or more elements of the organisation**”. Changes can be made in any of the following: work schedules, basis for departmentation, span of management, overall organisation design, or people themselves.

It is also important to bear in mind that any change in an organisation may have effects extending beyond the actual arena in which the change takes place. For example, a job enrichment programme could require the purchase of new machinery that might, in turn, affect other processes in the work system.

### ➤ ORGANISATIONAL CHANGES ARE OF THREE TYPES:

(i) **Technological**, made possible by breakthroughs in computer and word-processing technologies,

(ii) **Structural**, i.e., change in organisational design, made possible by rearranging product groups into, different divisions,

(iii) **Human**, i.e., changing people in the organisation by improving the managerial ability of top executives.

Paralleling the increased awareness of social and technological change has been a great deal of concern about organisational change.

### ➤ CAUSES OF ORGANISATIONAL CHANGE:

#### (A) *External Pressures:*

##### **i. Change in Technology and Equipment:**

Advancements in technology is the major cause (i.e., external pressure) of change. Each technological alternative results in new forms of organization to meet and match the needs.

##### **ii. Market Situation:**



Changes in market situation include rapidly changing goals, needs and desires of consumers, suppliers, unions etc. If an organization has to survive, it has to cope with changes in market situations.

### **iii. Social and Political Changes:**

Organisational units literally have no control over social and political changes in the country. Relations between government and business or drive for social equality are some factors which may compel for organisational change.

### ***(B) Internal Pressures (Pressures for Change from Within the Organisation):***

#### **i. Changes in the Managerial Personnel:**

One of the most frequent reasons for major changes in the organisation is the change of executives at the top. No two managers have the same style, skills or managerial philosophies.

#### **ii. Deficiencies in the Existing Organization:**

Many deficiencies are noticed in the organisations with the passage of time. A change is necessary to remove such deficiencies as lack of uniformity in the policies, obstacles in communication, any ambiguity etc.

#### **iii. Other Factors:**

Certain other factors such as listed below also demand a change in the organisation.

Employee's desire to share in decision-making

Employee's desire for higher wage rate

Improvement in working conditions, etc.

#### **➤ PROCESS OF ORGANISATIONAL CHANGE:**

Unless the behavioural patterns of the employees change, the change will have a little impact on the effectiveness of the organisation.

**A commonly accepted model for bringing change in people was suggested by Kurt Lewin in terms of three phase process:-**

***(1) Unfreezing:***

The essence of unfreezing phase is that the individual is made to realize that his beliefs, feelings and behaviour are no longer appropriate or relevant to the current situation in the organisation. Once convinced, people may change their behaviour. Reward for those willing to change and punishment for others may help in this matter.

***(2) Changing:***

Once convinced and ready to change, an individual, under this phase, learns to behave in new ways. He is first provided with the model in which he is to identify himself. Gradually he will accept that model and behave in the manner suggested by the model. In another process (known as internalisation), the individual is placed in a situation where new behaviour is demanded of him if he is to operate successfully.

***(3) Refreezing:***

During this phase, a person has to practice and experiment with the new method of behaviour and see that it effectively blends with his other behavioural attitudes. Reinforcement, for creating a permanent set in the individual, is provided through either continuous or intermittent schedules.

➤ **RESISTANCE TO ORGANISATIONAL CHANGE:**

Resistance to change is perhaps one of the baffling problems a manager encounters because it can take many shapes. People may resign, they may show tardiness, loss of motivation to work, increased absenteeism, request for transfer, wild-cat strikes, shoddy work, reduction in productivity etc.

➤ **CLASSIFICATION OF RESISTANCE TO CHANGE:**

**Resistance to change may be classified as:**

1. Industrial Resistance
  
2. Organisational Resistance

**1. Industrial Resistance:**

**Individual resistance may be there because of the following reasons:**

**A. Economic Reasons:****(a) Obsolescence of Skills:**

When a person feels that with the introduction of newer processes, his skills will just become obsolete, he will resist the change. For example, a twenty years experienced accountant is quite likely to resist the introduction of a computer for preparing the wage bills because he feels that might affect his pay and position.

**(b) Fear of Economic Loss:**

People resist change if it opens the possibility of lowering their income directly or indirectly.

**B. Personal Reasons:****(a) Ego Defensiveness:**

A sales manager may turn down the suggestions of a salesman simply because the manager perceives that his ego may be deflated by accepting the suggestion.

**(b) Status Quo:**

Most of the people feel comfortable with status quo and strongly resist change as it may involve uncertainty and risk.

**(c) Fear of Unknown:**

Change presents unknown and unknown poses a constant threat and sores people. For fear of unknown, a manager may refuse promotion that requires his relocating in another state.

**C. Social Reasons:****(a) Social Displacement:**

Introduction of change (e.g., relocating) may result in breaking up of work groups and thus result in disturbance of the existing social relationships of people.

**(b) Peer Pressure:**

Whenever change is unwilling to the peers, they force the individual subordinate employees who are bent of accepting the change, to resist it.

## **2. Organizational Resistance:**

Resistance may also be present at organizational level. Some organizations are so designed that they resist innovations.

### **➤ Some of the reasons of organizational resistance are:**

#### **(a) Threats to Power and Influence:**

Some people (especially sitting at the top levels) resist change because they feel that a change might affect their position, power and influence in the organization.

#### **(b) Organizational Structure:**

Some organization structures (e.g., bureaucratic structure) have inbuilt mechanism for resistance to change.

#### **(c) Resource Constraints:**

Non-availability of financial, material and human resources may also act as a resistance to change.

#### **(d) Sunk Cost:**

In some companies, heavy capital is blocked in the fixed or permanent assets. If such an organization wishes to introduce change, then difficulty arises because of these sunk costs.

### ***Overcoming Resistance to Organisational Change:***

Change creates tension and emotional turmoil in the minds of employees. Change thus results in resistance quite frequently, negative reactions doom the success of the change program especially when a manager is unable to handle it properly.

### **➤ SOME OF THE TECHNIQUES TO HANDLE THE CHANGE PROPERLY AND TO DEAL WITH RESISTANCE TO CHANGE ARE:**

#### **(a) Education and Communication:**

One of the easiest techniques to overcome resistance to change is to educate the people who resist it. In many cases, people do not properly understand the change and hence become afraid of its consequences and resist change.

**(b) Participation and Involvement:**

If subordinates are allowed to participate and involve themselves in the change process (decision-making regarding the implementation of the change), their misunderstandings about the consequences of change are cleared, they generally feel satisfied and do not oppose change.

**(c) Support:**

Support may be facilitative and emotional. Managers sometimes deal with potential resistance by being supportive. This includes listening, providing emotional support, providing training in new skills etc.

**(d) Incentives:**

Offering incentive is another fruitful way to overcome resistance to change.

**(e) Manipulation:**

Managers generally indulge in manipulation when all other tactics have failed to overcome resistance to change.

**(f) Coercion:**

At times, there is no way except to deal with resistance coercively. People are forced to accept change by threatening them with loss of their jobs, promotion possibilities and so forth.

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