Centre for Aerospace & Defence Laws (CADL)
Directorate of Distance Education
NALSAR University of Law, Hyderabad

<u>Course Material</u>

M.A. {AVIATION LAW AND AIR TRANSPORT MANAGEMENT}

1.1.3. PRINCIPLES OF MANAGEMENT

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MODULE 1

NATURE OF MANAGEMENT AND FUNCTIONS, SKILLS AND ROLES OF MANAGERS

Chapter-I
NATURE OF MANAGEMENT

1.1 Introduction

Consider a situation. When a person goes shopping, his primary aim is to buy what he requires at a reasonable price. He has a number of questions in his mind—what should he buy? From where to buy? How will he reach there? Will he be able to come back at the right time? And so on. To make his shopping a success, he should think of these questions in advance.

Take another example of a housewife. When she gets up in the morning, she has in her mind a number of activities to be performed, e.g., the house is to be cleaned, clothes are to be washed, young children are to be helped in getting ready for school, breakfast is to be prepared, food is to be cooked and packed and handed over to the children while they leave for school and so on. In the family, she may have three persons to help her— her servant, her eldest daughter and her mother-in-law. Her aim is to divide the work in such a way that all the work gets completed in the right way at the appropriate time. What the housewife does in this example, taken together, to achieve her aim, means management.

From the above two examples, we can conclude that management is very useful in our day-to-day activities—it is important while preparing for examinations, planning for holidays, studies, preparing home budget, celebrating social functions and so on.

Management is equally important in business. In olden days, many individuals used to operate small firms or business which didn't require much planning. But now a days business employ hundreds of people, use costly machines, sell products throughout the world. How can they afford running their business without planning in advance?

In simple words, management means managing an activity. When we talk of managing an activity, we really mean to make the activity a success. In other words, we have in mind some goal and we decide about the ways of carrying out the activity so as to achieve the goal.

A manager's job involves planning for the future by anticipating changes in the external environment, organizing people into groups, allocating resources to them and motivating them to attain organizational goals. Good management is essential for any organization, be it a government agency, a non-profit organization or an industrial firm, if it is to achieve its objectives. We need to understand the fundamental concepts, functions and processes of management.

Organisations have a variety of goals. They usually direct their energies and resources to achieve these goals. Organisations possess human as well as non-human resources (plant, equipment, land, money, etc.) that are put to use in the service of specific goals. Management is the force that unifies human as well as non-human resources in the service of organisational goals. It is a process of getting results with and through people.

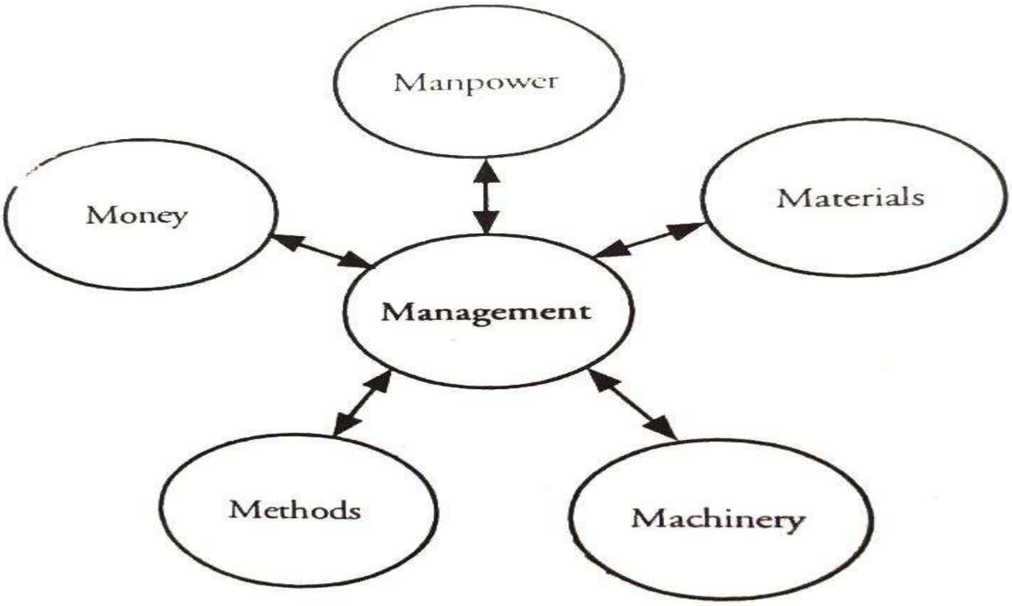

Figure: Management as a Unifying Force

Backdrop to Management

To understand the principles of management, it is important to understand the concept of an organiza-tion and its various subsystems. An organization is made of a group of people with some specific goals, objectives, and activities. Organizationis also defined as the relations among the components of a sys-tem. Organization structure denotes the components and relations that bind the people working within the organization.

The three major kinds of issues in an organization relate to the people, the organization itself, and the technology it uses. People issues encompass education, training, and attitudes. Organization issues cover strategy, policy, culture, and bureaucracy. Technology issues encompass hardware, software, tele-communications, and information systems.

The three different levels of organization structure are strategic, tactical, and operational. The strategic level represents decision making, that is, the corporate or the top level of an organization. The tactical or business level is the level of middle management where strategic decisions are transformed into tactics to achieve the strategic intents of the organization. The operational level represents actual implementation where first-level employees and workers execute the tactics, adopting the action plan of the organization.

The success of an organization largely depends on the management practices prevalent in the orga-nization. This chapter, therefore, introduces the basics of management to lay the foundation for subse-quent chapters.

Definition of Management

The attainment of organizational goals in an efficient and effective manner through planning, organizing, leading and controlling organisational resources.

Management as a Unifying Force

Management is needed whenever people work together in an organisation. The managerial functions must be performed by anyone who manages organised efforts, whether it is a business enterprise, religious organisation, military outfit or a social institution - such as planning, organising, directing and controlling. These functions are performed at all levels in an organisation, regardless of its type or size. The services of management are essential in all cooperative endeavours.

What is Management ?

There are many definitions of 'management' as there are books on the subject. There are certain genuine reasons for this: i) Management is a vast subject. It is very extensive. It is, therefore, not possible to put all the essential features of management in a single formula. ii) Management is concerned with human beings, who are behaviourally highly unpredictable, iii) Management is a young developing discipline whose concepts are continuously changing. It is small wonder, writers like Allen remarked, that the manager is one of the great unknowns in the business.

Definition of Management by different authors

F.W. Taylor : Art of knowing what you want to do and then seeing that it is done the best and cheapest way.

Henry Fayol : To Manage is to forecast, to plan, to organise, to command, to co-ordinate and to control.

Peter F.Drucker : Management is work and as such it has its own skills, its own tools and its own techniques..

Lawrence A. Appley : Management is the art of getting things done through and with people.

Terry. G : Management is a process of planning, organising, actuating and controlling to determine and accomplish the objectives by the use of people and resources.

Mc. Farland : Management is the process by which managers create, direct, maintain and operate purposive organisations through systematic, coordinated, cooperative human effort.

1.2 History of Management

The history of management can be traced back to the mid-1700s, that is, the period when the Industrial Revolution took place in Europe. Before the Industrial Revolution, economic activities used to be man-aged through home-centre production systems. During this period, since the owner of the means of capital and the owner of the labour services was the same, participation in work was more spontaneous and limited to family members. Self-motivated family members used to do their best to achieve excel-lence in their work and optimize their gains.

With the Industrial Revolution and its cascading effect, significant advancements took place in tech-nology, communication, transportation, and market expansion. Traditional market areas were confined to areas near family-managed production centres. Subsequent to the Industrial Revolution, though, the market domain expanded, resulting in an increased demand for produced goods in family-run produc-tion systems. It was not possible to cater to the increased demands through the family-run production systems. Improved technology and other infrastructural support systems resulted in a major transition from family-centred to home-centred production systems. Such organized production activities needed engagement of people who were not family members, and who would render their services against some economic consideration.

The evolving complexity of technology-supported production systems resulted in the need for peo-ple to work in groups to accomplish the jobs and the goals of an organization. A separation of the two entities, one the owner of the means of capital and the other the owner of labour services, made it dif-ficult and impractical to manage on the basis of spontaneous participation in work. It was then important to use management principles and practices to coordinate individual efforts and translate these to a group effort.

Gradually, the need was felt for a separate group of professional managers in organizations to achieve results. With the spread of globalization and advancements in technology, the task of the manager not only became important but also started to require institutionalized knowledge. The principles of man-agement provide such basic and institutionalized knowledge to prepare individuals to take responsibil-ity as future managers of organizations.

Business management includes the following branches:

1. Financial management
2. Human Resource Management
3. Information Technology Management (responsible for management information systems)
4. Marketing Management
5. Operations Management and Production Management
6. Strategic Management

1.3 Scope of Management

The scope of management is very wide. Basically it refers to three distinct ideas. According to Herbison and Myers, management may be understood as --

1. **An Economic Resource** : Management is one of the factors of production along with land, labour and capital. In modern organisations, the effective use of the five M's of management (money, materials, manpower, machinery and methods or ways of doing things) depends to a great extent on the quality of management. In other words, how effectively and economically the five M's are combined together to produce desired results. According to Newman, management is required to convert the disorganised resources of men, materials, money and machines into a productive, useful, on-going concern.
2. **Management as a system of authority** : According to Herbison and Myers, management is the rule-making and rule-enforcing body. It is bound together by a web of relationships between superiors and subordinates, that i, people

are bound by authority relationships. Managers working at top levels enjoy more authority than people working at lower levels. Top management determines objectives and provides direction to enterprise activities. Middle management (departmental heads like work manager, finance management, personnel manager etc.) interprets and explains the policies framed by the top management. They transmit orders, instructions and decisions downward and carry the problems and suggestions upward. Lower management is concerned with routine, day-to-day works.

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

1.4 Characteristics of Management

The various interpretations of management emphasise three things :

- Management is a process and involves a series of continuing and related activities.
- It tries to concentrate on reaching organisational goals.
- It reaches these goals by working with and through other people and other organisational resources.

The important features which reveals the nature of management may be stated thus :

1. **Management is intangible** : Is intangible. Cannot be seen. Unseen force. Management presence can be felt by the results of its efforts in the form of production, sales and profits.
2. **Management is goal oriented** : Seeks to achieve goals. Goals may be economic or non-economic. The primary goal is to produce and distribute goods with a view to earn profit.
3. **Management is universal** : Is an all-pervasive activity and it is needing in all types of organisations.
4. **Management is a social process** : Is a social process because it deals with people and make the best use of human efforts. Managers have to create close cooperation among employees in an organisation.
5. **Management is a group activity** : Is concerned with getting things done through people. People join groups in order to achieve results collectively
6. **Management is a system of authority** : A manager is supposed to get things done, rather than doing things himself, by using authority. Management is a multi purpose organ that manages a business, manages managers ana manages workers and work.
7. **Management is an activity** : is a distinct activity (like playing, teaching, studying). It can be studied, knowledge about it obtained and skill in its applications acquired.

8. **Management is dynamic** : It tries to visualise problems before they turn into emergencies and takes suitable steps. Tries to adapt itself to the environmental changes quickly. Proposes to take actions to make the desired results to come to pass.
9. **Management is a science as well as an art** : Is a systematised body of knowledge based on certain principles capable of general application. Management is an art because it involves the use of know how and skills like any other art such as music, painting etc.
10. **Management is multidisciplinary** : Managers utilise the scare resources at their disposal in a rational way. They make things happen in a desired manner. They convert the disorganised resources of men, materials and machines into a useful, productive enterprise. They create a whole that is greater than the sum of results, achieve results in an efficient and effective manner.

1.5. Who are effective managers

Effective managers are persons who :

1. Have vision, think long-term, set direction.
2. Are good communicators and good listeners.
3. Understand operations.
4. Know where to spend time and how to prioritize.
5. Do not resist change.
6. Delegate well.
7. Act confidently.
8. Accept responsibility and admit mistakes.
9. Are motivating, curious, honest, credible and decisive.

1.6 Importance of Management

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

1. **Optimum use of resources** : Management ensures optimum utilisation of resources by attempting to avoid wastage of all kinds. It helps in putting the resources to the best advantage within the limitations set by the organisation and its environment. The right climate is created for workers to put in their best and show superior performance.
2. **Effective leadership and motivation** : In the absence of management, the working of an enterprise will become random and haphazard in nature. Employees feel a sense of security when they find a body of individuals working day and night for the continued growth of an organisation. It enables employees to move with cooperation and achieve goals in a coordinated

manner. Creates teamwork and motivates employees to work harder and better by providing necessary guidance, counselling and effective leadership.

3. **Establishes sound industrial relations :** Management minimises industrial disputes and contributes to sound industrial relations in an undertaking. Industrial peace is an essential requirement for increasing productivity. To this end, managers try to strike a happy balance between the demands of employees and organisational requirements. They initiate prompt actions whenever workers express dissatisfaction over organisational rules, methods, procedures and reward systems.
4. **Achievement of goals** : Management plays an important role in the achievement of objectives of an organisation. Objectives can be achieved only when the human and non-human resources are combined in a proper way. Management is goal-oriented. With a view to realise the predetermined goals, managers plan carefully, organise the resources properly, hire competent people and provide necessary guidance. They try to put everything on the right track. Thus, unnecessary deviations, overlapping efforts and waste motions are avoided. In the final analysis, all these help in realising goals with maximum efficiency.

1.7. Management vs. Administration

There has been a controversy over the meaning of the terms 'management' and 'administration'. Some take management and administration as one; some consider administration broader than management and some hold the view that management and administration are different. Let's examine the opinions of various writers before trying to resolve this controversy.

1. Administration is broader than management
2. Administration is part of management
3. Management & administration are identical

1. Administration is above Management

Administration is that phase of business enterprise that concerns itself with the overall determination of institutional objectives & the policies necessary to be followed in achieving those objectives.

Management on the other hand, is an executive function which is primarily concerned with carrying out broad policies laid down by the administration.

2. Administration is a part of Management

Management is a generic name for the total process of executive control in industry or commerce.

It is a social process entailing responsibility for the executive & economic planning & regulation of the operation of an enterprise, in the fulfillment of a given purpose or task.

Administration is that part of management which is concerned with the installation & carrying out the procedures by which it is laid down & communicated, & the process of activities regulated & checked against plans.

3. Management & Administration are identical

Management & administration are synonymous; the difference between the two terms lies mostly in their usage in different countries or different fields of human organizations.

The distinction between the two terms may be drawn by analyzing the origin of the word "administration".

The government often uses the word administrator, instead of manager, to handle & manage its affairs

Distinction between Administration and Management

Point of distinction	Administration	Management
Nature	Thinking function (What is to be done and when)	Doing function (Who should do it and how)
Scope	Determines broad objectives and policies	Implements plans and achieves goals through people
Level	Top level function	Middle and lower level function
Skills needed	Conceptual and human skills	Technical and human skills
Represents	Owners who invest capital and receive profits	Paid individuals who work for remuneration
Usage	Mostly in government, military, educational, social and cultural organizations	Mostly in business organisations

1.8. Management as a profession

The question, "Is management a profession?" is asked quite frequently. Over the last few decades, factors such as growing size of business units, competition, separation of ownership from management have led to an increased demand for professionally qualified managers. The tasks of management have become quite specialised. As a result of these developments, claims are being made that management has reached a stage where everything has to be managed professionally.

The important **features of a profession** are :

1. **Well defined body of knowledge :** A profession must have a systematic body of principles, techniques and skills.

2. **Formal education and training :** Everybody cannot enter a profession. An individual can enter a profession only after acquiring knowledge and skills through formal education and training.
3. **Minimum Qualification :** An individual can enter a profession after obtaining a degree or diploma from recognised colleges, universities or institutes.
4. **Representative body :** A representative body of professionals exist to regulate and develop the professional activities. It -
   (i) tries to regulate the entry of people into the profession.
   (ii) conduct the examinations from time to time.
   (iii) issues the certificate of practice.
   (iv) carries out other activities (R&D, liaison work, etc.) aimed at developing the profession.
5. **Service about self :** A profession must be committed to service. Success in work should be more important than financial awards or political gains. Service to society should be the ultimate motto.
6. **Ethical code of conduct :** A strict code of conduct exists in every profession. Members of a profession are expected to follow the code sincerely and honestly.

1.9. Principles of Management

A principle is a basic statement or a fundamental truth that provides understanding and guidance to thinking and practise. A principle represents a basic element of knowledge is that it explains the relationship and helps in predicting what would happen if the principles were applied. Over the years, a number of principles have been developed in management to aid executive thinking and action.

Nature of Management principles

Management principles can never be stated as rigorously as that of physical sciences because human beings behave more erratically than physical phenomena. Management principles have been developed out of experience and analysis only. The empirical support for most of these principles is woefully inadequate. In the absence of a scientific analysis, these principles must be taken as general ideas on which sound and effective action can be based. They are, thus, not absolute truths or infallible laws. Managers should not conclude that principles are rigid and that there is some definite list chiseled in stone. Moreover, management principles are ever-changing.

Why Management Principles ?

Principles of management are to a manager as a table of strengths of materials is to a civil engineer. The utility of principles lies in the foundation they provide for its efficient conduct, by making out the basic features that characterise the practice of management, irrespective of where it is occurring. By following the principles of management, a manager can avoid fundamental mistakes in his job and foretell the results of his actions with confidence.

Management principles help in following ways :

1. **To increase efficiency :** Principles aid thinking and action. The need for guesswork, haphazard activities is reduced. The problems brought out by rapid changes in the environment can be solved easily.
2. **To crystallise the nature of management :** Principles crystallise the ever-increasing knowledge and thinking in the field of management. Without principles, it is not possible to impart knowledge and provide training to managers.
3. **To improve research in management :** Management deals with human beings whose behaviour is highly unpredictable. Principles provide a broad generalisations which helped in testing behaviour, understanding it and predicting the outcomes for future. They help in improving the fund of tested knowledge and promoting further research in human behaviour.
4. **To attain social goals :** Management principles play an important role in improving the quality of life of people and the standard of living. They bring order out of chaos. Managers are able to commit resources to the best possible advantage and employ them in a judicious fashion.

What are the principles of management ?

1) **Henry Fayol's 14 principles** derive from the circumstance that Fayol's felt that management was not well defined. In his striving to change this circumstance he suggested the 14 principles of management.

Division of work: This is the specialization that economists consider necessary for efficiency in the use of labor. Fayol's applies the principle to all kinds of work, managerial as well as technical.

Authority & responsibility: Here Fayol finds authority and responsibility to be related, with the later arising from the former. He sees authority as a combination of official factors, deriving from the manager' position and personal factors.

Discipline: Seeing discipline as "respect for agreements which are directed at achieving obedience, application, energy, and the outward marks of respect. Fayol declares that discipline requires good superiors at all levels.

Unity of command: This means that employees should receive orders from one superior only.

Unity of direction: According to this principle, each group of actives with the same objective must have one head and one plan.

Subordination of individual to general interest: This is self explanatory when the two are found to differ, management must reconcile them.

Remuneration and methods: Employees should be paid fairly in accordance with their contribution.

Centralization: The relationship between centralisation and decentralisation is a matter of proportion; the optimum balance must be found for each organisation

Scalar chain: subordinates should observe the formal chain of command unless expressly authorised by their respective superiors to communicate with each other

Order: Both material things and people should be in their proper places.

Equity: Loyalty and devotion should be elicited from personnel by a combination of kindliness and justice on the part of managers when dealing with subordinators.

Stability of tenure: People need time to learn their jobs

Initiative: One of the greatest satisfactions is formulating and carrying out a plan.

Esprit de corps: This is the principle that "in union there is strength" as well as an extension of the principle of unity of command, emphasizing the need for teamwork and the importance of communication in obtaining it.

2) **Mooney and Reiley staff principle**: According to this principle, staff units must be created in order to provide service and expert advice to the line managers.

3) **Taylor's principle of management by exception**: Routine work, according to this principle, must be handled by subordinates and management must concentrate on strategic, key and importance issues.

4) **Weber's principles**: Organisation work must be performed according to rules. All administrative actions must be recorded in writing so as to have a ready reference in future; a hierarchy of positions should be provided for supervision of each unit by a higher official etc.

5) **Likert's principle of supportive relationship**: According to this principle, manages should provide psychological and moral support to subordinates. The basic purpose should be to improve the subordinate's sense of personal usefulness and dignity and secure commitment to organisational goals.

6) **Human Relations :** Human relationsists and behavioural scientists have avoided providing prescriptions and have suggested ideas and concepts to describe some fundamental guides to managerial thought and action. These concepts are largely aimed at improving the 'quality of life' rather than achieving organisational goals. The importance of human element is recognised and efforts are made to make human life more interesting, meaningful and challenging in an organisation.

7) **Modern organisation theories and principles of management :** Systems and contingency theories advocate that, a manager should know and understand the existence of certain fundamental concepts advanced by theorists from time to time and use them judiciously. Managers should understand that there is a way to apply these concepts. The principles must be applied in a flexible way, keeping the changing circumstances in mind.

1.10 Universality of Management

Universality implies transferability of managerial skills across industries, countries. It means that management is generic in content and is applicable to all types of organisations.

Arguments for universality

1. Same functions : Quite often, it is erroneously thought that management exists only in a business and not in other enterprises. The fact is, however, that when acting in their respective managerial capacities, not only the company president but also the office supervisor performs the fundamental functions of management. The difference lies in such things as the breadth of the objectives, the magnitude of the decisions taken, the organisational relationships affected, and so on. Managers essentially perform the same functions, irrespective of their level in the organisation, industry or country.

2. Universal principles : Classical writers (Fayol, Urwick and others) believed that, there are certain principles in management which are universally applicable. These are the principle of departmentation, principle of division of labour, principle of span of control, the scalar principle, principle of unity of command, etc. such principles as one man one boss, division of work to improve speed and efficiency, limiting the number of persons to be supervised so that managers can concentrate on exceptional problems, the principles governing motivation theory have been translated into practise for a long time. These principles have found universal application in most organisations.

3. Fundamentals are the same, the techniques employed and practices followed are different : The fundamentals governing the management of a business, a church or a university are the same : the difference lies in the techniques employed and practices followed. All managers are accountable for the performance of other people : they plan, make decisions, organise work, motivate people and implement controls and so forth. In order to accomplish things, the techniques employed might differ depending on situational factors like culture, tradition, attitude, etc.

4. **Practical evidence :** Managing is found in all types, functions, levels and sizes of organisations. The fact that managers regularly move from public to private sector organisations bear sample testimony to the fact that management concepts are universal across organisational types.

Arguments against universality

1. **Complete substitutability is impossible:** It is true that the manager's job becomes most universal in content at the upper echelons of organisations. The higher one moves in an organisation, the more he or she performs the generic functions of management, such as planning, organising, leading and controlling and the less he or she is involved in day-to-day technical matters. The relationship between performance and functions entrusted becomes more intense as one moves lower down the order. For example, the success of a drilling supervisor of an oil rig depends, to a large extent, on his technical knowledge of drilling. On the other hand, the president of an oil company does not need to have much of the technical intricacies of drilling for oil or how to refine it. Before tossing the 'universality argument', we must apply brakes and qualify the statement: generic in content does not imply complete substitutability.

2. **Organisational philosophies differ:** Universality presupposes the existence of predictability regarding the outcome of managerial actions. A manager working in Firm A must be able to predict the likely consequences of his actions in Firm B, where he is likely to join. He may have to face insurmountable difficulties, in case the underlying philosophies of these organisations were to differ. For instance, in one organisation the emphasis might be on profit maximisation and in the other, the emphasis must be on social responsibilities. Such conflicting demands affect managerial actions and what a manager could apply with success in one organisation may not find a meaningful expression in the other organisation where the underlying philosophy is different. As pointed out by Dale, no individual could be a good administrator in religious, academic, military and business institutions of both communist and democratic countries because the philosophies that underlie each are drastically different and one person may not be able to cover so much ground.

3. **Universality of principles: a ridiculous statement?** Classical management principles were written by practitioners in management and were based on personal experience and limited observation only. They have only tried to pass on their ideas as universal truths. In the absence of a rigorous scientific basis, no wonder, Simon dubbed the principles as proverbs, comparable to folklore and folk wisdom. Moreover, these principles are vague and too general and as a result, are very difficult to apply to a specific organisation. They often overlap and are sometimes incompatible with one another. The terminology universal principles, universal truths is quite unfortunate.

4. **Management is a product of the culture:** Managers have to operate within the broad constraints operating in an economy: culture, tradition, organisational philosophies, etc. Managerial behaviour in a deeply traditional, religious economy is bound to be different from the advanced and scientifically-oriented economy. It is futile to search for a common set of 'principles' or 'absolutes' or 'determinate solutions', where managers have to operate in highly diverse cultures. A career in management is, by itself, not a preparation for major political office or for leadership in the armed forces, the church or a university.

The writers who argue that management principles are culture bound seem to ignore that the fundamentals governing the management of enterprises in India, Japan, U.S.A. and Brazil are the same and they are applicable and adaptable in various cultures. Otherwise, it would not have been possible for Indian managers doing successful business in Great Britain, Chinese management thinkers teaching in America and Japanese managers working successfully in Brazil and Hongkong. The universality of management thesis is well supported by several research studies by Hair, Porter, Negandhi and Richman, etc. According to these researchers, cultural and situational factors may influence the way in which a manager discharges his functions but the fundamentals of management remain unchanged.

1.11 Historical Evolution of Airport Management

Air transportation was slow to take off starting schedules passenger services on January 1,1914. More than ten years after the Wright Brothers' first flight at Kitty

Hawk in 1903. The world's first commercial schedules flight flew from Tampa to St. Patersburg, Florida. World War I was disruptive in nature and gave the first real spur to the development of commercial aviation. Post World War I, experienced pilots and aircraft production facilities and technologies were readily available. This gives tremendous impetus to commercial air transportation and its subsequent growth. The first commercial international air transport service between England and France was realized in 1919. The Paris Convention in that year envisaged that each country controlled its airspace over own territory. In Europe, governments promoted new passenger airlines. US airmail also subsidized the emergence of the first major US passenger airlines. In the next two decades, airlines became commercially viable. World War II facilitated once again rapid growth of air transportation. By 2010, this figues of air borne passengers reached 2.4 billion underlying the enduring growth of air travel.

Air transportation's share of world trade in goods is only 2% measured by weight but more than 40% of value. For the international operations, freight can account to 45% of the revenue of a regular airline. Typically, air cargo relates to time sensitive, valuable or perishable freight carried over long distances. This is particularly suitable in supporting "just-in-time" production and distribution strategies with low inventory levels.

In many parts of the world, government intervention in the industry took the form of state-owned airlines. An important trend in the past decade has been the proliferation of Open Skies agreements. Open Skies agreements remove most restrictions on the number of carriers and the routes that they may fly between two countries.

An important aspect of international airline networks is the recent formation of alliances. Alliances are voluntary agreements to enhance the competitive positions of the partners, particularly where the persistence of the restrictive bi-lateral ASAs make it difficult for an airline to expand on its own. Members of airline alliances cooperate on scheduling, frequent flier programs, equipment maintenance, and schedule integration. Most importantly, they permit, carriers to tap markets that would otherwise be beyond their reach. Indeed, each of the major alliances encompasses almost every significant market across the globe.

A final important aspect of airline networks is the emergence of separate air cargo services. Traditionally, cargo was carried in the belly hold of passenger airplanes, and provided supplementary income for airline companies. However, since passengers always had the priority when the plane was over loaded, such air flight services tended unreliable. Moreover, passenger aircraft are operated on routes that make sense for passengers, but may not attract much cargo. Today, about half of air cargo is carried in dedicated freighters, aircraft in which goods are carried on both the main deck and in the belly hold. However, cargo operations are ripe with inefficiencies. About 70% of the transit time for a payload carried by air is spent on the ground, mostly at congested airport terminals. This tends to mitigate the major speed advantage air freight is known for. Hence management needs to focus on this aspect.

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Case Study - How an effective manager handles precarious situations
“Left or Right”

Rajinder Kumar was a production worker at Competent Motors Limited (CML), which made components and accessories for the automotive industry. He had worked at CML for almost seven years as a welder, along with fifteen other men in the plant. All had received training in welding both on the job and through company-sponsored external programmes. They had friendly relations and got along very well with one another. They played volleyball in the playground regularly before retiring to the quarters allotted by the company. They ate together in the company canteen, cutting jokes on each other and making fun of anyone who dared to peep into their privacy during lunch hour. Most of the fellows had been there for quite some time, except for two men who had joined the ranks only two months back. Rajinder was generally considered to be the leader of the group, so it was no surprise that when the foreman of the department was transferred and his vacancy was announced. Rajinder applied for the job and got it.

There were only four other applicants for the job, two from mechanical section and two from outside. When there was a formal announcement of the appointment on a Friday afternoon, everyone in the group congratulated Rajinder. They literally carried him on their shoulders and bought him snacks and celebrated the even enthusiastically. On Monday morning, Rajinder joined duty as Foreman. It was company practice for all foremen to wear blue jacket and a white shirt. Each man’s coat had his name badge sewn onto the left side pocket. The company had given two pairs to Rajinder. He was proud to wear the coat to work on Monday.

People who saw him from a distance went upto him and admired the new blue coat. There was a lot of kidding around calling Rajinder as ‘Hero’, ‘Raja Babu’ and ‘officer’ etc. One of the guys went back to his locker and returned with a long brush and acted as though he were removing dust particles on the new coat. After about five minutes of horseplay, all of the men went back to work.

Rajinder went back to his office to get more familiar with his new job and environment there. At noon, all the men broke for lunch and went to the canteen to eat and enjoy fun as usual. Rajinder was busy when they left but followed after them a few minutes later. He bought the food coupon, took the snacks and tea and turned to face the open canteen. Back in the left side corner of the room was his old work group; on the right-hand side of the canteen sat all the other foreman in the plant – all observed in their blue coats.

At that point of time, silence descended on the canteen. Suddenly both groups looked at Rajinder anxiously, waiting to see which group he would eat with.

Questions :

1. Whom do you think Rajinder will eat with ? Why ?
2. If you were one of the other foremen, what could you do to make Rajinder’s transition easier ?
3. What would you have done if you were in Rajinder’s shoes ? Why ?

Chapter-II
MANAGERIAL ROLES, FUNCTIONS AND SKILLS

2.1 Introduction

Managers perform a 'tight-rope walk' almost every day. They switch gers, change hats and undertake a wide variety of activities in the race to stay ahead of others. Processing bundles of data, achieving goals, coping with changes, keeping employees happy etc., are all part of the same game.
A manager is effective if he reaches a stated objective and efficient if the limited resources entrusted to him are not wasted in the process.
According to Kreitner, management is the process of working with and through others to achieve organisational objectives in a changing environment. Central to this process is the effective and efficient use of limited resources. A **manager** is effective if he reaches a stated objective and is efficient if the limited resources entrusted to him are not wasted in the process. This definition contains five important components that require a closer examination.

Changing environment

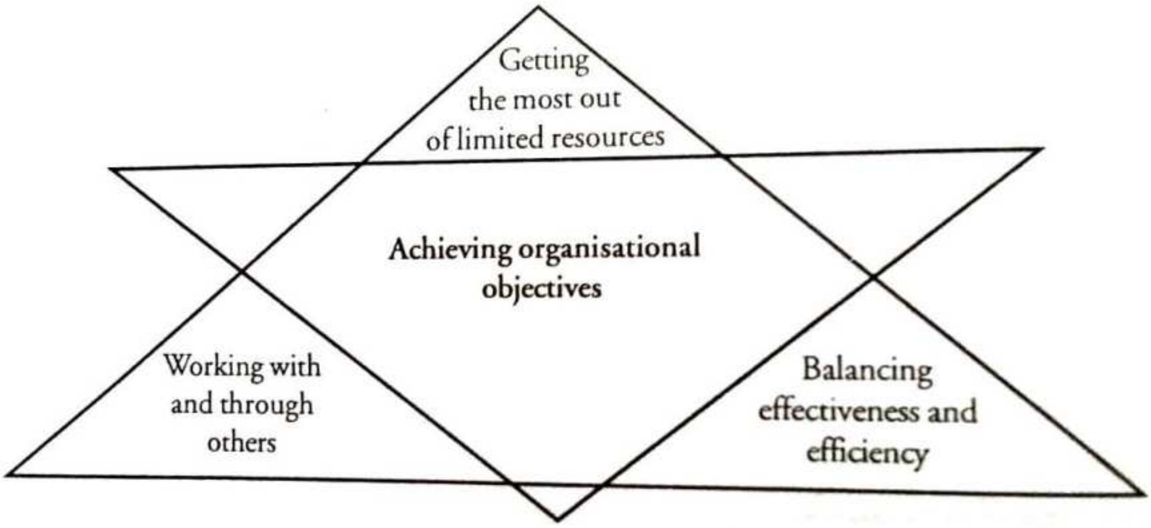


Figure: Key aspects of the Management Process

a. Working with and through others : Managers get results by working with and through others. Managers who do not get along well with others hamper their careers as revealed by a study of detailed managers.
The features of detailed managers are :

- Insensitive to others
- Do not accomplish stated purposes
- Over manage, by not effectively delegating things to others
- Unable to think strategically
- Over dependent on a mentor
- Cold, aloof and arrogant

- Overly ambitious, play politics
- Unable to staff effectively
- Unable to adapt to a boss with a different style
- Having specific performance problems with the business

b. Achieving goals: Managers are at the top to formulate and achieve stated goals. Organisations are more successful when their activities are guided by challenging, yet achievable goals.

c. Balancing effectiveness and efficiency : As managers use their resources, they must strive to be both effective and efficient. Managerial effectiveness is defined in terms of resource utilisation in relation to organisational goal attainment. Effective essentials promptly achieving a stated objective. If organisations use their resources to achieve their goals, the managers are effective. Efficiency, on the other hand, is the achievement of ends with the least amount of resources. The more resources wasted or unused during the production process, the more inefficient the manager.

d. Making the most of limited sources : Managers have to use physical, financial and human resources in a prudent way and achieve stated goals.

e. Coping with a changing environment : successful managers are the ones who anticipate and adjust to changing circumstances rather than being passively swept along or caught unprepared. Successful managers, do not wait for future; they make the future.

Who are Managers ?

1. Managers are the çoordinators' and 'directors' in the organisation.
2. Managers are the individuals charged with -
   i. examining the workflow
   ii. coordinating efforts
   iii. meeting goals and providing leadership.
3. Managers possess the right to command others in their areas of responsibility.
4. Managers responsible for directing the efforts aimed at helping organizations in achieving their goals.
5. Manager is a person who plans, organizes, directs and organizes, directs and controls the allocation of human, material, financial, and information resources in pursuit of the organization's goals.

2.2 What do managers do

- They generally work for long hours.
- They interact with a large number of different people
- They do little reflective planning
- Spend most of their time engaged in oral communication
- They spent little time working alone. Time spent with others includes working with bosses, peers, subordinates as well as outsiders such as customers, suppliers and the like.

They spend a lot of time getting, giving and processing information.

Managerial work is characterised as :

1. **Managers work with and through other people** : Managers works with internal and external groups of people to achieve goals. They integrate individual efforts into team work. They plan things, create a structure, motivate people and achieve goals.
2. **Managers are mediators** : People working in organisation do not always agree on certain things, say, the establishment of goals and the mean to achieve them.

   At the corporate headquarters of a large bank, managers may think about expanding into merchant banking, leasing, credit card business, whereas at the brach level, people may focus on expanding deposits by venturing deep into rural areas. Unless such differences are resolved quickly, employees find it difficult to think and act like a well-knit group. Their morale, too, may suffer. Managers often step in to put things in order, clear the paths to goals, clarify things to people, put out fires and meet goals.
3. **Managers are politicians** : Managers must develop healthy relationships with various groups in order to achieve the goals smoothly. They may have to nurture groups and join certain coalitions within a company. They often draw relationships to win support for their proposals and decisions.
4. **Managers are diplomats** : Managers serve as officials representatives of their work units at organisational meetings. They represent the entire organisation as well as a particular unit in dealing with external groups (clients, customers, government officials etc.)
5. **Managers are symbols** : Managers are symbols of corporate success or failure. They get applause when they succeed and get depreciated and attacked when they fail. In short, they represent corporate as well as employee aspirations. They are shown the door when these aspirations do not materialise.

2.3 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, and decisional.**

1. Interpersonal Role

Interpersonal role is one of the most effective ways to reduce prejudice between different group members. Properly managed contact between the groups should reduce problems and lead to better interactions. It seems simple – if one has the opportunity to communicate with others, then one is able to understand and appreciate different points of views involving different ways of life. The three interpersonal roles are primarily concerned with interpersonal relationships --

- **Figure Head Role** : The manager performs ceremonial and symbolic duties as head of the organization
- **Leadership Role** : Fosters a proper work atmosphere and motivates and develops subordinates
- **Liaison Role** : Managers serves as a connecting link between their organisation and others or between their units and other organisational units.

2. Informational Roles

Informational roles are primarily concerned with the information aspects of managerial work. The three informational roles are primarily concerned with the information aspects of managerial work --

- **Disseminator Role** : The manager distributes important information to subordinates that would otherwise be inaccessible to them. Managers transmits factual and value based information to subordinates.
- **Spokesperson Role** : Transmitting information to the people outside the organisation.
- **Monitor** : Receiving and collecting information; utilising the channels through which information comes.

3. Decision Roles

Managerial roles that revolve around making choices. There are four decision roles --

- **Entrepreneur** : The manager designs and initiates change in the organization
- **Disturbance Handlers** : Managers respond to the situations that are beyond their control such as strikes, shortages of materials, complaints, grievances etc.
- **Allocator** : Managers are responsible for allocating human, physical and monetary resources
- **Negotiators** : Managers not only mediate in internal conflicts but also carry out negotiations with other units to gain advantages for their own unit.

2.4 Functions of Management

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

Figure: Functions of Management

1. Planning

Deciding in advance :

What to do

How to do

When to do

Who is going to do it

Bridges a gap between where we are today and where we want to reach.

Sets the goal of an organization.

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.

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

2. Organising

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.

Establishing the framework of working:

How many units or sub-units or departments are needed.

How many posts or designations are needed in each department.

How to distribute authority and responsibility among employees

Once these decisions are taken, organizational structure gets set up.

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

Recruiting, selecting, appointing the employees, assigning duties, maintaining cordial relationship and taking care of grievances of employees.

Training and Development of employees, deciding their remuneration, promotion and increments. Evaluating their performance.

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.

Staffing involves:

- Manpower Planning (estimating manpower in terms of searching, right person at right place).
- Recruitment, selection & placement.
- Training & development.
- Remuneration.
- Performance appraisal.
- Promotions & transfer.

4. Directing

- Giving directions or instructions to employees to get the job done.
- Leadership qualities are required.
- Motivating employees by providing monetary and non-monetary incentives.
- Communicating with them at regular intervals.

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 subordinates for the achievement of organizational goals.

Direction involves -

- **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

Controlling is -

a. Matching actual performance with the planned goal.
b. If problem, tries to find out the reasons of deviation.
c. Suggesting corrective measures come on the path of plan.

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 conformity 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".

Therefore controlling has following steps-

- Establishment of standard performance.
- Measurement of actual performance.
- Comparison of actual performance with the standards and finding out deviation if any.
- Corrective action.

2.5 Levels of Management

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

1. Top level management
2. Middle level management
3. Lower level management

The functions performed by top managers, middle managers, and lower level managers respectively may be briefly stated thus :

1. Top level management

- Determines objectives and policies
- Designs the basic operating and financial structure of an organisation
- Provides guidance and direction
- Lays down standards of performance

- Maintains good public relations

2. Middle level Management

- Interprets and explains the policies formed by the top
- Issues detailed instructions
- Participates in operating decisions
- Trains other managers

3. Lower Level Management

- Plans day-to-day operations
- Assigns jobs to workers
- Provides supervision and control over work
- Arranges material tools and equipment
- Maintains discipline

Differences in the levels of Management

Point of distinction	**Top Level Management**	**Middle Level Management**	**Lower Level Management**
Action focus	A small group of policy makers deciding the fate of an organisation	Act as a connecting link between top and lower level people and manage the activities of other managers	These managers are in direct contact with employees
Representation	CEO, President, Chairman, Managing Director etc	Managers and immediate subordinates	Section Head, Supervisor, First-line managers
Nature of work	They generally spend more time peers, outsiders and to a lesser extent, subordinates	Less physical active and far more involved in paper work and meeting	Physically active, experience frequent interruption, often shift back and forth between tasks and spend most of their time with subordinates and peers caring for monetary problems

2.6 Managerial Skills

Robert L. Katz has identified three basic types of skills - technical, human and conceptual - which he says are needed by all managers

1. Technical Skills : Technical skill is the ability to use the tools, procedures or techniques of a specialised field. Technical skills is considered to be very crucial to the effectiveness of lower level managers because they are in direct contact with employees performing work activities with in the firm.

For instance, the success of a drilling supervisor of an oil rig depends a great deal on his technical knowledge of drilling. However, as one moves to higher levels of management within the organisation, the importance of technical skill diminishes because the manager has less direct contact with day-to day problems and activities. Thus, the president of an oil company does not need to know much of the technical details of drilling for oil or how to refine it.

2. **Human skills :** Human skill is the ability to work with, understand and motivate other people. This skill is essential at every level of management within the organisation, but it is particularly important at lower levels of management where the supervisor has frequent contact with operating personnel.

3. **Conceptual skills :** Conceptual skill is the mental ability to coordinate and integrate the organisation;s interests and activities. It refers to the ability to see the 'big picture', to understand how a change in any given part can affect the whole organisation.

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

Managerial Skills at various levels:

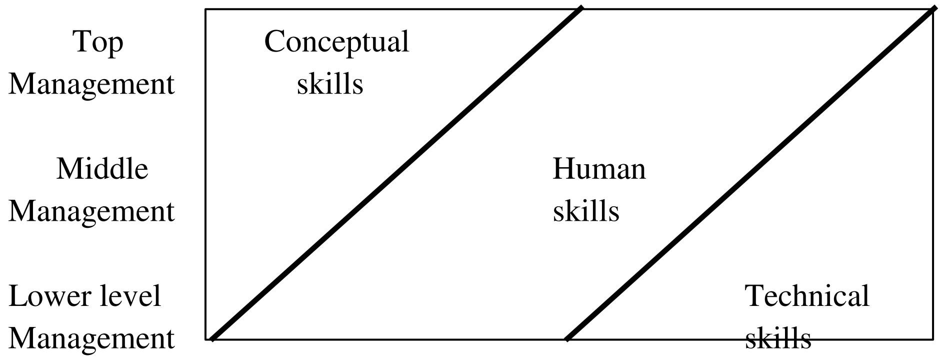


Figure: Managerial skills at various levels

Technical skill is most important at the lower levels of management; it becomes less important as we move up the chain of a command. A production supervisor is a manufacturing plant, for example, is likely to need more technical skill than the company president, because he or she will have to deal with the day-to-day manufacturing problems that arise.

On the other hand, the importance of conceptual skills increases as we rise in the ranks of management. The higher the manager is in the hierarchy, the more he or she will be involved in the broad, long-term decisions that affect large parts of the organisation. For top management which is charged with the responsibility for overall performance, conceptual skill is probably the most important skill of all.

Human skill is very important at every level of the organisation. One reason this is so is because to get the work done through others; high technical or conceptual skills are not very valuable if they cannot be used to inspire and influence other organisation members.

2.7 Institution Building Skills

Top executives are usually thought of as the people who make the major decisions in an organisation. They often have disjointed and widely varied tasks, ranging from figure head duties to conducting meetings, They also have external duties, including such varied ones as testifying at legislative hearings, greeting important customers, presiding at retirement luncheons and serving on the board of directors of agencies, such as a local college. The major duty of the top executive is to deal with broad organisational matters and major projects, such as long-range planning and the development of organisation's strategy. Decisions such as expanding a plant, dropping a major product, or purchasing another company are made at this level. According to Prof. Pareek (1981), top level executives perform eight key roles while building institutions of lasting value, as indicated below :

1. **Identity creating role :** Top level executives must create an identity for their organisation in the market place. Such an impact can be created by serving employees through excellent welfare measures, developing enviable marketing skills or fostering technological innovations. In short, they must çarve out a niche' for themselves in the market place.
2. **Enabling role :** Top level executives must develop their resources (men, materials, equipment and other facilities) in the service of an organisation. A good work atmosphere must be created where employees would feel like contributing their best to the organisation.
3. **Synergising role :** Synergy means that the whole is greater than the sum of the parts. In organisational terms, synergy means that as separate departments within an organisation cooperate and interact, they become more productive than if each had acted in isolation. For example, it is more efficient for each department in a small firm to deal with one financing department than for each department to have a seperate financing department of its own. Top executives must try to combine their human as well as non-human resources in such a way that the goals of the organisation are met in an effective and efficient manner.
4. **Balancing role :** the top executive must be able to strike a harmonious balance between conformity and creativity within the organisation. Conformity to rules and regulations is required to ensure consistent and orderly execution of work. Conformity, when carried out in a rigid and scrupulous manner, may affect employee behaviour in a negative way and destroy the creative potential of employees. The chief executive, therefore, must encourage his employees to move in a dynamic way instead of merely applying rules and regulations in a mechanical manner.
5. **Linkage building role :** The chief executive must be able to develop appropriate linkages between the organisation and outside constituencies such as government, financial institutions, community and society at large.

Without enlisting support from these outside constituencies, it might be difficult for the organisation to obtain licenses, to expand business activity, to carry out research and to initiate rural development programmes.

6. **Futuristic role :** The chief executive must prepare the organisation for future challenges. To this end, the organisation must look into market opportunities and encash these in a prudent way. The chief executive must be able to steer the ship to safety, facing the turbulent environments in a bold manner.
7. **Creating an impact :** This means making an impact of one's organisation on others, by way of superior technology, marketing skills, innovative abilities etc.
8. **Provide superordination :** The chief executive must be able to create a sense of pride and importance in the subordinates - making them feel that they are working in a very important field of work which is very useful for the society.

2.8 How to be a successful manager

Successful managers wear many hats. Managers come from a wide variety of backgrounds and possess an equally wide variety of traits and skills. To reach the top, there are no short-cuts, but there are atleast three general pre-conditions for achieving success as a manager. Their success is defined in terms of the speed of promotion within an organisation.

The three general pre-conditions for achieving success as a manager.

1. **Education :** Recent surveys of CEOs indicate the growing importance of formal education in preparing managers. Graduate school degrees and engineering qualifications enjoy a premium value in the job market.
2. **Experience :** Experience is also an important factor in learning to be an effective manager. Effective managers have typically held some type of job at college, been in at least one officer position in a campus organisation and worked for two or fewer companies other than the one they head. In addition, they tend to put in long hours. Communication skills and networking abilities were found to make a big contribution to managerial success.
3. **Understanding trends :** Managerial work in the future is particularly likely to be affected by growing internationalisation of business, the increasing use of sophisticated information technology to facilitate managerial work, and the expanding public concern with managerial ethics and values.

Management is an art of getting things done through people:

One fortunate version of management that has gained wide currency among management thinkers and practitioners is that management is the art of getting things done through others. On the face of it, the statement seems to be an apt summation of what a manager does in an organisation. But underneath this apparent simplicity, the manipulative character of the management functions should not go unnoticed. If we were to examine the statement from close quarters, three things clearly emerge :

1. **Management means getting things done :** The determination and accomplishment of goals is a praiseworthy activity of management.

Management, in fact, is purposeful and goal-oriented activity. Goal-orientation and action-focus provide the basis for managerial operations. The question of how managers get things done is totally discounted in the formative stages of management thinking and development. Imbued with feelings of showing results, managers often skilfully manipulated human resources in the service of the organisation. Such things as money is a powerful motivator; the average human being has an inherent dislike of work; the human element must be coerced, controlled and directed in order to get the work done; providing carrots for successful workers and employing the stick against those falling behind work schedules, etc,., permeated management thinking.

2. **Use authority :** Traditional writers like Fayol viewed authority as the right to give orders and the power to exact obedience from subordinates. Ends must be achieved through the exercise of authority. The employee must be punished ruthlessly for turning out poor performance, for not meeting standards, or for going off the tract. Severe punishment is meted out even for negligible deviations from standards. Managers used to breathe so closely down the necks of their subordinates that they made effective action virtually impossible. Rigorous standards, strict controls, severe punishments, autocratic rules and regulations permeated management thinking and the atmosphere was too suffocating for subordinates to work effectively toward organisational goals with zeal and enthusiasm.
3. **Results through people :** Obtaining results through people presents the toughest challenge to all managers. Inability to obtain results is one of the principal reasons for managerial incompetence and failure. As we have seen, in the day gone by, results were obtained through people by employing carrot and stick policies. Employees were viewed as mere means to accomplish goals. They were treated as inert instruments in the production process labelled as 'glorified machine tools'. The primary job of management is to convert the disorganised resources of men, machines and materials into an useful enterprise. The focus is on achieving organisational objectives : the individual objectives are completely ignored and totally discounted. The whole exercise proved to be self-defeating and frustrating for managers because even after injecting additional doses of incentives, worker performance remains remarkably constant. The use of threats and punishment prove to be ineffective after a point.

Thus, in order to accomplish results, management must create opportunities, remove obstacles, encourage growth and development of employees and provide guidance and assistance wherever necessary. All this demands skilful application of the basic principles to the science of management. Managers must be conceptual, technical, administrative and social skills in translating the abstract organisational philosophy into concrete action. Achieving results implies mobilisation, integration and judicious employment of resources, human as well as physical and financial, in a disciplined manner . The results obtained must ultimately be compatible with the demands of the society within which the organisation operates.

Management deals with ideas, things and people:

1. **Management is concerned with ideas, things and people :** Management is the dynamic life giving element in every organisation. It is the activating element that gets things done through people. It provides the dynamic force necessary to transform the resources of a business organisation into a productive, operating concern. The primary job of management is to convert the disorganised resources of men, machines and materials into a useful, productive organisation. No wonder, call management, rather tritely, as the process of marshalling resources, ideas and things to obtain results through people.
2. **Generating ideas : the creative process in management :** From the very start of the business, ideas play a crucial role in deciding the competitive standing and prospects of the business. It is the working out of new ideas that can keep the business ever growing in stature and importance. Every organisation gains vitality through new and constructive ideas only. One of the hallmarks of successful management is the generation of innovative ideas that dramatically change the course of history. Managers cannot afford to wait for future-they have to make future by their creative abilities. They must provide new ideas, new imaginations and visions to the group working and integrate its efforts in a fruitful manner leading to better performance.
   Example : The idea that consumers want a detergent powder that is cheap but has got requisite quality helped the manufacturers of 'Nirma' washing powder to capture the market and cut down the influence of a multinational firm, Hindustan Lever Limited (surf).
   It is in the realm of ideas that management acts as a creative force. Ideas help management in making organisations service, grow and succeed, through sheer innovative power. Innovations call for constructive thinking and imaginative solutions to future problems.
   Creativity in idea generation spells the difference between success and failure in managing a business. The comparative efficiency of different management teams lies in their ability to visualise problems before they turn into emergencies. Managers can weather out the toughest challenges with the help of ideas. After generating useful ideas, managers must put the entire organisation machinery in motion for working them out into full-blown plans of action.
3. **Getting things done : managing resources :** The primary job of management is to integrate the productive but passive resources into an useful enterprise. Management of resources implies managing physical, financial and human resources. To facilitate this process, managers are expected to perform certain basic functions : planning, organising , leading and controlling.

The planning functions encompasses, defining the organisation's objectives, establishing a master strategy for achieving these objectives and developing a comprehensive set of operational plans to integrate and coordinate activities.

Organising includes the determination of, what tasks are to be done, who is to do them, how the tasks are to be grouped, who reports to whom and where decisions are to be taken.

Leading includes motivating subordinates, directing their activities, communicating with them through effective communication channels and resolving conflicts etc.

Controlling is the process of monitoring performance by comparing actual results, with predetermined objectives.

Thus, in order to get results managers formulate plans, delineate structural arrangements; hire, train and motivate people and monitor performance by comparing with previously set goals. The statement that management is concerned with managing 'things' should be qualified in the light of the above information. Management is actually a process of efficiently getting activities completed through people. Efficiency is a vital aspect in managing things. Efficiency refers to the relationship between inputs and outputs. If a manager is able to get more output for a given input, he is said to have achieved things effectively. Management is also concerned with getting things completed. In other words, it seeks effectiveness. When managers achieve their goals, they are said to be effective.

4. **Managing people :** In the early stages of the evolution of management, managers had completely ignored the importance of managing people effectively in order to achieve results. People were treated as autonomous, machines, economic tools in the production process. People are things and things can be manipulated to serve the needs of the organisation.

Skill Building Exercise

Rajiv Beri's Diary

Rajiv Beri is the president of a small company that produces electronic circuits. He decided to keep a diary of his activities for one day, which was summarized as :

7.30-8.15	Weekly staff meeting with five supervisors
8.15 – 8.45	Made arrangements to display the company's products at a trade show in October
8.45 – 9.30	Interviewed an applicant for the position of purchasing agent
9.45 – 10.00	Discussed maternity leave with a secretary
10.00 – 11.00	Met with three stock holders to explore how Rs. 10 lakhs in new funds could be obtained
11.00 – 12.00	Met with a potential customer to demonstrate equipment and processes
12.00 – 1.15	Took the customer to lunch
1.15 – 2.15	Worked with the production supervisor to determine why recent units were not meeting quality control standards

2.15 – 2.45	Telephone conversation with a customer who complaints about of their sales people
2.45 – 3.15	Discussion with sales person regarding the complaint
3.15 – 4.30	Visited a local bank to determine prospects for borrowing Rs 10 lakhs
4.30 – 6.30	Worked in the laboratory to try out some news optics to be used in the production equipment

1. Of the activities listed, which ones are technical and can be managerial ?
2. In relation to each managerial activity, list the management function involved.
3. Based on this diary, do you consider Rajiv Beri to be an effective manager ?

Case Study - Managerial Skills
"Naughty Rule"
Dr. Reddy Instruments is a medium-sized company located in the Industrial Estate on the outskirts of Hyderabad. The company is basically involved with manufacturing surgical instruments and supplies for medical professionals and hospitals.
About a year ago, Madhuri aged 23, niece of the firm's founder, Dr. Raja Reddy, was hired to replace Ranga Rao quality control Inspector, who had reached the age of retirement. Madhuri had recently graduated from the Delhi College of Engineering where she had majored in Industrial Engineering.
Balraj Gupta, aged 52, is the production manager of the prosthesis department, where artificial devices designed to replace missing parts of the human body are manufactured. Gupta has worked for Dr. Reddy Instruments for 20 years having previously been a production line supervisor and, prior to that, a worker on the production line. Gupta, being the eldest in his family, has taken up the job quite early in life and completed his education mostly through correspondence courses.
From their first meeting, it looked as though Gupta and Madhuri could not get along together. There seemed to be an underlying animosity between them, but it was never too clear what the problem was.
Venkat Kumar, age 44, is the plant manager of Dr. Reddy instruments. He has occasionally observed disagreements between Madhuri and Gupta on the production line. Absenteeism has risen in Gupta's department since Madhuri was hired as quality control inspector. Venkat secretly decided to issue a circular calling for a meeting of all supervisory personnel in the production and twelve quality control departments. The circular was worked thus-
Attention : All supervisors Production Quality Control Departments
A meeting is scheduled on Monday, Feb 20 at 10.40 a.m. in room 18. The purpose is to sort out misunderstandings and differences that seem to exist between production and QC personnel.

Sd. Venkat Kumar
Plant Manager

Venkat started the meeting by explaining why he had called it and then asked Gupta for his opinion of the problem. The conversation took the following shape :

Gupta : That Delhi girl you recruited is a 'fault finding machine' in our department. Until she was hired, we hardly even stopped production. And when we did, it was only because of a mechanical defect. But Madhuri has been stopping every thing if 'one' defective part comes down the line.
Madhuri : That's not true. You have fabricated the story well.
Gupta : Venkat, our quality has not undergone any change in recent times. It's still the same, consistently good quality it was before she came but all she wants to do is to trouble us.
Madhuri : May I clarify my position at this stage ? Mr. Gupta, you have never relished my presence in the company. I still remember some of the derisive remarks you used to make behind my back. I did take note of them quite clearly !
Suresh (another quality control supervisor) : I agree with Madhuri Venkat. I think that every one knows that the rules permit quality control to stop production if rejections exceed three an hour. This is all Madhuri has been doing.
Gupta : Now listen to me. Madhuri starts counting the hour from the moment she gets the first reject. Ranga Rao never really worried about absolute reject rule when he was here. She wants to paint my department in black. Is not that true Riaz Ahmed?
Ahmed (another production supervisor) : It sure is Gupta. Every time Madhuri stops production, she is virtually putting the company on fire. The production losses would affect out bonuses as well. How long can we allow this 'nuisance' to continue.
Thirty minutes later Madhuri and Gupta were still lashing out at each other. Venkat decided that ending the meeting might be appropriate under the circumstances. He promised to clarify the issue, after discussion with management, sometime next week.
Questions :

1. Should Venkat have called a meeting to sort out this problem ? Why or why not ?
2. What do you say about the rule calling for production to halt if there are more than three rejects in an hour? Should it have been enforced ? Explain.
3. What do you feel is the major problem in this case ? The solution ?

Case Study on the Disaster Management - Execution of plan in Aviation industry

In the wake of a disaster such as an earthquake or flooding, airports in or near the affected area quickly become vital staging points for the flow of relief supplies. Preparation of airports is vital to ensure that assistance reaches the disaster victims quickly.

Deutsche Post DHL Group, making available its expertise in logistics, partnered with the United Nations Development Programme to prepare airport personnel and local disaster managers for the logistical challenge of a disaster response.

In Get Airports Ready for Disaster (GARD) workshops, DHL air freight experts help improve local processes for dispatching and processing large volumes of incoming relief workers and supplies.

More than 40 airports and 1,000 participants around the world have been trained, and the programme continues to grow.

A workshop was held in Manila in the Philippines for Davao International Airport Authority, the National Disaster Risk Management Council, government officials, and representatives of the military and other humanitarian response experts. The country lies on the 'Pacific Ring of Fire', which makes it susceptible to earthquakes, typhoons and other types of disasters.

The airport's surge capacity for goods and passengers was assessed and possible bottlenecks identified; measures were then developed to quickly increase airport capacity and avoid such logjams in the event of a disaster. The customized disaster-response plan, drafted during the workshop, takes into account the conditions specific to the airport, such as architecture and geography. For this reason, the workshops always take place directly at the airport.

A network of more than 35 airlines and 80-plus international non-profits work through Airlink, which has responded to many rapid-onset disasters, including typhoon Haiyan in the Philippines and the 2011 tsunami in Japan. Airlink has transported more than 1,300 tonnes of cargo and over 4,000 passengers at a value of more than $6,000,000 in support of a range of humanitarian initiatives.

MODULE 2

IMPORTANCE OF COORDINATION, PLANNING AND FORECASTING

Chapter-III
COORDINATION

3.1 Introduction

All organisations establish a variety of goals and direct their energies and resources to achieve them. The human as well as non-human resources (materials, machines and money) have to be combined properly so as to achieve the goals of an organisation. The various activities and efforts must be planned, organised and carried out in a systematic manner. Each department must be informed about the activities of other departments, so that all of them work together smoothly. Coordination is the process of integrating the objectives and activities of separate units of an organisation, to achieve organisational goals.

Meaning

In every organisation, the total work is divided into convenient parts. Different departments are created to process the work quickly and efficiently. Within each department, there is division and subdivision of operations according to the nature of tasks involved. Individuals working therein are, thus, related with others and their functions affect others. In order to ensure a smooth flow of work, it is, therefore, necessary to synchronise the efforts of individuals and groups, in a systematic way. The process by which a manager brings unity of action in an organisation is coordination.

According to Mooney and Reiley, 'Coordination is the orderly arrangement of group efforts to provide unity of action in the pursuit of a common purpose'. In the words of Henry Fayol, "To coordinate, means to unite and correlate all activities". To quote McFarland, "Coordination is the process whereby an executive develops an orderly pattern of group efforts among his subordinates and secures unity of action in the pursuit of common purpose." On the basis of these definitions, we can state the basic features of coordination, thus:

Deliberate action

Coordination implies deliberate efforts to bring unity of purpose. It is achieved by conscious managerial action; it is not automatic.

Group effort

Coordination applies to the group effort; not individual effort. It involves the orderly arrangement of group efforts. Thus, there is no need for coordination, when an individual works in isolation without affecting anyone's functioning. Coordination lays emphasis on unity of effort and unity of action.

Continuous activity

Coordination is not an one-shot deal. It starts with the very first action, the process of establishment of business and runs through unit its closure. It is a never-ending process of ensuring the achievement of objectives.

Permeates all management functions
Coordination permeates the entire process of management. It is a common thread running through all the management functions. **If plans** are not properly worked, the scarce resources are put in ineffective use. **In organising**, Managers must see that o activity remains unassigned. **In Staffing,** managers must ensure availability of competent people to handle assigned duties. The organisation should not suffer because of inadequate or excess staff. **In directing**, managers must synchronise the efforts of subordinates and motivate them through adequate rewards. **In controlling,** managers must see that activities are on the right path, doing the right things at the right time in the right manner. Thus, coordination transcends all managerial functions. That is, why, writers like, Koontz, Terry called coordination as the "quintessence of management".
Thus Coordination transcends all managerial functions.

3.2 Coordination versus Cooperation

Cooperation is voluntary in nature. It refers to the willingness of people to help each other. Coordination, on the other hand, is a deliberate effort of a manager to put things in order and achieve common objectives. For instance, take the case of a group of people trying to move a heavy object. They have enough strength to carry out the task, willing to put in their best and are fully conscious of their common goal. All these things will not bear fruit unless someone takes charge and directs the members to apply the right amount of effort, at the right place, at the right time. Coordination refers to such conscious and deliberate blending organisational activities to achieve unity of action.
Coordination is integrating process in an orderly pattern of group efforts in an organization toward the accomplishment of a common objective. Though coordination and cooperation seem quite similar, the two terms denote quite different meanings. Cooperation is the willingness of individuals. Cooperation without coordination has no fruit and coordination without cooperation has no root.

Differences between cooperation and coordination
The chief distinctions between these concepts are summarised hereunder:

i) **Status:** Coordination is a necessary function of management. It is actually, the epitome of all management functions. It is vital to carry out all the managerial functions successfully. Cooperation, on the other hand, does not enjoy the status of a function of management. Cooperation is more of an attitude of an individual and group than anything else. Cooperation, however, is essential for successful coordination.

ii) **Deliberate:** Coordination is the deliberate and intentional effort of the manager. Cooperation, on the other hand, is voluntary, Manager can function, even without cooperation, but cannot function without coordination. Coordination, therefore, is a contrived process whereas cooperation is voluntary and natural process.

iii) **Nature of work**: The nature of work in every organisation is such, that it needs to be divided, and then integrated. Coordination of all independent activities is utmost essential. Cooperation does not arise out of any limitations of structure and organisation. It is required all the time. The individuals learn to cooperate with each other even though their activities are least related.

iv) **Broad**: Cooperation is necessary for coordination. But coordination is necessary for an organisation. Coordination therefore, is broader of these two concepts. Even when cooperation exists if there is no proper coordination, the organisation fails to deliver goods required in time.

3.3 Need for Coordination

The need for coordination arises whenever and wherever, a group of people work together to achieve common objectives. Coordination is the basic cementing force in an organisation. The need for coordination mainly arises because of the following disintegrating forces:

(i) **Increase in size and complexity of operations**: Growth in the number and complexity of activities is a major factor requiring coordination. In a large organisation, a large number of people process the work at various levels. These people may work at cross purposes if their efforts and activities are not properly coordinated. Size brings about the problems of communication as well. It may be difficult to communicate the policies, orders and managerial actions on a face-to-face basis. Personal contact is, rather, impossible and formal methods of coordination become essential. If the operations of an organisation are multiple, complex and diversified, the need for coordination is felt everywhere.

(ii) **Specialisation**: Usually, in an organisation, work is divided along functional lines. Thus, we have specialists taking care of manufacturing, financing, personnel, marketing functions. Over a period of time, these specialists develop 'tunnel vision' (inability to look beyond their own narrow specialty). They are more interested in developing their own departments and thereby increase their sphere of influence, in the organisation. For example, production executives might be more interested in producing high-quality, high-priced items. In the words of Stoner and Freeman, "Without coordination, people and departments would lose sight of their roles within the organisation. They would pursue their own special interests, often at the expense of organisational goals.

(iii) **Clash of interests**: People join an organisation to fulfil their personal goals, i.e., their physiological (food, shelter, clothing, entertainment) and psychological (economic security, recognition for good work, freedom to do work independently, etc.) needs. Often individuals fail to appreciate how the achievement of organisational goals will satisfy their own goals. The environment in the organisation, organisational rules and regulations may also frustrate their attempts to realise their personal goals. As a result, they are forced to pursue their narrow personal interests sacrificing organisational interests. They tend to work at cross purposes. Coordination helps to avoid conflict between individual and organisational goals. Managers can bring about harmony between individual and organisational goals by developing a closer contact with subordinates, by evolving attractive incentive schemes, recognising good work and by explaining how subordinates can achieve their own personal goals, by achieving organisational goals.

(iv) **Difference in attitudes and working style**: According to Lawrence and Lorsch, the need for coordination, basically, arises owing to the differences in attitudes and different working styles of people in an organisation. Every individual has his own way of dealing with problems. The specific orientation towards particular goals might be different. To sales people, product variety may take precedence over product quality. Accountants may see cost control, as most important to the organisation's success, while marketing managers may regard product design as most essential. Further, there are differences in time orientation of people. For example, product manager may be more concerned with problems that have to be solved immediately. Others, like the members of a research and development team, may be preoccupied with problems that will take years to solve. Again, there may be differences in formality of structure. Each type of unit in the organisation, may have different methods and standards for evaluating progress, towards objectives and for rewarding employees. In a production department, for example, the standards may be quite clearly defined in terms of cost, quality and schedule, and a control system may exist for precise measurement of these criterions. In the personnel department, however, standards of performance may be quite broadly defined, such as 'upgrading the skills of field personnel'.

Thus, the capacity, talent and speed of people differ widely. It is, therefore, essential to reconcile differences in approach, timing and effort of various departments, with a view to secure unity of action.

(iv) **Independence of units**: When a department depends on the activities of other departments (or units) to carry its own activity, units are said to be interdependent. In an organisation, various units depend upon one another for their successful functioning. In a restaurant, for example, waiters, cooks, supervisors and cashiers are independent. To serve the customers, each must make his own contribution, in an orderly manner. The chef must cook the meal, the waters must serve the items, the supervisors must greet the visitors in a systematic manner. All must move in unison, so that customers are satisfied. The need for coordination increases with an increase in the interdependence between organisational units.

3.4 Significance of coordination

Coordination is the epitome of management. It is important to the success of any enterprise. It helps an organisation in the following ways:

1. Increase efficiency

Coordination pulls all the functions and activities together. The human as well as non-human resources are utilised in a right manner. Activities follow a specific direction. Waste motions, overlapping and duplication of efforts, misuse of resources are, thus, prevented. Coordination, enables an organisation to use its resources in an optimum way. The resources flow through productive channels, paving the way for required quality and quantity of output. Efficiency is thus improved.

2. Improves human relations

Coordination brings unity of action and direction. Members begin to work in an orderly manner, appreciating the work put in by others. They understand and adjust with each other by developing mutual trust, cooperation and understanding. They move closer to each other. In short, it improves human relations.

3. Interdepartmental harmony

According to Fayol, where activities are well-coordinated, each department works in harmony with the rest. Production knows its target; maintenance keeps equipment and tools in good order; Finance procures necessary funds; Security sees to the protection of goods and service personnel and all these activities are carried out in a smooth and systematic manner. Coordination, thus, creates a harmonious balance between departments, persons and facilities. This in turn, helps in meeting goals efficiently and effectively.

4. Key to other functions

The importance of coordination largely lies in the fact that it is the key to other functions of management like planning, organising, staffing, directing and controlling. The different elements of a plan, the various parts of an organisation and phases of a controlling operation must all be coordinated. Coordinating makes planning more purposeful, organisation more well-knit, and control more regulative and effective.

3.5 Principles of coordination

Coordination is crucial to the success of any organisation. Coordination is the process, whereby an executive develops an orderly pattern of group effort among his subordinates and secures unity of action, in the pursuit of a common purpose. Coordination is a continuous and dynamic process which emphasises unity of efforts to achieve the desired results. Coordination is essentially a managerial responsibility. Mary Parker Follet has spelt various principles of coordination in the following fashion.

1. Principle of direct contact

In the first principle, Mary Parker Follet states that coordination can be achieved by direct contact among the responsible people concerned. She believes that coordination can be easily obtained by direct interpersonal relationships and direct personal communications. Such personal contacts bring about agreement on methods, actions, and ultimate achievement of objectives. Direct contacts also help wither away the controversies and misunderstandings. It is based on the principle, that coordination is better achieved through understanding, not by force, order and coercion.

2. Early stage

Coordination should start from the very beginning of the planning process. At the time of policy formulation and objective setting, coordination can be sought from organisational participants. Obviously, when members are involved in goal-setting coordination problem is ninety percent solved. It is because participative goal-setting enables agreement and commitment to organisational goals and there is no question of conflict and incongruency of goals of individuals and organisations. Coordination, if not initiated in the early stages of planning and policy formulation, becomes difficult to exercise in the later stages of execution of plans.

3. Reciprocal relationship

As the third principle, Mary Follet states, that all factors in a situation are reciprocally related. In other words, all the parts influence and are influenced by other parts. For example, when A works with B and he in turn, works with C and D, each of the four, find themselves influenced by others that is influenced by all the people in the total situation. Follet contends that this sort of reciprocal relation and this sort of interpenetration of every part by every other part, and again by every other part, as it has been permeated by all, should be the goal of all attempts at coordination.

4. Principle of Continuity

The fourth principle, advocated by Follet, is that coordination is a continuous and never-ending process. It is something which must go on all the times in the organisation. Further, coordination is involved in every managerial function.

5. **Principle of self-coordination**

In addition to the four principles listed by Follet above, Brown has emphasised the principle of self-coordination. According to this principle, when a particular department affects other function or department, it is in turn, affected by the other department or function. This particular department may not be having control over the other departments. However, if other departments are modified in such a fashion, that it affects the particular department favourably, then self-coordination is said to be achieved. For instance, as we know, there must be coordination between the level of production and sales. When the production department alters its total production in such a way, so as to suit the sales capacity of the marketing department (even before the marketing department makes request to cut down production or to increase production), then self-coordination is said to have taken place. This, of course, requires effective communication across the departments. This principle is rarely practised in day-to-day life.

3.6 Coordination Process

Coordination cannot be achieved by force or imposed by authority. Achieving coordination through executive orders is a futile exercise. It can be achieved through person-to-person, side-by-side relationships. Achieving effective coordination is a sequential process. It is possible only when the following conditions are fulfilled.

1. Clearly defined and understood objectives

Every individual each department must understand what is expected of them by the organisation. Top management must clearly state the objectives for the enterprise, as a whole. As pointed out by Terry, “there must be commonness of purpose, in order to unity efforts”. The various plans formulated in the enterprise must be interrelated and designed to fit together.

2. Proper division of work

The total work must be divided and assigned to individuals in a proper way. Here, it is worth noting the principle, ‘a place for everything and everything in its place’.

3. Good organisation structure

The various departments in the organisation must be grouped in a such a way that work moves smoothly from one phase to another. Too much specialisation may complicate the coordination work.

4. Clear lines of authority

Authority must be delegated in a clear way. The individual must know, what is expected of him by his supervisor(s). Once authority is accepted, the subordinate must be made account for results, in his work area. There should be no room for overlapping of authority and wastage of effort(s).

5. Regular and timely communication

Personal contact is generally considered to be the most effective means of communication for achieving coordination. Other means of communication such as records, reports, may also be used in order to supply timely and accurate information to various groups in an organisation. As far as possible, common nomenclature may be used so that individuals communicate in the 'same language'.

6. Sound leadership

According to McFarland, real coordination can be achieved only through effective leadership. Top management must be able to provide (i) a conducive work environment, (ii) proper allocation of work, (iii) incentives for good work, etc. It must persuade subordinates, to have an identity of interests and to adopt a common outlook.

3.7 Techniques of coordination

Managers use a variety of techniques for achieving coordination. The main ones include the following:

1. Sound planning

Planning is the ideal stage for coordination. Every member in the organisation must understand fully how his job contributes to the overall objectives. To this end, objectives must be clearly defined. Policies, rules, procedures must be stated in precise terms, so that members are able to ensure uniformity of action. The various plans must be integrated ultimately, paving the way for coordination.

2. Sound and simple organisation

A sound and simple organization is an essential coordination. The lines of authority and responsibility of each individual must also be spelt out. This helps in avoiding inter-personal conflicts. Related activities must be grouped together and, departments created carefully. These steps will go a long way in facilitating coordination.

3. Chain of command

The chain of command states the relationship between a superior and a subordinate. Exercise of authority though the chain of command or hierarchy is a traditional means of securing coordination. The various activities are brought under the control of one boss, who has the authority to issue orders, instructions and secure compliance. He can resolve conflicts by exercising his authority. By virtue of his position, a superior is able to resolve differences and achieve coordination.

4. Effective Communication

Open and regular interchange of information facilitates understanding between individual and groups among whom coordination is to be achieved. Through effective communication, each and every person understands his scope of activity and limits of functioning. As a result of such understanding, one can ensure both horizontal as well as vertical coordination. Modern communication systems, such as computers, data-processing equipment, facilitate the flow of communication across various individuals and departments quickly. This helps managers in coordinating various activities, smoothly.

5. Special coordination

In an organisation, where an executive finds little time to solve the problems of coordination, he can hire a specialist for doing this task. Such a person is called 'special coordinator or independent integrator'. His main task is to collect information regarding problems, analyse the same, list the various options and suggest remedial steps. He can, thus shape executive thinking and action along desired lines.

6. Sound leadership

Leadership is the ability of a manager to induce subordinates to work with zeal and commitment. Effective leadership ensures coordination of efforts, both at the planning and implementation stage. A good leader puts activities on the right track, and inspires subordinates to pull together for the accomplishments of common objectives. He can persuade them to adjust their behaviour voluntarily, according to the needs of the situation (voluntary or self-coordination). Through personal contact, he can bring about an atmosphere of mutual trust and cooperation within the organisation. Whenever required, he can offer incentives to members and thereby reduce conflicts. For instance, profit-sharing is helpful in promoting team-spirit and cooperation between employers and employees.

3.8 Types of coordination

On the basis of scope and flow in an organisation, coordination may be classified as internal and external; vertical and horizontal.

1. Internal and external coordination

Coordination between the different units of an organisation is called 'internal coordination'. It involves synchronisation of the activities and efforts of individuals, in various departments, plants and offices of an organisation. The coordination between an organisation and its external environment, consisting of government, customers, investors, suppliers, competitors, etc. is known as 'external coordination'. No organisation operates in isolation. In order to survive and succeed, it must set its house in order, and interact with outside forces in a friendly way.

2. **Vertical and horizontal coordination**

   Coordination between different levels of an organisation is called 'vertical coordination'. It is achieved by top management, through delegation of authority. When coordination is brought between various positions, at the same level in the organisation (i.e., between production, sales, finance, personnel, etc.) it is called 'horizontal coordination'. Horizontal coordination is achieved through mutual consultations and cooperation.

Systems Approach to Coordination

The primary reason for coordination is that departments and workgroups are interdependent. They depend on each other for information and resources to carry out their respective activities. The greater the interdependence between departments, the more coordination, the organisation demands, if departments are to be able to perform effectively. According to Thmpson, there are three major forms of interdependence, pooled, sequential and reciprocal. Pooled interdependence means that each department is part of the organisation and contributes to the common good, but each department is relatively independent because work does not flow between units. State Bank of India branches or Wimpy's restaurants are examples of pooled interdependence. They share financial resources from a common pol but do not interact with each other. In sequential interdependence, the output of one unit becomes the input for another, in a sequential manner. The first department must perform correctly, so that the second department can perform correctly. Coordinating long-linked units requires careful planning by the manager. It may be necessary to promote day-to-day communication among plants, so as to identify trouble spots and prevent interdepartmental conflicts. Reciprocal interdependence exists when activities flow both ways between units. This form is clearly the most complex. For example, hospitals employ resources from several departments (e.g., x-ray, nursing, surgery, physiotherapy, etc.) to restore a patient's health. Each specialist and department, supplies some of the resources required to help the patient. Doctors and professionals from each specialised area meet to discuss the patient's recovery. The method of coordination is mental adjustment, achieved through group meetings. Designing an organisation to take care of reciprocal interdependence, is not an easy task. Open communication and careful planning are essential. As Hellriegel et al., remarked, "Because management cannot easily anticipate all customer demands or solve all the problems that arise, managers must continually communicate face to face, to be sure that they understand the nature and scope of the issues and problems and to devise solutions". One useful way to integrate various departments in an organisation, is to view them as interrelated and interconnected parts of an open 'system'. The systems approach ensures better coordination by considering an organisation as a system, consisting of different sub-systems. The output will be satisfactory and effective, when the differentiated sub-systems are integrated properly through coordination. Because all the parts are interdependent, just like parts in the human body, the performance of organisation requires proper functioning of all the sub-systems. When any of the parts is not in order, then the total output is affected.

Systems approach thus enables management to find out the loopholes in the system and instantaneously rectify the particular sub-part, which is not in order. Through feedback and feed-forward control system, an organisation is in a position to check the functioning of various parts in the organisation. Systems approach, thus ensures better coordination.

3.9 Promoting coordination

1. Vertical coordination

- Plan work
- Delegate properly
- Motivate people
- Monitor performance
- Earmark funds
- Ensure discipline
- Stick to a plan and ensure conformity.
- Use manuals, orders, reports and standardised procedures, where ever required
- Communicate openly

2. Horizontal coordination

- Periodic meetings
- Exchange information, on a face-to-face basis
- Underscore importance of work at various levels
- Use task forces, project managers to work
- Use standardised procedures, rules, regulations
- Create liaison roles

Relevance of Coordination in Aviation Industry

Flight Information centre (FIC) is the coordinating unit for the respective FIR and the Area Control Centers (ACC) for the area Control services. There is a close coordination between military authorities and air traffic services authorities, coordination between Aeronautical information Services (AIS) and ATS, and between meteorological and ATS. Relevant ICAO Standards and recommended Practices (SARPs) and formulation of own State Standards (when required) are implemented for airspace management. It is duly supported by provision of various radio-radar/satellite navigational aids and communication / surveillance facilities, and air traffic management units.

Another challenge of airline operations is the interaction process among several groups of workers who work together to operate the flights.

Operating each flight requires significant cooperation among several groups of workers who all share the same objective of making the flight ready for departure on time. There are about 12 different groups who work on each flight before its departure. These groups include pilots (cockpit crew), flight attendants (cabin crew), maintenance crew, ramp agents, baggage-handling crew, cargo agents, fueling agents, customer service agents, gate agents, catering agents, aircraft clearing agents, and operations agents or dispatchers. While the personnel in these groups differ in their qualifications, nature of work, workloads, and salary, they are all equally important for the departure of the flight. It is important for airline management to adequately set the work plan for each group, facilitate their work, and alleviate any possible conflict between them.

Case Study - Coordination and collaboration
A Successful Partnership

The Irish Aviation Authority (IAA) operates one of the most advanced air traffic management systems in Europe. In May 2011, the IAA became the first of the Co-operation of Air Navigation Service providers (COOPANS) to successfully implement the new system.

COOPANS equips air traffic controllers with improved functionalities whilst maintaining maximum levels of safety and increasing capacity to improve customer demands.

The COOPANS framework agreement aims to be more than a traditional relationship between Air Navigation Service Providers and the ATM supply industry by setting the foundations for a strong long-term partnership. This is why COOPANS has adopted a common managerial approach where the four ANSPs act as one organisation together with Thales to focus on common successes. The harmonisation of functionalities and joint investments enable the implementation of an advanced and unified air traffic control system.

The first achievement is the safe and cost effective commissioning of identical systems in the four countries. COOPANS' highest priority is to provide a customer-oriented solution to support economic efficiency and environmental protection, through a 'green approach' and 'business trajectory'.

Overall, this partnership is underpinned by a unified solution of sharing local and European experiences as COOPANS members work together to agree upon common specifications for equipment and services. Technical and decision committees convene on a regular basis to ensure the right level of coordination and execution of agreed decisions.

Case Study - Proper coordination between employees and management
In Search of Greener pastures
Rohit joined ABC Ltd., a heavy engineering unit, having a turnover of about Rs. 20 crores, in the junior management cadre as a direct recruit. During his tenure with the company, Rohit proved to be a dedicated and sincere worked which earned him quick promotions in the organization. He had made a mark in whichever department he had worked and his departmental heads were happy with his work. After serving the

company for a period of ten years, Rohit felt that there was no scope for further improvement in his position and started applying for better jobs commensurate with his experience. He finally succeeded in getting a job but his new employer wanted him to join within one month. To this, Rohit pleaded inability, as he was required to give three months' notice to his present employer, as per company rules. However, he said he would discuss the matter with the personnel manager and try to reduce the period to one month by paying two month's salary in lieu of the required notice. Rohit accordingly, submitted his resignation to the present employer and requested the departmental head to recommend his case to the personnel manager, for relieving him after one month. The departmental head, said that he would discuss the matter with the personnel manager and try his best to help him. However, the latter turned down Rohit's request stating that the rules require him to give three months' notice and that the alternative suggested by Rohit was not acceptable.

When Rohit learnt about the personnel manager's response, he approached his prospective employer to explain his difficulty, which was beyond his control, and requested them to extend his joining period to three months. This was accepted by them, as a special case.

The departmental head took up Rohit's case with the management and suggested that in future, the officers who resigned may be permitted to give one month's notice and two months' notice if required, so as to ensure against any unnecessary delay in the work of the department. But, the management refused to accept this proposal, stating clearly that the company's policy cannot be changed.

Questions :

1. Did the management take a correct decision in Rohit's case under the circumstances ?
2. What steps should the departmental head take to ensure that officers who resign do not adopt an indifferent attitude towards their work during the three months' notice period ?
3. If you were in the position of the management, how would you have handled the situation ?

Chapter-IV
PLANNING AND FORECASTING

4.1 Introduction

Planning is central to the success of any company. To be useful, plans must be formulated, interpreted and implemented in a proper way, keeping the internal and external factors in mind.

Planning is a rational action mixed with a little bit of forethought. It is seen everywhere. In a business, planning is the primary of all managerial functions as it involves deciding the future course of action. Thus, planning logically precedes the execution of all managerial functions. Planning is the process of deciding in advance what is to be done, where, how and by whom it is to be done.

Thus, it is basically a process of "thinking before doing". All these elements speak about the futurity of an action.

Koontz and O'Donnell have defined planning in terms of future course of action. They state "that Planning is the selection from among alternatives for future courses of action for the enterprise as a whole and each department within it.

"Planning involves defining the organization's goals, establishing an overall strategy for achieving goals, and developing a comprehensive set of plans to integrate and coordinate organizational work."

It is the process of establishing goals and a suitable course of action for achieving those goals. It requires decision making.

The necessity of planning arises because of the fact that business organizations have to operate, survive and progress in a highly dynamic economy where change is the rule, changes gives rise to the problems and throw countless challenges.

4.2 Features of planning

Planning has a number of characteristics:

1. Planning is goal-oriented

All plans arise from objectives. Objectives provide the basic guidelines for planning activities. Planning has no meaning unless it contributes in some positive manner to the achievement of predetermined goals.

2. **Planning is a primary function**

Planning is the foundation of management. It is a parent exercise in management process. It is a preface to business activities.

According to Koontz, "Planning provides the basic foundation from which all future management functions arise". Terry also supported the view, that "without planning there is nothing to organise, no one to motivate and no need to control".

The idea of primacy of planning emphasises the fact that planning takes precedence over other managerial functions like organising, directing and controlling because none of these functions can come into being until there is a plan.

3. Planning is all-pervasive

Planning is a function of all managers. It is needed and practised at all managerial levels. Planning is inherent in everything a manager does. Managers have to plan before launching a new business. They have to plan whenever things change. Even when they decide to close down a plan, they have to plan meticulously to avoid problems from employees. The scope of planning, however, differs at different levels and among different departments.

4. Planning is a mental exercise

Planning is a mental process involving imagination, foresight and sound judgement. Planning compels managers to abandon guesswork and wishful thinking. It makes them think in a logical and systematic manner. Plans are based on a careful study of internal and external factors influencing business activities.

5. Planning is a continuous-process

Planning is continuous. It is a never-ending activity. Once plans for a specific period are prepared, they are translated into action. At the end of that period, there is a need for a new plan to be drawn based on new situations and conditions. Planning, is thus, an ongoing process of adjustment to change. There is always need for a new plan to be drawn on the basis of new demands and changes in the circumstances.

6. Planning involves choice

Planning essentially involves choice among various alternative courses of action. If there is one way of doing something, there is no need for planning. The need for planning arises only when alternatives are available. Planning presupposes the existence of alternatives. From out of these alternatives, a manager would select the best alternatives, after careful analysis and evaluation.

7. Planning is forward looking

Planning means looking ahead and preparing for the future. It means peeping into the future, analysing it and preparing for it. Managers plan today with a view to flourish tomorrow. Without planning, business becomes random in nature and decisions would become meaningless, ad hoc choices.

8. Planning is flexible

Planning is based on a forecast of future events. Since future is uncertain, plans should be reasonably flexible. The onset of colour television sets forced many a manufacturer in the West to abandon production of black and white television sets long back. When market conditions change, planners have to make necessary changes in the existing plans. According to Koontz and O'Donnell, 'effective planning requires continual checking on events and forecasts and the redrawing of plans to maintain a course towards a designed goal'.

9. Planning is an integrated process

Plans are structured in a logical way wherein every lower level plan serves as a means to accomplish higher level plans. They are highly interdependent and mutually supportive.

10. Planning includes efficiency and effectiveness dimension

Plans aim at deploying resources economically and efficiently. They also try to accomplish what has been actually targeted. The effectiveness of plans is usually dependent on how much it can contribute to the predetermined objectives.

Nature of planning

The nature of planning can be highlighted by studying its characteristics. They are as follows

1. **Planning is a mental activity :** Planning is not a simple process. It is an intellectual exercise and involves thinking and forethought on the part of the manager.

2. Planning is goal-oriented : Every plan specifies the goals to be attained in the future and the steps necessary to reach them. A manager cannot do any planning, unless the goals are known.

3. Planning is forward looking : Planning is in keeping with the adage, "look before you leap". Thus planning means looking ahead. It is futuristic in nature since it is performed to accomplish some objectives in future.

4. **Planning pervades all managerial activities :** Planning is the basic function of managers at all levels, although the nature and scope of planning will vary at each level.

5. Planning is the primary function : Planning logically precedes the execution of all other managerial functions, since managerial activities in organizing; staffing, directing and controlling are designed to support the attainment of organizational goals. Thus, management is a circular process beginning with planning and returning to planning for revision and adjustment.

6. Planning is based on facts : Planning is a conscious determination and projection of a course of action for the future. It is based on objectives, facts and considered forecasts. Thus planning is not a guess work.

7. Planning is flexible : Planning is a dynamic process capable of adjustments in accordance with the needs and requirements of the situations. Thus planning has to be flexible and cannot be rigid.

8. Planning is essentially decision making : Planning is a choice activity as the planning process involves finding the alternatives and the selection of the best. Thus decision making is the cardinal part of planning.

4.3 Planning Questions and Steps in the planning process

There are seven essential steps in operating planning process. Managers use this process in carrying out their jobs . Steps in operating planning process:

1. Setting Goals

Establish the targets for the short and long range future. For example: 25 percent growth over last year sales in present financial year. To increase market share by 5 percent in next five years.

2.Analyzing and evaluating the environment

Analyze the present position and resources available to achieve objectives.

- Where are we now?
- What are the limitations in the environment?
- What resources do we have?
- Are there any external factors that can influence the objectives and there accomplishment?

3. Determining Alternatives

Construct a list of possible courses of action that will lead you to your goal.

4. Evaluating the alternative

Listing and considering the various advantages and disadvantages of each of your possible course of action.

5. Selecting the Best solution

Selecting the course of action that has the most advantages and the fewest serious disadvantages.

6. Implementing the Plan

Determine, who will be involved, what resources will be assigned how the plan will be evaluated, and reporting procedures.

7. Controlling and evaluating the Results

Making certain that the plan is going according to expectations and making necessary adjustments.

4.4 Approaches to planning

1. Top-down approach

a. The top management defines the mission, lays down strategies, specifies action plans to achieve the stated goals.

b. The blue print is then passed on to the people working at lower levels, who have very little to contribute to the process of planning.

c. The success of this approach is wholly dependent on the qualifications, experience and capabilities of people working at the top level.

2. Bottom-up approach

a. Thinking and doing aspects in the planning process are two sides of the same coin. If lower level managers are drawn into the preparation and implementation of plans, their loyalty and commitment would go up automatically.

b. Participation enables them to give their best to the plan document.

3. Composite approach

a. In this approach, a middle path is chosen to facilitate the smooth implementation of the plans.

b. Here the top management offers guidelines, sets boundaries and encourages the middle and lower level executives to come out with tentative plans.

4. Team approach

a. In this approach, the job of planning is assigned to a team of managers having requisite experience in various functional areas. They prepare the draft plans, taking internal as well as external factors into account.

b. The tentative plans are forwarded to the top management for approval.

c. The expertise, experience and capabilities of functional heads is executed into action in such a participative climate.

4.5 Principles of Planning

Planning should try to incorporate some of the time-tested and inter-related principles.

1. **Principle of contribution to objectives :** Every plan should help in the achievement of organisational objectives.
2. **Principle of primacy of planning :** Planning precedes all other managerial functions. It is the first and the foremost function to be followed in the process of management.
3. **Principle of pervasiveness of planning :** Planning is an over-all pervasive function. It is important to all managers regardless of their level in the organisation.
4. **Principle of flexibility :** By flexibility of a plan is meant its ability to switch gears, change direction to adapt to changing situations without unnecessary cost.
5. **Principle of periodicity :** Plans should be integrated and interconnected in such a way as to achieve the stated objectives economically and efficiently. A manager should review events and expectations regularly; refine and redraw the plan and keep it on track.
6. **Principle of planning premises :** Every plan is based on carefully considered assumptions, known as planning premises. "The more the individuals charged with planning, understand and agree to utilise consistent planning premises, the more coordinated enterprise planning will be".
7. **Principle of limiting factor :** While choosing an appropriate course of action among different alternatives, the limiting or critical factor should be recognised and given due weightage. When ignored, the critical factor would seriously impact the process of planning and make it impossible to achieve goals.

4.6 Importance of Planning

According to G.R. Terry, "Planning is the foundation of most successful actions of all enterprises." An enterprise can achieve its objectives only through systematic planning on account of the increasing complexities of modern business.

The importance and usefulness of planning can be understood with reference to the following benefits.

a. Minimizes uncertainty

The future is generally uncertain and things are likely to change with the passage of time. Planning helps in minimizing the uncertainties of the future as it anticipates future events.

b. Emphasis on objectives

The first step in planning is to fix the objectives. When the objectives are clearly fixed, the execution of plans will be facilitated towards these objectives.

c. Promotes coordination

Planning helps to promote the coordinated effort on account of predetermined goals.

d. Facilitates control

Planning and control are inseparable in the sense that unplanned actions cannot be controlled. Control is nothing but making sure that activities conform to the plans.

e. Improves competitive strength

Planning enables an enterprise to discover new opportunities, which give it a competitive edge.

f. Economical operation

Since planning involves a lot of mental exercise, it helps in proper utilization of resources and elimination of unnecessary activities. This, in turn, leads to economy in operation.

g. Encourages innovation

Planning is basically the deciding function of management.

Many new ideas come to the mind of a manager when he is planning. This creates an innovative and foresighted attitude among the managers.

h. Tackling complexities of modern business

With modern business becoming more and more complex, planning helps in getting a clear idea about what is to be done, when it is to be done, where it is to be done and how it is to be done.

4.7. Limitations of Planning

Planning is not always on the credit side of the ledger. It is not a panacea for all organisational ills. Mere planning does not guarantee success because it is not a substitute for human action and judgement. The limitations of planning can be examined under the following headings :

1. Lack of accurate information : The reliability of a plan depends upon facts & information on which it is based. If reliable information & dependable data are not available, planning is sure to lose its importance.

2. Lack of accurate forecast : Planning concerns future activity & its quality will be determined by the quality of forecast of future events. No manager can predict completely & accurately the events of future, the plans may cause problems in operation.

3. Complex Process : Planning is a complex & expensive process. It demands serious thinking, hard work & time. Some managers do not like to undergo such a complicated process as they like short-cuts. Such planning may not yield the desired results.

4. Rigidities : Plans put the activities of an expertise in a rigid framework. Everything is spelt out in detail and deviations are not permitted. New opportunities are often ignored or rejected because of the commitment to existing plans. Once established, policies and procedures become ingrained in an enterprise and changing them may become an impossible task. Events may change but plans may remain fixed. Managers too, would be reluctant to reorient their plans suitably. Planning, after all, is hard mental work and no executive would like to discard the old plans in favour of new ones, even when circumstances demand. So, a mindset has already been established, and maintaining a fresh and objective viewpoint is difficult.

5. Lack of specific goals : Qualitative objectives like social responsibility, management development, quality of work life, etc are often expressed. Planning cannot be effective unless goals are specific & clear.

6. Lack of planning Skills : Planning is an art & takes a special type of person to plan. Not everyone is capable of planning & solving organizational problems. A planner should not only have skill, but also intelligence & vision for long range planning & must have the ability to forecast.

7. Resistance to change : Resistance to change is another r factor which puts limits on planning. It is commonly experienced in the business world. Sometimes, planners themselves do not like change & they do not think it is good & necessary to bring changes as it will create resistance on the part of workers. This attitude makes the planning process ineffective.

4.8 Effective planning

According to Koontz and O'Donnell, the following steps have to be taken in order to make planning effective :

1. **Climate :** Planning must not be left to chance. Additionally, conducive climate must be provided so that activities proceed smoothly and systematically. Top managers should remove obstacles to planning, by establishing clear cut goals, realistic planning premises and offering required information and appropriate staff assistance at various levels.
2. **Top management support :** Planning must start at the top. It must receive attention of the top management continually. They must be willing to extend a helping hand, whenever required.
3. **Participation :** Plans are implemented by people. So, it is necessary to secure acceptance and commitment from them. One way to increase commitment is to solicit subordinates participation in the planning process. Planning comes alive when employees are involved in setting goals and determining the means to reach them.
4. **Communication :** Goals, premises and policies must be properly communicated to people. People must know what they are supposed to do, when, how and where. The time limits must also be communicated in advance.
5. **Integration :** Different plans must be properly balanced and integrated. They must support each other and should not work at cross purposes. Every attempt should be made to ensure that the pay-offs of planning are more than the costs involved.
6. **Monitoring :** Plans must be subjected to regular appraisal and review, so as to take note of internal as well as external changes. Better to keep the plan flexible to the extent possible.

Six Rules of Planning in learning organisations

Learning organisations, now-a-days, follow six rules of planning. A learning organisation is one in which everybody is engaged in identifying and solving problems, enabling the organisation to continuously experiment, change and improve. Thus, increasing its capacity to grow, learn, and achieve its purpose. The essential idea is problem solving as opposed to the traditional organisation designed for efficiency.

1. **Strong mission :** Employee commitment and involvement and critical in helping companies compete in today's rapidly changing world. A compelling mission (a broadly stated definition of the organisation's basic business scope and operations that distinguish it from similar types of organisations) often serves to increase employee commitment and motivation as well as offer a guide for planning and decision making. Most successful companies are guided by a "core ideology" values and a sense of purpose that go beyond just making money and also provide a guide for appropriate behaviour.
2. **Stretch Goals :** Stretch goals are highly ambitious goals that are clear, compelling and imaginative in concept and functionally fuel progress. Stretch goals compel everyone to think in new ways. For example, Motorola used stretch goals to improve quality. Leaders first set a goal of a ten fold increase in quality over a two-year period. Once this goal was met, they set a new stretch goal of a hundred-fold improvement in quality over four years.
3. **Learning environment :** In all, learning organisations, employees do not rest on past laurels. They question the status quo. Constant questioning opens the gates to creativity and learning.
4. **Vital information :** In a learning organisation, planning experts should focus more on gathering vital pieces of information from different quarters. Rather than simply looking for the "Right answers, they should offer information with a view to broaden the consideration of issues and support strategic thinking.
5. **Improvement; a way of life :** Participation in planning effort encourages employees to continuously learn and grow, thus helping the organisation improve its capability.
6. **Planning still starts and stops at the top :** Top management shows the way, clarifies foals, clears the paths and implements certain plans. It takes the final responsibility for success or failure.

4.9 Forecasting as an aid to planning

In simple terms forecasting means, "estimation or prediction of future". The prediction of outcomes, trends, or expected future behavior of a business, industry sector, or the economy through the use of statistics. Forecasting is an operational research technique used as a basis for management planning and decision making.

Meaning of forecasting

- Forecasting is a systematic guessing of the future course of events.
- Forecasting provides a basis for a planning.
- According to Fayol, forecasting includes both assessing the future and making provision for it.

Definition of forecasting

Webster's new collegiate dictionary defines that, "A forecast is a prediction and its purpose is to calculate and predict some future events or condition."
Allen L.A., "forecasting is a systematic attempt to probe the future by inference from known facts."
Neter & Wasserman, "business forecasting is refers to a statistical analysis of the past and current movements in the given time series so as to obtain clues about the future pattern of these movements."

Features of forecasting

- It is concerned with future events.
- It is necessary for planning process.
- The impact of future events has to be considered in the planning process.
- It is a guessing of future events.
- It considers all the factors which affect organizational functions.
- Personal observation also helps forecasting.

Essential elements of forecasting

Radfield, in a famous article in Harvard Business Review, identified four essential elements in business forecasting.

1. **Developing the groundwork :** The known and available information regarding the growth of the company, the industry in which the company is positioned, the growth of the product lines of the company, etc, is put to investigation in the first stage. The basic purpose is to prepare a groundwork on which future predictions can be based.
2. **Estimating future business :** Against the backdrop of the information collected, an estimate of future prospects of business is made by management. The trends are projected by management after a step-by-step procedure where the information is put to close scrutiny and analysis. These probable trends should not be taken as absolute guides to executive action, they can be taken as intelligent guesses at this stage.
3. **Comparing the actual with estimated results :** Toward off dangers from wrong anticipation, a periodic comparison of actuals with estimated results is made at this stage. The forecast provides the measurement apparatus and helps in tracking down reasons for major differences resulting in unanticipated gains / losses.

4. **Refining the forecast process :** The above three-step process helps executives in gaining proficiency in constructing dependable forecasts. As time progresses they are able to refine, sharpen and adjust the forecasting techniques to meet the changing needs of business.

Process of forecasting

1.Thorough preparation of foundation : The very purpose of thorough preparation of a foundation is that the forecasting is based on the foundation.

2.Estimation of future : The brightness of future period can be estimated in consultation with the key personnel & it may be communicated to all the employees of the business unit.

3. Collection of results : Relevant records are prepared & maintained to collect the result.

4. Comparison of results : The actual results are compared with estimated results to know deviations. This will help the management to estimate the future.

5. Refining the forecast : The forecast can be refined in the light of deviations which seem to be more realistic.

Importance of forecasting

1. Pivotal role in an organization: Many organizations have failed because of lack of forecasting or faulty forecasting. The reason is that planning is based on accurate forecasting.

2. Development of a business: The performance of specified objectives depends upon the proper forecasting. So the development of a business or an organization is fully based on the forecasting.

3. Coordination: Forecasting helps to collect the information about internal and external factors. Thus collected information provides a basis for coordination.

4. Effective control: Management executive can ascertain the strength and weaknesses of sub-ordinates or employees through forecasting.

5. Key to success: All business organizations are facing risks. Forecasting provides clues and reduce risk and uncertainties. The management executives can save the business and get success by taking appropriate action.

6. Implementation of project: Many entrepreneurs implement a project on the basis of their experience. Forecasting helps an entrepreneur to gain experience and ensures him success.

7. Primacy to planning: The information required for planning is supplied by forecasting. So, forecasting is the primacy to the planning.

Relationship between planning and forecasting

Planning and forecasting are closely related to each other. Planning is deciding in advance what is to be done in the future. Futurity is in its essence. But, future is uncertain and risky. Planners, in majority of cases, do not know with certainty the conditions which will exist in the future, when activities will take place etc. As a result, they are forced to make certain assumptions regarding future. Forecasting provides pertinent information for successful planning. Planning without forecasting proves to be wasteful and useless. Fayol apply remarks that “the plan is synthesis of the various forecasts: annual, long-term, short-term, special etc.” Forecasting is the essence of planning. In fact, forecasting is so essential to sound planning that it would not be an exaggeration to state that the success of the plan depends, in large measure, upon the validity and accuracy of the forecast.

Forecasting as an aid to planning

Forecasting plays an important role in managerial planning. Unfortunately, the importance of forecasting efforts is rarely recognised. It is frequently pointed out that “the only certain thing about a forecast is that it will be wrong.” It is true that no forecast can be so reliable that it can tell the future.

Forecasting is nothing but a prophesy for the future, the future which is highly volatile and uncertain. The element of error and risk is inevitable. But, there is no way of escaping this. The best alternative would be to make use of the existing forecasting instruments in a judicial manner, in a discriminating way allowing for the risk factor involved and plan accordingly. In our daily actions, some amount of forecasting is inevitable. The man who starts a business makes an assessment of a future demand for its products. The man who determines a production programme for the next six months or twelve months is usually also basing it on some calculation of future demand. The man who engages staff, and particularly young staff, usually has an eye to future organisational requirements. The very fact that so many people employ this instrument bears ample testimony to the fact that it is an invaluable guide to steer people to suitable actions. Forecasts do not have to be ‘right; to be useful. In spite of all its limitations, business forecasting is immensely useful and therefore unavoidable. Without business forecasting, individuals as well as organisations are at the mercy of future events. Forecasts are key aids to planning in the following ways :

a. Forecasts offer pertinent information regarding future.
b. Forecasting helps in bringing a singleness of purpose to planning, that cannot exist easily otherwise.
c. Forecasting improves the quality of managerial planning.
   For example, if a company is able to anticipate the future requirements of customers, it can plan and develop new products in an appropriate way.
   Forecasting helps in minimising the costly planning errors. Forecasting also helps in preparing the organisation for future crisis and emergencies. The organisation, through adequate planning measures, can buffer itself against many, if not all, of these unexpected changes. It may be as a impossible to evolve necessary shock absorbers completely guard against business cycles but at least their impact can be fairly assessed, and the unfavourable consequences can be minimised.
d. Forecasting supplies vital information regarding the weak spots in the organisation thereby paving the way to appropriate control. Once such areas are spotted, it is easy for managers to establish check posts for effective control and sound planning thereafter.

4.10 Advantages of forecasting

Although business decision-makers should neither accept any forecast as infallible nor rely exclusively on it, they would be well advised to give forecasts a significant weight in their own planning due to the following reasons:

- Effective handling of uncertainty
- Better labor relations
- Balanced work-load
- Minimization in the fluctuations of production
- Better use of production facilities
- Better material management
- Better customer service
- Better utilization of capital and resources
- Better design of facilities and production system.

4.11 Limitations of forecasting

Forecasts are only estimates of future conditions and not indicators of actual position. Future is shrouded by shadows of uncertainty. It is quite possible that, because of uncertainty, the best possible plan may result in losses and a bad plan in profits. Obviously, forecasting for eventualities that do not occur is inefficient. Moreover, it is extremely difficult to map out all the future possibilities and several burning issues may still be hanging in the fire. Uncertainty always places severe limitations on the efficacy of forecasting.

Forecasting suffers from the following limitations-

- Forecasting is to be made on the basis of certain assumptions and human judgments which yield wrong result.
- It cannot be considered as a scientific method for guessing future events.
- It does not specify any concrete relationship between past and future events.
- It requires high degree of skill.
- It needs adequate reliable information so difficult to collect reliable information.
- Heavy cost and time consuming.
- It cannot be applied to a long period

4.12 Techniques of forecasting

According to L.S. Silk, three techniques are commonly employed in business forecasting : Deterministic technique, Symptomatic technique, Systematic technique

1. Deterministic Technique

Deterministic techniques assume that there is a close casual connection or a rough identity between present and future. These techniques are employed to forecast capital spending, consumer expenditure, business conditions etc and the principal deterministic techniques are :

a. **Latest information :** According to this method, based on the very latest information, it is assumed that the existing conditions or trends will continue for some time into the future. Obviously, it is a naive method, lacking in sound theoretical basis. There is no guarantee that the present is a copy of the past. Such forecasts are made for very short period.

b. **Knowledge of programs or limits :** In this method, a number of important factors having a bearing on the economic future are determined in advance. It is assumed, after a careful analysis, that these factors either remain stable or change at a foreseeable rate in the forecast period, e.g., capital budgets of large organisations, government expenditures on goods and services, tax provisions, industrial capacities, minimum wage legislation, etc.

c. **Spotting the beginning of a lengthy process :** In this method, the close relationship between initial and later stages of an economic process is examined. In several cases, the trends in the economy which have started at a particular point of time will continue for a long period.

   For example, contracts for constructing residential houses precede actual construction, new orders or unfilled orders of manufacturers largely determine production. In these cases, there is no perfect relationship between initial and later stages of the process (As, for example, construction work may be deleted or contracts may be cancelled) but a close relationship certainly exists which allows forecasting to be done with a reasonable degree of success.

d. **Diagnosing people's expectations :** Here, the present customers and potential customers are asked to project their buying intentions in a coming period. Based on the total market share expected, management can then estimate future sales.

2. Symptomatic techniques

Symptomatic techniques are based on the assumption that turning points in economic activity are spotted out from the information collected on national and industrial indices. Based on these significant changes in business activity over a period of time and based on the information collected, the future trends are predicted.

3. Systematic techniques

Systematic techniques of forecasting are derived from the classical approach of economic theory. The cause and effect relations among different economic factor, which hold relevance for past, present and future, are ascertained and forecasts are then constructed. This method calls for theoretical training, knowledge of institutional and statistical facts, technical skill and social and political insight. Generally, two approaches are employed in this type of forecasting :

a. **Intuitive approach :** In this method, the information regarding various economic factors is collected and put to analysis. The analyst by using his judgement and experience, summarises the main factors, draws inferences and then constructs various forecasts. The forecasting job is done continuously and forecasts revised as and when necessary. Forecasts, thus, are not produced by exact mathematical techniques but are based on the analyst's conclusions. Success in this method largely depends on the analyst's skill, patience, insight, forecasting talent and information.

b. **The econometric approach :** Econometric models are more rigorous and scientific in tackling the forecasting problems. They reflect the wisdom contained in the disciplines of economics, mathematics, statistics and accounting. These models express the relationship among a number of variables associated with changes in sales volume, in mathematical terms. Through a computer, a predictive model is developed from a theory or a set of theories that will determine general business activity.

   The demand for new cars in a coming year might, for example, be a function of current year income levels, development of new cars in the previous years, the cost of the existing models during the last two or three years, the duty structure etc. If such a relationship exists, and can be stated in mathematical terms, a sales forecast for demand for new cars can be made. Econometric models are as effective as their assumptions because this technique demands the services of forecasting experts with sufficient background in quantitative techniques, especially in computer technology.

Relevance of Planning & Forecasting in Aviation Industry

The National Planning Process

ICAO has been addressing the planning strategy for CNS/ATM systems at the global and regional levels, leaving the responsibility for undertaking the task of structuring national plans to Contracting States. There is a need for integration and rationalization to ensure harmonization of national planning with planning at other levels. A national plan is required to improve the overall efficiency and capacity of the State airspace infrastructure and to address the requirements arising out of the growth in both international and domestic air traffic. National planning, which is formulated by each State, should be in accordance with regional requirements and implementation guidelines.

It requires ongoing interaction with adjacent States, the regional planning group, and sub-regional groups to ensure harmonization and interoperability. The national plan document, so structured, will direct the national work programme for a progressive, cooperative and cost effective implementation of CNS/ATM systems.

One of the most difficult decisions airline managements must make is whether to buy new or used aircraft and what type. Alternatively, they must consider whether it makes better financial sense to modernize older aircraft already in their fleet or to acquire aircraft from the outside. Many additional factors, including the costs associated with engineering and maintenance, must be weighed. The factors are constantly changing, and their relative importance at each airline depends on the carrier's individual situation.

A line maintenance supervisor for a national carrier in Dallas wants to identify how many workers will be employed for the next calendar year and needs an estimate of the number of departures at his station by month. The advertising director for a major carrier wants to promote a new low fare to selected cities and needs a short-term forecast of enplanements as a basis for assigning funds. The board of directors of a medium-size regional carrier needs a long-term forecast of population growth and business expansion in a particular city to use as a basis for planning future expansion.

The current airline environment is very competitive and dynamic. Maintaining consistent profitability requires that appropriate trade offs be made between the often competing objectives within planning, marketing and operations. Airlines have led other industries in the application of operations research and information technology to deal with these issues. The real time solution of large-scale optimization models has played a significant role in shaping today's airline industry. This role will increase as the industry becomes more competitive and flight characteristics change due to the implementation of new technologies. Airline planning and scheduling represents an excellent example of the application of operations research and mathematical modeling to solve complex and real industry problems.

Computer models have been developed to translate this information into a fleet-planning model that is used in determining future aircraft acquisition requirements, aircraft assignment requirements, financial requirements, and operating conditions over various planning periods (2 and 3 years ahead for order versus option decisions, 4 and 5 years ahead to ensure that the purchases made in years 2 and 3 were consistent with long-term developments, and possibly 7 to 10 years ahead to ensure consistency and to gain insight into financial and facility needs in the long term). This fleet-planning model is commonly referred to as the unconstrained operating plan, because it ignores system constraints in order to ensure a full range of opportunities to be considered.

An airport leader should be a good negotiator to convince new carriers to serve the airport of existing ones to add routes, to optimize the use of facilities, given the capacity and service constraints. He should be a community player-to create for the airport…positive made in the community, to foster community support for expansion plans and dealing with sensitive issues such as noise and incompatible land use and environmental issues. With the increased emphasis on non-aeronautical revenue, it is only logical to see commercial development as a key area and the need for strong planners and strategists capable of accurately forecasting demand and putting in place a multi constituent planning process.

A company's actual performance (physical volume or revenues) in the market takes on meaning when it is compared to forecasts. A commercial aircraft manufacturer is disappointed with sales to national carriers. The market research department is asked to develop a new forecast of company sales potential in this market. A regional sales manager of a light-aircraft manufacturer wants to subdivide a sales territory in which sales are unusually high. The sales person for that territory objects, arguing that the territory has only average sales potential but that she has penetrated the market to a greater degree than her counter parts have. The sales manager asks the research staff to come up with sales forecast for the territory.

Analysis every company must make choices among the many markets or submarkets open to it, in addition to deciding on the level of service to offer, the type of aircraft to fly on particular routes, and the type of aircraft to purchase. The choise is greatly

facilitated by quantitative estimates of demand. The following situations demonstrate the role of forecasting in the analysis function :
A major air carrier is trying to decide whether to purchase the Boeing 787 or the A-350. An estimate of operating costs will be a guiding factor. A regional carrier is trying to decide whether to introduce shuttle service between two cities. The company will be guided by its market research department's estimate of long-term passenger enplanements.
A light-aircraft manufacturer is trying to decide whether to develop a new commuter aircraft. The company will be guided by an estimate of potential sales in this market.

Case Study -Planning and Forecasting
NextGen modernisation
In today's fast-paced world, efficiency is the key word for success. NextGen, a technology developed by the Federal Aviation Administration (FAA), is the embodiment of efficiency, representing the modernisation of the U.S. air traffic system, from radar-based surveillance to highly precise satellite monitoring of all the aircraft in our skies.
By integrating a number of innovative technologies, NextGen enhances safety, reduces minutes off flight times and reduces emissions. The particular focus of this new generation of technology is based on the efficient monitoring of departing flights, minimal taxi times, precision flight path and direction, GPS-enabled technologies and advanced flight data (wind speed, traffic, destination and weather information). Moreover, this system provides access and safety benefits for both large and small general aviation airports and will provide new capabilities as the effort progresses.
In anticipation of future air traffic growth, NextGen capabilities will help commercial airports accommodate the demand for additional capacity in a safe, efficient and environmentally responsible manner. For example, the sharing and use of newly available surface surveillance data to track aircraft and vehicles will enhance safety and enable airports to make better use of existing capacity. While airport surface improvement is one of the main near-term areas of emphasis, work is also underway on other initiatives, such as improving operations on closely spaced parallel, converging and intersecting runways.
Overall, from a customer experience, NextGen technology will reduce and prevent flight delays and traffic accidents, while from an environmental perspective, the landing procedures will require less fuel and produce less noise.

Case study on effective Forecasting
Punjab Machine Tools Corporation (PMTC)
PMTC in the business of metal cutting tools and metal forming tools, is engulfed in competition with national as well as international players. PMTC's products are used by capital goods and other engineering industries. The business is cyclical in nature, dependent on capacity utilization levels in user industries.
Gyan Chand, the MD of PMTC, had been urged by the distributors in a recent meeting, to introduce high-tech metal cutting tools and new models using the latest

technology. They felt that this would help them fight the dumping of cheap second hand machinery and increase the domestic as well as export market share. Gyan Chand realized the implications of the distributors' suggestions. This would increase the R&D budget tremendously. A fully automated production line would put pressure on finances. A greater variety of tools, models etc. would require inventory space. Machines need to be trained again, especially in running the latest, fully automated robots and gadgets.

Reflecting on previous staff meetings, Gyan Chand realized that marketing people always wanted a greater variety of models but never appreciated the huge financial burden such a decision would imply. PMTC, after all, carried through its operations all along with just a few models quite successfully. In such a scenario, Gyan Chand felt that here is no need to go in for new models. Instead, he thought the focus should be on improving existing models and reducing the cost and price. The customer now-a-days is more interested in getting value for money. However, to be on safe side, he sought the opinion of consulting firm, in this regard.

Questions :

1. What do you think is the mission of the enterprise ?
2. What kind of opportunities and threats exist in the firm's external environment?
3. How would you go about evaluating the strengths and weaknesses of the firm? What factors are critical for success or failure ?
4. 'To be successful, an organization must be an open system' What does this mean and how does it apply in this case ?

Case study - Planning and forecasting

Easy Jet

Easy Jet Company, which celebrated its 20th anniversary in November, 201, succeeded in becoming the second largest short-haul airline in Europe. The core business model of this British company is low-cost point-to-point short haul airline. With more 10,000 employees, the company serves 70 million passengers per year 31 different countries, through 735 routes and using 241 aircrafts.

The long term capacity planning in EasyJet company is well-understood by looking at their continuous effort to increase the number of routes and destinations in 2015 such as Stuttgart, Pula and Preveza, and it has future plans to add another 90 routes in 2016. This long term plan includes an agreement with Airbus company to deliver additional 36 A320 aircrafts to meet the expected demand increase between the year 2018 and 2021. The new fleet consists of two models with 186 seats each, 30 aircrafts from the type A320s and 6 from the type A320s.

The successful medium and short term capacity planning in Easy Jet was translated into an increase in revenues per seat in 2015 by 1.5% in responses to a 6% increase in passenger volume. In addition, Load factor increased by 0.9 percentage points and reached 91.5%.

MODULE 3

MANAGEMENT BY OBJECTIVES; DECISION MAKING PROCESS, CREATIVITY AND MANAGEMENT INFORMATION SYSTEM

Chapter-V
MANAGEMENT BY OBJECTIVES (MBO)

5.1 Management by objectives (aligned to organisation's vision and mission)

Objectives are the endpoints, towards which activities are aimed. MBO is the philosophy of management that emphasises the development of mutual objectives by managers and their subordinates and the use of these objectives as the primary basis of motivation, evaluation, and control efforts.

The principle behind Management by Objectives (MBO) is to make sure that everybody within the organization has a clear understanding of the aims, or objectives, of that organization, as well as awareness of their own roles and responsibilities in achieving those aims.

The complete MBO system is to get managers and empowered employees acting to implement and achieve their plans, which automatically achieve those of the organization.

According to George Odiorne : MBO is "a process where by superior and subordinate managers of an Organization jointly define its common goals, define each individual's major areas of responsibility in terms of results expected of him and use these measures as guides for operating the unit and assessing the contribution of each of its members."

As said by John Humble : MBO is "a dynamic system which seeks to integrate the company's needs to clarify and achieve its profits and growth goals with the Manager's need to contribute and develop himself. It is a demanding and rewarding style of managing a business."

Mission

The organisation's purpose or fundamental reason for existence.

Mission defines the fundamental purpose of an organization or an enterprise, succinctly describing why it exists and what it does to achieve its vision.

For example, the charity above might have a mission statement as "providing jobs for the homeless and un-employed".

Mission statements are characterised by the following :

1.Customer-oriented : To create a customer, mission statements, therefore are directed at serving the customers in useful way.

2. Future-oriented : Mission statements must be indicative of what the business is going to do in the years ahead. The statement must remain valid for at least some years to come.

3. Dynamic : The concept of mission is dynamic and not a stratic one. Thus, where the mission statement is defined in a narrow way, new opportunities and threats from competitive business may be lost sight of.

Mission statements must be defined in such a way where it would be possible for the firm to take care of new opportunities and also concentrate on some specific areas, where it has some competitive edge over others.

Vision

It outlines what the organization wants to be, or how it wants the world in which it operates to be.

It is a long-term view and concentrates on the future. It can be emotive and is a source of inspiration.

For example, a charity working with the poor might have a vision statement which reads "A World without Poverty."

5.2 Objectives and goals

The term 'objective' and 'goal' indicate an end result to be sought and accomplished. Goals and objectives both have value orientations and indicate conditions considered necessary to improve the overall performance of the organisation.

The term objective is defined as-

Objectives are goals established to guide the efforts of the company and each of its components. An organisation goal is a desired state of affairs which the organisation attempts to realise. Objectives indicate the énd point of a management programme'.

Goal : It is a desired state of affairs which an organisation wants to realise.

5.3 Characteristics of objectives

Objectives have the following features

1. **Objectives from a Hierarchy**

   The hierarchy of objectives is a graded series in which an organization's goals are supported by each succeeding managerial level down to the level of the individual. The objectives of each unit contribute to the objectives of the next higher unit. Each operation has a simple objective which must fit in and add to the final objective. Hence no work should be undertaken unless it contributes to the overall goal.

2. **Objectives Form a Network**

   Objectives interlock in a network fashion. They are interrelated and inter-dependent. The concept of network of objectives implies that once objectives are established for every department and every individual in an organization, these subsidiary objectives should contribute to meet the basic objectives of the total organization. If the various objectives in an organization do not support one another, people may pursue goals that may be good for their own function but may be detrimental to the company as a whole. Managers have to trade off among the conflicting objectives and see that the components of the network fit one another as rightly pointed out by Koontz et al. It is bad enough when goals do not support and interlock with one another. It may be catastrophic when they interfere with one another.

3. **Multiplicity of objectives**

   Organizations pursue multifarious objectives. At every level in the hierarchy goals are likely to be multiple. For example the marketing division may have the objective of sale and distribution of products. This objective can be broken down into a group of objectives for the product advertising, research, promotion managers. The advertising manager’s goals may include: designing product messages carefully, create a favorable image of the product in the market etc. Similar goals can be set for other marketing managers. To describe a single, specific goal of an organization is to say very little about it. It turns out that there are several goals involved. This may be due to the fact that the enterprise has to meet internal as well as external challenges effectively. Internal problem may hover around profitability, survival, growth and so on. External problems may be posed by governments, society, stockholders, customers etc. In order to meet the conflicting demands from various internal and external groups, organizations generally pursue multiple objectives. Moreover no single objective would place the organizations on a path of prosperity and progress in the long run.

4. **Long and short range objectives**
   Organizational objectives are usually related to time. Long range objectives extending over five or more years are the ultimate or dream objectives for the organization they are abstractions of the entire hierarchy of objectives of the organization. For example planning in India has got objectives like eradication of poverty , checking population growth through birth control etc. which reflect certain ideals the government wishes to accomplish in the long run. Short range objectives (one year goals) and medium range objectives (two to four year period goals) reflect immediate attainable goals. The short range and medium range objectives are the means for achieving long term goals and the long term goals supply a framework within which the lower level goals are designed. Thus, all these goals reinforce each other in such a way that the total result is greater than the sum of the efforts taken individually. That is why goal setting is called a synergistic process. In order to remain viable, every organization needs to set goals in all three time periods.

5.4 Objectives or purposes

- Translate main statement into operational terms.
- To give directions and set standards for the measurement of performance.
- To measure and judge performance.
- To relate individual performance to organizational goals.
- To foster increasing competence and growth of subordinates.
- To enhance communication between superiors and subordinates.
- To serve as a basis for judgments about salary and promotion.
- To stimulate subordinates motivation.
- To serve as a device for organizational control and integration.
- To set long term and short term objectives.

5.5 Areas needing objectives

Peter Drucker identified eight key areas in which organisations established objectives. As shown in the diagram, these areas were : (1) market standing, (2) productivity, (3) physical and financial resources, (4) profitability, (5) innovation, (6) managerial performance and development, (7) worker performance and attitudes, and (8) public and social responsibility.

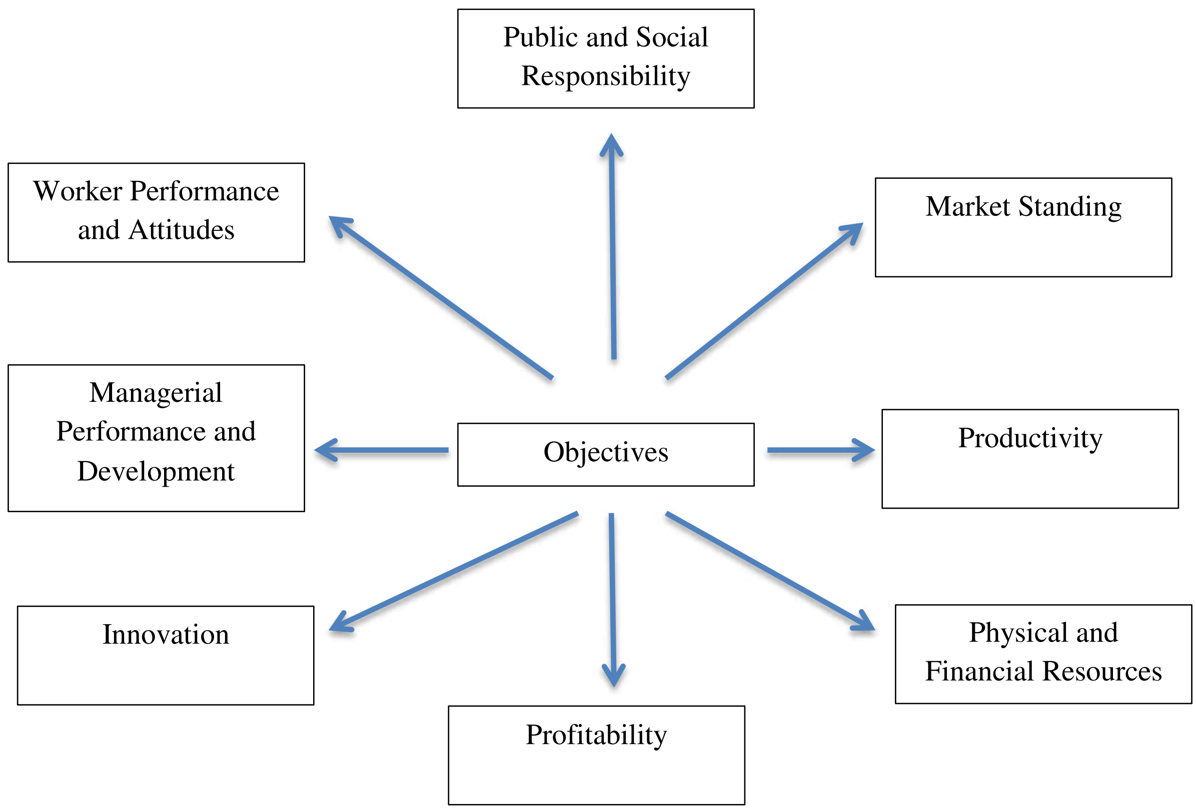


Figure: Areas that need objectives

1. Market Standing : Market Standing and Innovation are the foundation areas in management. Essentially, an organisation exists to obtain results in these areas only.

Market standing is an answer to the question regarding optimum share which the firm should try to capture ultimately. This requires a careful analysis of

a. Customers and products or services
b. Market segments (what groups are buying the product or service)
c. Distribution channels (who is getting the product to the customers)

2. Productivity : Productivity is the ratio of an organisation's inputs to its outputs. All business have the same resources to work with; it is the quality of management that differentiates one business from another.It must decide as to what inputs of labour, equipment and finances are necessary to produce the firm's outputs.

3. Physical and financial resources : Every business must be able to attract resources - physical, financial and human - and put them to productive use for effective performance.

Resource mobilisation is a two-step process :

a. Anticipating the needs of the business and
b. Planning to obtain the resources in an economical fashion.

After mobilising resources, one also has to say "This is what is available; what do we have to be, how we have to behave to get the fullest benefit?"

4. Profitability:

a. Profit objectives are important for accomplishing other objectives like covering risks in the business.
b. Ensuring supply of future capital for modernisation and expansion and
c. Satisfying customer needs.

Ä fundamental objective of the business firm is to produce and distribute products and services that the customer is willing to buy. Its reason for being is to create value. Utility must be created or consumers will spend their money elsewhere. Profits are essential for the survival and growth of the firm.". They are the rewards for the effective utilisation of resources in creating value for consumers. Instead of trying to maximise profits, the firm must try to create utilities for consumers.

5. Innovation: In every business, there are three kinds of innovations :

a. Innovation in product or service.
b. Innovation in market place, consumer behaviour and value and
c. Innovation in the various skills and activities needed to make the products and services and to bring them to the market.

The main problem in setting innovation objectives is the difficulty of measuring the importance of various innovations. Management must, first of all, anticipate the innovation goals needed to reach marketing foals. It must also find out the technological developments in all areas of business.

For example, the survival of an insurance company depends on :

The development of new forms of insurance.
The modification of existing policies.
Finding out a cheaper way of selling policies and settling claims etc.

Operating in a competitive world forces business firms to place emphasis on innovation goals.

6. Managerial performance and development : In order to 'stay in' and remain profitable, every business needs strong, innovative managers. So, it is highly important, especially in the case of large organisations, to set objectives relating to the quality of management performance, the development of managers at various levels in the organisation.

7. Worker performance and attitudes : Organisations must provide tangible benefits to the individuals working for its continued growth. Thus, workers want wages, managers want salaries, owners want profits.

These are the inducements that an organisation must provide, in order to obtain performance (contributions) from various groups. Most of the routine or normela work is performed by operative level employees in every organisation. Unless goals are established in terms of output per employee, quality of product etc, the organisational activities may be disrupted by labour strife, union problems etc.

8. **Public and social responsibility:** To achieve the economic objectives, a firm must produce the goods the consumer wants. If a firm is not able to create economic value for society, it may not stay in business long enough to make a profit. In recent years, social responsibility of business has become a matter of concern for many business undertakings. Here 'responsibility' implies a sense of obligation on the part of the business towards the general public.

MBO : The process

With the aim to achieve greater efficiency and performance, employee's motivation is really important to have and Management by Objectives (MBO) is a best approach to do so. This approach was proposed by Peter Drucker in the 1960's, and by definition, process of management by objectives show a personnel management system, where the organization set, plan, monitor and achieve specific objectives with the mutual cooperation of both high level and low-level employees. For business passionate individuals, the concept of MBO may be clear, yet there is a need to understand the process of management by objectives.

The process of MBO involves six key steps that incorporate managerial activities in such a systematic way, which is directly influenced towards efficient and effective achievement individuals and organizational objectives. In case someone wants to analyze the practical importance of Management by Objectives, then it is good to summarize all the objectives of the organization together with individual goals. The six steps involved in the process of MBO are determining organizational goals, determining employees' objectives, constantly monitoring progress and performance, performance evaluation, providing feedback and performance appraisal. Moreover, all these steps are briefly defined as follows.

1. **Determining Organisational Goals :**The entire development of an organization depends on the set goals. A goal is the most critical and necessary factor behind the effectiveness and efficiency of an organization, so it is important to effectively manage set goals either single or many of different kinds. Prior to start working on the set goals, the managers should determine organizational goals with the aim to create a potential management that must be capable of handling different kinds of goals easily. Determining goals don't mean creating goals, as the preliminary goals are set by the top level supervisors on the basis of in-depth analysis and judgment about what should be accomplished and how to do so in a certain period.

2. **Determining Employees objectives :** After determining the organizational goals, the next thing to do is to know the individual's goals or more clearly employees' goals. It is the responsibility of the manager to ask employees about what goals they can accomplish within a specific time period and what resources will they use to achieve the goal. Also, if needed, then managers and employees can classify the goals from the most important to the least one in order to make the goal achieving process more easily and in favor of the organization.

3. **Constant Monitoring Progress and Performance:** The process of MBO is not just set for providing additional effectiveness to managers across the organization, but it is also equally important for constantly monitoring the progress and

performance of the employees. There are certain things stated below that can help managers to monitor performance and progress.

- Checking less-effective or ineffective programs by performing a comparison of performance with already prepared objectives.
- Using ZBB (Zero Based Budgeting).
- For measuring plans and individuals, implementing MBO concepts.
- Defining short and long term plans and objectives.
- Installing efficient and effective controls.
- Eventually, composing completely sound structure of the organization with all things at appropriate places such as responsibilities, decision making and so on.

4. **Performance Evaluation :** As per the basic concept of MBO, the performance evaluation comes under the responsibility of concerned managers and is made by their participation. Keep in mind, performance evaluation is one of the most important factors of the organization that can help operating certain objectives smoothly.

5. **Providing Feedback :** The psychologically influential factor of MBO is constantly providing feedback to employees regarding their performance and individual goals, so that they can monitor, correct and extra improve their skills and mistakes. Mostly, the feedback is provided in periodic meetings where supervisors and their subordinates review the performance and progress towards achievement of goals. At one point, feedback helps individuals know their weakness. While on the other hand, it also motivates already potential individuals to enhance and develop their performance additionally.

6. **The Performance Appraisal :** Performance appraisals are the final step of the process of Management by Objectives. By definition, a day by day review of the employee's performance across the organization can be called as performance appraisal. Performance appraisal is associated with the term performance evaluation, but in some cases, both differ from each other.

5.6 MBO benefits

MBO is hailed as the greatest innovation in years. It is claimed that when an organisation is managed by objectives, it becomes performance-oriented, it grows, develops and becomes socially useful in many ways:

1. Clear Goals

MBO produces clear and measurable performance goals. Goals are set in an atmosphere of participation, mutual trust and confidence. There is a meeting of minds between the superior and the subordinates, where the latter will be shooting for right goals. Participation increases commitment, additionally it also results in setting better goals.

Research experience also indicates that individuals are more likely to be highly committed to objectives when they share a hand in setting. Joint goal-setting sessions enhance team spirit and intergroup communication.

2. Better planning

MBO programmes sharpen the planning process. Specific goals are products of concrete thinking.

They tend to force specific planning into setting highly specific, challenging and attainable goals ; develop action programmes tied to a definite schedule; providing resources for goal accomplishment; discussion and removing obstacles to performance-all these activities demand careful advance planning. Passivity gives way to activity.

3. Facilitates control

MBO helps in developing controls. A clear set of verifiable goals provides an outstanding guarantee for exercising better control.

4. Objective appraisal

MBO provides a basis for evaluation of a person's performance since goals are jointly set by supervisor and subordinates. By setting specific goals, MBO allows persons to better control their own performance. Performance is evaluated against, verifiable objectives

5. Motivational force

Both appraiser and appraisee are committed to the same objective. It forces managers to think of result oriented planning rather than planning for activities.

It compels forward planning and living life in an anticipatory mode rather than responding to events.

Allows managers increased opportunities to provide subordinates with a better fix on the job and clarify the path to personal rewards.

6. Better morale

It is functional in terms of what top management demands; and developmental in terms of people at work.

Participative decision making and two-way communication encourage the subordinates to communicate freely and honestly. It minimises the possible misunderstanding amount what is expected of each individual and organisational sub unit.

7. Result-oriented philosophy

MBO is a result-oriented, practical and rational management philosophy.

Managers are forced to develop specific individual and group goals, develop appropriate action plans, marshal the resources properly and establish needed control standards.

5.7 MBO limitations

MBO is not a panacea, accrue for all organisational problems. Quite often, many organisations look at MBO as an instant solution to their problems. They fail to recognise that MBO demands careful planning and implementation to be successful. This technique, like all others, can be no better than the people who try to apply it. Some of the problems preventing MBO from achieving its best results may be catalogued thus :

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

   (i) Verifiable goals are difficult to set

   (ii) Goals tend to take precedence over the people who use it. MBO focuses on end results and it may foster an attitude, that any action is acceptable as long as it helps to achieve the goals. Consequently, unwise decisions are made that would ultimately harm the organisation

   (iii) Goals are inflexible and rigid.

   (iv) There is over emphasis on quantifiable and easily measurable results instead of important results. Many important qualitative goals like job satisfaction, employee attitudes are lost sight of (attempts to set measurable goals force managers to search for a magic figure for each area).

   (v) Overemphasis on short-term goals at the expense of long-term goals. Attempts to show results force managers to curtail costs, in areas where a long-term perspective would be more fruitful to the organisation.

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

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

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

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

(iv) The programme is issued as a 'whip' to control employee performance.

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

(vi) Manager turn MBO into a sham and start 'playing games'.

5.8 Suggestions for improving MBO

One of the reasons for the failure of MBO in many organisations is that those in charge fail to recognise the potential character of the implementation process. The fault is not in the system but in its use. As with any technique, there is a right and a wrong way to implement MBO programmes. The following suggestions would help in making use of MBO programmes properly.

1. **Organisational Commitment :** The most effective way to implement MBO is to allow the top level managers to explain, coordinate and guide the programme. Without top management support and commitment, MBO cannot be implemented properly. MBO presents a challenging shift from planning to accomplishment of specific goals is not easy. Joint goal-setting, participation in planning and decision-making processes, objective performance appraisal sessions pose several problems to managers who are wedded to old ways of thinking and action. These problems should not be allowed to kill MBO, without everything being openly confronted. Managers must believe that MBO would work and must accept it as way of thinking. As Koontz pointed out, it is essential that án effective programme of managing by objectives must be woven into an entire pattern and style of managing. It cannot work as a separate technique standing alone. MBO should not be used as a decorative piece. If it does not have the active support, involvement and commitment of top managers, it should not be installed at all.
2. **Training :** MBO is not a superfluous ritual which should be finished off, as quickly as possible. It calls for precise, concrete thinking. Managers should be given adequate training in MBO philosophy and procedures before the system is installed. They must be in a position to integrate the technique with the basic company philosophy.
3. **Adequate time and resources :** A well-conceived MBO programme cannot be installed overnight. It may take three to five years of operation before the MBO programme yields fruitful results. Implementing an MBO programme, is quite often a time consuming process and manager must have the necessary time and resources to utilise it. They must allocate adequate time and

resources to educate each person in the organisation about the nature and philosophy of the system. It is no use looking to MBO for instant solutions.

4. **Take care of the necessary mechanics :** One reason why MBO Programmes fail is that they are not integrated or institutionalised into the real planning and control activities. Setting goals is only a part of the story, goals must be supported by control activities, also. It is important to assign authority, responsibility for initiating and overseeing the MBO programme. The persons who administer the programme must be endowed with sufficient power not only to punish but also to reward people promptly. It is always better to clarify responsibility and authority relationships, so that everyone in the organisation understands what is expected in the MBO system. A guideline manual of procedures may be adopted, so as to ensure clarity and facilitate the goal-setting and performance appraisal activities.
5. **Timely, feedback :** Monitor MBO, as it is put to use. This process reveals opportunities for feedback, counselling and encouragement to subordinates other than the regular performance appraisal sessions. In many cases, as Koontz pointed out, the superior simply sits back and forgets that periodic review, counsel and control are mandatory to the programme's success. The subordinate, lacking in such direction, often, turns in a mediocre performer. Congratulations and encouragement from superiors, who back up their words with pay rises and promotions would motivate subordinates to peak performance. Again, while comparing the actual progress of MBO with the planned progress, the manager should avoid the tendency of being overly critical, with those subordinates who are lower in ability, lack confidence or are less motivated.
6. **Politics :** Be sensitive to the policies of implementing MBO. MBO redistributes power and nor all managers welcome this. If MBO is seen as a significant change, it will generate hostile reaction in the form of jokes, infighting and overt conflict. MBO can also alter the status of an organisation, can influence decisions, can affect budgets and can promote creation of coalitions to fight with it. MBO, as Odiorne pointed out, has failed in many organisations because managers quite often ignored these political considerations in the process of implementation.

Relevance of Management by objectives (MBO) in Aviation Industry

Performance Management involves engaging in activities to ensure that objectives are consistently being met in an effective and efficient manner. Since airports employ considerable resources in their day-to-day operations, performance shortfalls can result in suboptimal use of airport facilities and in additional costs to their users and society as a whole. In contrast, the good performance of airports will have a positive impact on other members of the aviation community including ANSPs and regional planning entities.

Performance management is a systematic and iterative approach within an organisation that consists of defining a strategy and executing it through the alignment of resources and behaviours, so that the performance of the airport improves over time. Performance management should be part of the business plan of an airport. An airport will generally implement a performance management system through a series of steps as outlined below :

- Identify Key Performance Areas (KPAs);
- Define performance objectives taking into account the interests of aircraft operators, end-users and other interested parties;
- Select performance indicators (and supporting metrics);
- Establish performance targets taking into account the interests of aircraft operators, end-users and other interested parties;
- Create and implement a plan, in cooperation with other members of the aviation community, to achieve performance targets;
- Consider, and where appropriate, provide performance incentives;
- Periodically assess actual performance results by using benchmarking, as appropriate; and
- Publish performance reports on the results achieved.

1) Bombardier in India: going beyond aviation

When Canadian aircraft manufacturer Bombardier established an engineering office in Bangalore in August 2011, it signified another step in a long term commitment to the Indian market. The new office was the latest investment in job creation and community involvement initiatives.

The establishment of this engineering services office allows Bombardier to take advantage of local expertise in an aviation market that is becoming increasingly important. The engineering service office in Bangalore provides support to Bombardier's aircraft programmes and will eventually staff 50 highly-skilled engineers.

Bombardier has established collaborative agreements with two Indian companies: Mahindra Satyam has 410 engineers supporting the engineering function on aerospace projects ranging from stress analysis to detailed design; and Capgemini currently dedicates 280 employees to Bombardier's technical publications.

In the short time it has had operations in India, Bombardier has quickly grown its operations there. Staff numbers have increased both at the engineering centre and the regional support office in Mumbai, created to assist operators of its business and commercial aircraft.

Three years ago, a committee of 12 employees from the Bombardier support team at Mahindra Satyam began looking for ways to see how the company could support the community further. At the government school in nearby Konappana Agrahara, the team has helped build a computer room, sponsored free dental and medical camps for students and community members, provided school supplies and equipment and shoes to all primary grade students. The committee has also set up a scholarship programme and financed the building of a laboratory at the Composite Girls' School in Mallaswaram, near Bangalore. This lab will enhance science classes by providing concrete experience opportunities to the students.

Bombardier is also helping India's communities through its customers. In 2010, Bombardier announced an order for 15 Q400 NextGen turboprops to India's SpiceJet, with options for 15 more. The low-fare carrier will use the aircraft to serve cities and industrial towns that have been traditionally underserved by larger jets thereby connecting communities that have been less accessible in the past. SpiceJet hopes to eventually serve up to 60 airports with the Q400 aircraft.

2) Promoting gender equality at Airbus

Achieving gender equality across the many different positions in the aviation industry can be a challenge. While the industry generally performs better than others when it comes to a gender balance, there is still much work to be done, particularly in some of the more technical roles at aerospace manufacturers.

To tackle this problem, Airbus has been putting the issue of gender balance at the centre of its corporate strategy. Airbus' diversity and inclusion networks manage topics such as work/life balance, career development, integration of disabled employees and furthering gender balance through equal employment opportunities. The short-term goal for Airbus is to increase the number of women recruited to 30%. Currently, only 17% of the Airbus workforce a quarter of the Board of Directors are women.

To inspire young women for careers in aeronautics, Airbus invites high school female students to visit its facilities and meet its female employees to talk about their experience and understand how the company can engage them. Airbus also participates in career fairs and conferences promoting women in aeronautics and breaking gender stereotypes, as well as sponsoring a number of external associations: Elles Bougent (FR), Capital Filles (FR), Airemploi, WISE & WES (Women's Engineering Society) (UK), IAWA International Conference, Everywoman (UK), Alta (UK), WIA (GE and FR).

Case Study - Management by Objectives
Super Department Stores' MBO Programme

Prakash Gupta was irritated and confused, after the meeting with Dinesh Sharma. Prakash was the chief manager of Delhi City Super Department Stores (SDS),and Dinesh was the regional stores manager, in charge of stores of Noida, Faridabad and Ghaziabad. Three weeks earlier, Prakash had received a letter from Dinesh explaining that top management had decided on an MBO programme to help SDS improve its operational efficiency and profitability. The letter mentioned about linking stores managers' salary hikes, promotions etc. to performance. The accompanying instructions required managers to list the objectives they achieved which were appropriate for their store and then to await the regional manager's review visit.

Prakash has done just what he was asked to do. In a meeting with his departmental managers, Prakash had chosen objectives that they all agreed were appropriate. All of the objectives represented performance levels that were improvements over the past year and were reasonably attainable, such as :

1. Increasing sales by 10 %
2. Reducing inventory losses by 2 %
3. Improving customer service (i.e., 20 % fewer complaints made to head office)
4. Reducing cash register shortages to 0.05 % of sales

Dinesh came late for the MBO review visit and stressed that there was little time. He quickly scanned the written statement of objectives which Prakash gave him, then explained that profit improvement was really what the home office was interested in. Senior management in Chennai, running the SDS in over 18 major cities in India, decided that a 10 % increase in profit would be a reasonable objective for Prakash's store. This single objective, Dinesh explained, would objective the monitoring of performance by the head office and would also reduce the amount of information the store would have to submit. The visit was cut short because Dinesh had to attend a meeting on the advertising budget back at the head office.

Questions :

1. Does the MBO system at SDS meet the criteria for an effective programme ? Why? Why not?
2. Evaluate Prakash's approach to objective setting.

Chapter-VI

DECISION MAKING, CREATIVITY AND MANAGEMENT INFORMATION SYSTEM

6.1 Introduction

Decision making is an important part of management process. It covers every part of an enterprise. Decision making is a fundamental aspect of management because it requires choosing among alternative course of action. In addition to coping with an era of accelerating change, today's decision makers confront the challenge of dealing with complexity, uncertainty and the need for flexible thinking.

Decision making can be regarded as the mental processes resulting in the selection of a course of action among several alternatives. Every decision making process produces a final choice. The output can be an action or an opinion of choice.

In general -- "Decision making is the process of making a choice between a number of options and committing to a future course of actions".

Managers scout for problems, make **decisions** for solving them and monitor the consequences to see whether additional decisions are required. Good decision-making is a vital element of good management because decisions determine how the organisation solves its problems, allocates its resources and accomplishes its goals.

Decision Making

The process of examining your possibilities and options, comparing them, and choosing a course of action.

6.2 Pepsi cola's dilemma

Case : Many years ago, several reports surfaced stating that syringes and hypodermic needles had been found in Pepsi cans. It was a wicked decision problem for Pepsi-Cola's executives-could needles have been put in Pepsi at the canning plants or were the reports a hoax ?

Information was unclear and fast changing, time was running out and executives had to find a solution-quickly. Clear evidence of danger means recalling the product. But, there was no such evidence.

A recall would have been very costly and the company would have lost the trust of customers. Executives after carefully analysing the facts, believed syringes could not go into unopened cans of Pepsi. Instead of going for a recall, executives went on a massive public relations and education campaign. Nationwide ad campaigns explained how implausible it was that syringes could have been put into pepsi cans at the plants. They also assured consumers that there had been no injuries and not a single confirmed case of a needle found in an unopened can of Pepsi.

By responding quickly and openly to public fears, pepsi weathered the syringe-scare crisis with little damage. Pepsi managers made the right decision, believing , based on careful internal analysis, that needles could not possibly have been put into cans of Pepsi at the plants. However, it was a decision that could have backfired, if the company was unable to convince consumers that Pepsi products were truly safe.

6.3 Characteristics of decision making

The important characteristics of decision-making may be listed thus:

1. Goal-oriented: Decision-making is a goal-oriented process. Decisions are usually made to achieve some purpose or goal. The intention is to move 'toward some desired state of affairs'.

2. Alternatives: A decision should be viewed as 'a point reached in a stream of action'. It is characterised by two activities - search and choice. The manager searches for opportunities, to arrive at decisions and for alternative solutions, so that action may take place. Choice leads to decision, it is the selection of a course of action needed to solve a problem. When there is no choice of action, no decision is required. The need for decision-making arises only when some uncertainty as to outcome exists.

3. Analytical-intellectual: Decision-making is not a purely intellectual process. It has both the intuitive and deductive logic; it contains conscious and unconscious aspects. Part of it can be learned, but part of it depends upon the personal characteristics of the decision maker. Decision-making cannot be completely quantified; nor is it based mainly on reason or intuition Many decisions are based on emotions or instincts. "A decision represents a judgement; a final resolution of a conflict of needs, means or goals; and a commitment to action made in the face of uncertainty, complexity, and even irrationality." Decision implies freedom to the decision maker regarding the final choice; it is uniquely human and is the product of deliberation, evaluation and thought.

4. **Dynamic process**: Decision-making is characterised as a process, rather than as one static entity. It is a process of using inputs effectively in the solution of selected problems and the creation of outputs that have utility. Moreover, it is a process concerned with 'identifying worthwhile thing to do in a dynamic setting. A manager for example, many hire people based on merit regularly and also pickup candidates recommended by an influenced party, at times. Depending on the situational requirements, managers take suitable decisions using discretion and judgement.

5. **Pervasive function**: Decision-making permeates all management and covers every part of an enterprise. In fact, whatever a manager does, he does through decision-making only; the end products of a manager's work are decisions and actions. Decision-making is the substance of a manager's job.

6. **Continuous activity**: The life of a manager is a perpetual choice making activity. He decides things on a continual and regular basis. It is not a one shot deal.

7. **Commitment of time, effort and money**: Decision-making implies commitment of time, effort and money. The commitment may be for short term or long-term depending on the type of decision (e.g. strategic, tactical or operating). Once a decision is made, the organisation moves in a specific direction, in order to achieve the goals.

8. **Human and social process**: Decision-making is a human and social process involving intellectual abilities, intuition and judgement. The human as well as social imparts of a decision are usually taken into account while making the choice from several alternatives. For example, in a labour surplus, capital-hungry country like India managers cannot suddenly shut down plants, lop off divisions and extend the golden handshake to thousands of workers, in the face of intense competition.

9. **Integral part of planning**: As Koontz indicated, 'decision making is the core of planning'. Both are intellectual processes, demanding discretion and judgement. Both aim at achieving goals. Both are situational in nature. Both involve choice among alternative courses of action. Both are based on forecasts and assumptions about future risk and uncertainty.

Types of decisions

The quality of decision-making skills is one of the critical factors in managerial success. Managers are evaluated by the decisions they make and more often, by the results obtained from their decisions. The different levels in the organisations are distinguished between the decisions made by the managers.

1.Basic Decision vs Routine Decisions

Basic decisions concerning unique problems or situations. They are one-time decisions demanding large investments. For example, decisions about launching a new product, or buying a more advanced computer system, are non-routine decisions. They require creativeness, intuition and good judgement, on the part of managers. They are strategic decisions which affect the future of an organisation. "Anyone who is a manager, has to make such strategic decisions, and the higher his level in the management hierarchy, the more of them he must make". In other words, as a manager progresses to higher levels, the number of basic decisions increase.

On the other hand, routine decisions are repetitive in nature. They require little deliberation and are generally concerned with short-term commitments. They tend to have only minor effects on the welfare of the organisation. Generally, lower-level managers look after such mechanical or operating decisions. For example, a supervisor can decide whether an employee's absence is excused or unexcused, on the basis of personnel policy guidelines. Usually, standard procedures are established to dispose of such repetitive problems quickly.

2. Personal vs. organisational decisions

According to Barnard, decisions can be divided on the basis of the environment in which they are made. Decisions to watch television, to study, or retire early are examples of personal decisions. Such decisions, pertain to managers as individuals. They affect the organisation, in an indirect way. For example, a personal decision to purchase a Maruti rather than an Ambassador, indirectly helps one firm due to the sale and hurts another because of the lost sale. The sudden decision of a popular singer to seek premature retirement may affect the film industry badly. In other words, personal decisions can 'have an impact beyond the immediate system on whose behalf they were made'. **Organisational decisions** are made by managers, in their official or formal capacity as controllers and allocators of organisational resources. Unlike **personal decision**s, organisational decisions can be delegated. These decisions are aimed at furthering the interests of the organisation. Managers operate in an open environment. Results of their decisions are open for public view (subordinates, stockholders, customers, general public etc.) and such results are generally measured in terms of the firm's earnings , welfare of the employees and the economic health of the community. In other words, managerial decisions have an impact on a greater number of people. So, in order to survive and progress, managers are forced to make professional decisions, to make decisions that are based on rationality, judgement and experience. As pointed out by Levitt, the manager is judged not for what he knows about the work that is done in his field, but by how well he actually does the work. In order to protect the long-term interests of the organisation, sometimes, a manager may be forced to adopt certain decisions which may be against his personal choices. For example, a manager who abhors unethical practices may tolerate deceptive product messages in company advertisements to ward off competitive pressures. To survive, the manager must be a professional decision maker. He is expected to resolve the conflicts that take place between organisational and personal decisions in a smooth way.

3. Programmed and Non-programmed decisions

Herbert Simon has provided a popular classification scheme for managerial decisions-programmed and non-programmed. A programmed decision is one that is routine and repetitive. Rules and policies are established well in advance to solve recurring problems quickly. Thus, a hospital establishes a procedure for admitting new patients, a supervisor administers disciplinary actions against workers reporting late for work, a store clerk orders requisition for additional supplies, as soon as the existing stock drops below a specified level. On the basis of pre-established set of alternatives, programmed decisions can be made in a routine way. Since, programmed decisions are relatively easy and simple for managers to make, they allow and equip managers for more challenging and difficult problem solving. However, routine procedures leave little room for the manager to choose. Judgement cannot be used and freedom is affected. Programmed decisions are usually made by lower level personnel in organisations "in which the market and technology are relatively stable, and many routine, highly structured problems must be solved. "For example, in banks and insurance companies, the market and technology are relatively stable and usually routine problems confront operating personnel. Decisions are highly routinised and, the decision maker simply recognises the problem to implement the predetermined solution.

Non-programmed decisions deal with unique/unusual problems. In such cases, the decision maker has to make a decision, in a poorly structured situation-one in which there are no pre-existing, cut-and-dried solutions. Deciding whether to take over a sick unit, how to restructure an organisation to improve efficiency, where to locate a new company warehouse, whom to promote to the vacant position of Regional Manager at one of the company's plants, are examples of non-programmed decisions. The common feature in these decisions is that they are novel and non-recurring and there are no readymade courses of action to resort to. Because, non-programmed decisions often involve broad, long-range consequences for the organisation, they are made by higher-level personnel only. Managers need to be creative when solving the infrequent problem; and such situations have to be treated de novo each time they occur. Non-programmed decisions are quite common in such organisations as research and development firms where situations are poorly structured and decisions being made are non-routine and complex.

Characteristics of Programmed and Non-Programmed decisions

Programmed decisions	**Non-Programmed decisions**
- Problems are routine and repetitive. - Solutions are offered in accordance with some Habit, rule, or procedure. - The conditions for programmed decisions are highly certain. - Made by lower-level people.	- Problems are unique and novel. - There are no pre-established policies or procedures to rely on. Each situation is different and needs a creative solution. - The conditions for non-programmed decisions are highly uncertain. - Top management responsibility.

6.4 Decision making process

Making a good decision is a difficult exercise. It is the product of deliberation, evaluation and thought. To make good decisions, managers should invariably follow a sequential set of steps as follows :

1. Identifying the problem

A problem is defined as a discrepancy between an existing and a desired state of affairs. Some cautions about problem identification include the following:

1. Make sure it's a problem and not just a symptom of a problem.
2. Problem identification is subjective.
3. Discrepancies can be found by comparing current results with some standard.
4. Managers aren't likely to characterize a discrepancy as a problem if they perceive that they don't have the authority, information, or other resources needed to act on it.

2. Identifying decision criteria

Decision criteria are factors that are important (relevant) to resolving the problem.

1. Costs that will be incurred (investment required)
2. Risk likely to be encountered (chance of failure)
3. Outcomes that are desired (growth of the firm)

3. Allocating weights to the criteria

Decision criteria are not of equal importance.

Assigning a weight to each item places the items in the correct priority order of their importance in the decision making.

Each possible solution must have features or cons and pros. A manager should score the criteria according to the need of the situation.

4. Developing alternatives

- As manager it is advised you select a viable alternative that could also resolve the problem.
- At this point we are just listing not evaluating the alternatives.

5. Analyzing alternatives

- Appraising each alternative strengths and weaknesses.
- An alternative's appraisal is based on its ability to resolve the issues identified in steps 2 and 3

6. Selecting alternative : Choosing the best alternative

7. Implementing the decision : Putting the decision into action by conveying into those affected and getting their commitment to it.

8. Evaluating the decision effectiveness : Evaluating the outcome or result of the decision to see if the problem was resolved. If the problem still persists, the managers should re-assess the problem and start over again.

Individual Decision-Making: Three Approaches

Under the classical theory proposed by Tylor, Fayol, Weber etc. (structure is need to carry out work; work is divided and distributed; your job is to do the assigned work and deliver results); individuals are assumed to be rational beings, working toward organisational goals scrupulously. Decision-making process is supposed to be logical, unemotional and rational. The decision maker can be fully objective and logical. For example during the Second World War, Germany had some of the finest military brains and Generals like Rommel (the Desert Fox) had developed some excellent battle strategies and plans. In spite of these effective battle strategies, Germany lost because Hitler often ignored the advice of his military experts and made poor decisions based on his own judgement of the situation. Decision-making, therefore is not an unemotional and rational process. Behaviourists like March and Simon argued in favour of a strictly unemotional analysis of cold facts. Judgement is inevitable and deliberation, evaluation and thought-all creep into the decision-making process. In this section, these two approaches normative decision theory and (classical)-descriptive decision theory (behavioural) are discussed at length.

The Rational Economic Model

The term ‘rationality’ implies a consistent and value-maximising choice within certain limits. It means that the decision-maker as an economic being, tries to select the best alternative for achieving the optimum solution to a problem. According to this model, the decision-maker is assumed to make decisions that would maximise his or her advantage by searching and evaluating all possible alternatives. The decision-making process, described in the earlier section, is based on certain assumptions:

- **Decision-making is a goal-oriented process**: According to the rational economic model, the decision-maker has a clear, well-defined goal that he is trying to maximise. Before formulating the goal, the decision-maker can identify the symptoms of a problem and clearly specify one best way to solve the same.
- **All choices are known**: It is assumed, that in a given decision situation, all choices available to the decision-maker are known or given and the consequences or outcomes of all actions are also known. The decision maker can list (i) all the relevant criteria, (ii) all feasible alternatives, and (iii) the consequences for each alternative.
- **Order of preference**: It is assumed that the decision maker can rank all consequences, according to preference, and select the alternative which has the preferred consequences. In other words, the decision maker knows how to relate consequences to goals. He knows which consequence is best (optimality-criterion)
- **Maximum advantage**: The decision maker has the freedom to choose the alternative, that best optimises the decision. In other words, he would select that alternative which would maximise his satisfaction. The decision maker has complete knowledge, and is a logical, systematic maximiser, in economic-technical terms.

The above model is prescriptive and normative; it explains how decision makers ought to behave. Rationality is an ideal and can be rarely achieved in an organisation. Many factors intervene in being perfectly rational, namely:

1. **Impossible to state the problems accurately**: It is often impossible to reduce organisational problems to accurate levels. An accurate, precise and comprehensive definition of the problems, as assumed under the mode, may

not be possible. Moreover, relevant goals may not be fully understood or may be in conflict with each other. Striking a balance between goals such as growth, profitability, social responsibility, ethics, survival etc., may be difficult and as such the assumption that the decision maker has a single, well-defined goal in an organisational setting, appears to be unfortunate.

2. **Not fully aware of the problems**: Frequently the manager does not know that he has a problem. If the organisation is successful and is flourishing, managers may not be in a position to assign their valuable time to searching future problems. As rightly commented by Weber's, if current performance is satisfactory, few of us use present time to search for future problems.

3. **Imperfect knowledge**: It is too simplistic to assume that the decision-maker has perfect knowledge regarding all alternatives, the probabilities of their occurrence, and their consequences. In deed managers rarely, if any, have access to perfect information.

4. **Limited time and resources**: Most managers work under tremendous pressure to meet the challenges posed by internal as well as external factors. They have to operate under do or die situations and investing more time than necessary would mean lost opportunities, and consequently last business. This pressure to act pushes the decision managers to choose quickly. Moreover, obtaining full information would be too costly. If resources are limited, the decisions should be taken in such a manner so as to achieve efficiency and effectiveness. Less effective solutions may be accepted, if substantial savings are made in the use of resources. Working under severe time and cost constraints, managers may settle down for less optimal decisions rather than wasting time and effort in finding an 'ideal' solution.

5. **Cognitive limits**: Most of the decision makers may not be gifted with supernatural powers to turn out a high-quality decision, every time they sit through a problem. They may not be able to process large amounts of environmental information, loaded with technicalities and competitive data, thoroughly. Also, difficulties arise relating them successfully to confusing organisational objectives. When managers are invaded with intricate details regarding various fields, they try to simplify the decision-making process by reducing the number of alternatives to a manageable number. When the thinking capacity is overloaded, rational decisions give way to bounded decisions. Instead of considering 8 to 10 alternatives, manages may deal with only three or four, to avoid overloading and confusion. They simplify the 'complex fabric of the environment', into workable conceptions of their decision problems.

6. **Politics**: The normative model, unfortunately, ignores the influence of powerful individuals and groups in the decision-making process. Many

studies have revealed decision-making to be political in nature, accommodating the dissimilar and sometimes, conflicting interests of different groups (labour unions, consumer councils, government agencies and local community). In order to satisfy these groups, the decision maker may have to assign weightage to less optimal solutions, at the expense of organisational efficiency.

Thus, the rational economic model is based on a defective logic and reasoning. It is an idealistic, perhaps even naive, model of decision-making which works only when all the underlying assumptions prevail. The complexities of the real world force us to reject the traditional concepts. We are compelled to consider a more realistic theory, which receives inputs from both the quantifiable and non-quantifiable variables; a theory which 'focuses on human involvement in the various steps of the (decision-making) process and allows for the impact of numerous environmental factors'.

DESCRIPTIVE DECISION THEORY (BEHAVIOURAL THEORY) / THE ADMINISTRATIVE MODEL

The objective of the administrative model, proposed by Herbert A. Simon and refined by Richard Cyert and James March, is to explain the decision-making behaviour of individuals and organisations. According to Simon, people carry only a limited, simplified view of problems confronting them because of certain reasons: (i) They do not have full information about the problems, (ii) They do not possess knowledge of all the possible alternative solutions to the problem and their consequences. (iii) They do not have ability to process competitive environmental and technical information. (iv) They do not have sufficient time and resources to conduct an exhaustive search for alternative solutions to the problems. Thus human and organisational limitations make it impossible for people to make perfectly rational decisions. There are always 'boundaries to rationality' in organisations.

THE POLITICAL MODEL

The political model of decision-making is useful for making non-programmed decisions; (i) when conditions are uncertain, (ii) information is limited (iii) and there is disagreement among managers about what goals to seek or what course of action to pursue. Such complex decisions are resolved through forming alliances among managers popularly known as coalition building. A manager who supports a specific alternative, such as increasing the firm's growth by acquiring another firm, talks informally to other executives and tries to persuade them to support the decision. When the outcomes are not very clear, managers gain support through discussion, negotiation and bargaining. According to Stevenonson et. al, coalition building gives several managers an opportunity to contribute to decision making, enhancing their commitment to the alternative that is finally adopted.

6.5 Group decision making

Groups play an important role in decision making in organisations. Most of the organisational decisions are made in a group context, because they offer the advantage of experience, wide knowledge and mutual support. Groups such as committees, study teams, task forces, review panels are especially useful for non-programmed decisions because these decisions are complex and few individuals have all the knowledge and skills necessary to make the best decisions.

Groups used a number of methods to make decisions: (i) lack of response, a proposed solution by one or a few member may not be received by the group as a whole; (ii) authority rule, the group leader announces the decision; (iii) minority rule, a flew influential members possessing expertise and/or loud voices influence the outcome; (iv) majority rule, decisions decided by voting process; (v) consensus, the most acceptable (not necessarily the best) solution for all members; and (vi) unanimity to resolve complex problems, members rally behind a point of view. Groups use one or more of the above methods while taking decisions in organisations. One interesting question in this connection would be: are there any differences between group decisions and individual decisions? Individuals working alone would solve a problem in one way and the members of small groups would solve the same problem in a different way. Group decision-making is different in process and outcome from decision-making done by individuals in the following ways:

1. Conformity : The forces that promote conformity within the group are the attitudes, beliefs, emotions which majority of the group members have in common. As members interact daily, these beliefs would come in play; for example, they may exchange views regarding individual freedom and dignity, regarding the union-management relations, regarding the importance of cooperation among themselves etc. These feelings and beliefs, over a period of time, get strengthened slowly and make way for group norms. Norms are ideas about how group members are supposed to behave, in and outside of the group. They are the standards of performance of individual employees if conducted and legislated by the group in course of time. Norms not only specify appropriate behavior but also indicate the 'limits of behavior'. Each member of the group, in course time, comes to know the norms of the group, which not only specify appropriate behavior but also indicate the limits of behavior. Thereafter, any violation or disregard of the group norms will be punished; observance and conformity will be rewarded. To avoid unpleasant consequences, such as ostracism, physical violence, members generally tend to conform. Thus, group members (as decision makers) are under pressure to conform to group's standards of conduct and, quite often, this may force them to soft-pedal the decision-making activity where the problem may not be thoroughly examined, many of the alternatives may not be developed, and, more often than not, members may agree on the first alternative suggested by an influential member.

2. Group Think : Generally speaking, people join a group because they expect it to satisfy their needs, Cohesion develops, if these hopes are realised. One unfortunate tendency in respect of cohesive groups is to disallow critical thinking on the part of members and forcing them towards complete unanimity. '**Groupthink**' is an extreme form of consensus, in which the group thinks as a unit rather than as a collection of individuals. Members exhibit a tremendous desire for unanimity. Seeking consensus becomes an end in itself. Free exchange of ideas is inhibited. In order to promote consensus, members adopt low-risk, conservative, and mediocre decisions. They try to avoid being too harsh in their judgments of one another's ideas. As a result of little or no real criticism, the illusion of unanimity is created. This process leads to watered-down decisions.

3. **Superiority** : The use of groups allow a variety of inputs from those, who possess different skills. Members, drawn from different disciplines, can bring a greater amount of information and expertise to bear on a problem, to generate more creative alternative solutions and make it more likely that the solution would be understood, accepted and implemented.

4. **Risky shift** : The average risk-taking score tends to be higher in groups. There is considerable evidence to show that in some situations, groups make riskier decisions than individuals. Why do groups make riskier decisions than individuals? Four explanations can be offered: (a) Taking moderate risks is something that is highly rated in our society. Moderate risk has a strong cultural value than caution. (b) Risk-taking offers an opportunity for a group member to become the leader. Dominant and influential members generally occupy the leadership 'berths' in a group. (c) Groups are able to share information in an open environment. Members become more familiar with the problem, being discussed. Initially, they encourage caution, go-slow tactics and once the problem is familiarised, they willing to take adventurous, risky decisions, (d) If a project adopted by a group fails, buck passing is easy and no one individual can be held wholly responsible. Group decisions dilute and thin out responsibility. So, whenever managers are forced to solve knotty problems these are turned over to groups.

It is a situation faced when individuals collectively make a choice from the alternatives before them.

Decisions made collectively tend to be more effective than decisions made by a single individual.

6.6 Advantages and disadvantages of group decision making

● A group has more information than an individual. Members, drawn from diverse fields, can provide more information and knowledge about the problem.	● Groups are notorious time-wasters. They may waste a lot of time and energy, clowning around and getting organised.
● A group can generate a greater number of alternatives. It can bring to bear a wider experience, a greater variety of opinions and a more thorough probing of facts than a single individual.	● Groups create pressures towards conformity; other infirmities, like group think, force members to compromise on the least common denominator.
● Participation in group decisions increases acceptance and commitment on the part of people, who now see the	● Presence of some group members, who are powerful and influential may intimidate and prevent other members

solution as their own and acquire a psychological stake in its success. ● People understand the decision better because they saw and heard it develop; then paving the way for smooth implementation of the decision. ● Interaction between individuals with varied viewpoints leads to greater creativity. ● Groups may also be able to capitalise on individual talents, allowing individuals to work on problems at which they are most adept-specialisation of labour.	from participating freely. Domination is counter-productive; it puts a damper on the group's best problem solvers. ● It may be very costly to secure participation from several individuals in the decision-making process. ● The group consists of several individuals and hence, it is easy to pass the buck and avoid responsibility. ● Finally, disagreement over arriving at a decision may lead to conflict, resentment and ill feelings between group members.

Group decision making techniques

Success in group decision-making usually depends on developing a variety of good alternatives and selecting one satisfactory solution in an impartial fashion. In order to improve the group decision-making, certain techniques have been proposed :

1. Brainstorming

- ○ This technique involves a group of people, usually between five and ten, sitting around a table, generating ideas in the form of free association.
- ○ The primary focus is on the generation of ideas rather them on evaluation of ideas.
- ○ Brainstorming technique is very effective when the problem is comparatively specific.

2. Nominal Group Technique (NGT)

- Restricts discussion and interpersonal communication during decision making.
- Members operate independently.
- It is good when members fear criticism from others.
- Permits the group to meet formally but not restrict in independent thinking.

<u>Steps in Nominal group technique.</u>

- Each member independently writes down his or her ideas on the problem.
- Each member presents one idea to the group.
- Group discusses the ideas for clarity and evaluates them.
- Ranks the ideas.
- Final decision is based on highest rank.

3. Delphi Technique

This technique is a modification of the nominal group technique

1. The problem is identified and a sample of experts is selected. These experts are asked to provide potential solutions through a series of carefully designed questionnaires.

2. Each expert completes and returns the initial questionnaire.

3. The results of the questionnaire are compiled at a central location and the central coordinator prepares a second questionnaire based on the previous answers.

4. Each member receives a copy of the results along with the second questionnaire.

5. Members are asked to review the results and respond to second questionnaire. The results typically trigger new solutions or cause changes in the original position.

6. The process is repeated until a consensus is reached.

4. Didactic interaction

This technique is applicable only in certain situations, but is an excellent method when such a situation exists. The type of problem should be such that it results in a yes-no solution.

For example, the decision may be to buy or not to buy, to merge or not to merge, to expand or not to expand and so on. Such a decision requires an extensive and exhaustive discussion and investigation since a wrong decision can have serious consequences.

6.7 Creativity

Creativity is essentially the first step in innovation, which is vital for long-term organisational success. Creativity is the ability to visualise, foresee, generate and implement new ideas. Creativity is the function of knowledge, imagination and evaluation. The greater our knowledge, the more ideas, patterns or combinations we can achieve. If you are creative, you can process the information is such a way that the results is new, original and meaningful. Creative behaviour results in discovering an improved means of accomplishing our purpose. The creative process usually comprises four interconnected stages:

- **Preparation and concentration**: This stage involves gathering initial information, defining the problem or task requiring creativity, generating alternatives, seeking and carefully analysing further data relating to the problem. Here the individual becomes thoroughly immersed in every relevant aspect of the problem. He will tend to recall and collect information that seems appropriate, dreaming up possible alternatives without refining or evaluating them. For complex technical problems, the search process many take months or even years.
- **Incubation**: This stage involves an internal and unconscious ordering of gathered information. This stage may involve an unconscious personal conflict between what is currently accepted as reality and what may be possible. Relaxing, sometimes away from the scene of action, and allowing

the mind to search for possible issues or problems is called for. This stage calls for divergent thinking to explore unusual, novel, innovative alternatives.

- **Illumination**: At this stage, a new level of insight is achieved, often through a sudden breakthrough in 'eureka' fashion. The new imaginative idea flashes into the individual's mind at an unexpected time, perhaps while waking up, going to sleep, eating or jogging. Experienced creative people often carry idea notebooks to record these flashes of insight, immediately.
- **Verification**: This stage involves testing of ideas to establish the validity of the insight. Here, logical thinking is required to evaluate the solution. If the solution does not appear feasible, it may be necessary to cycle back through all or some of the previous steps. Tenacity may be needed, here since most novel ideas are rejected at first, on grounds of impracticality. Many inventions and books that later proved to be huge successes were at first rejected by several sources. 'Gone with the Wind' and Xerography are two historically important cases in this regard.

6.7.1 Creative People : Characteristics

How intelligent, do group members have to be, in order to develop creative solutions? The answer is, that creative people are not geniuses. They are simply more intelligent than the average people. Commencing on the characteristics of creative people, Andrew DuBrin has described them as:

1. Bright, but not brilliant. Creativity is not directly related to extraordinarily high intelligence.
2. Good at gathering a high degree of different ideas in a short period of time. These people can produce quality.
3. Possessing a high positive image of themselves. They like who they are.
4. Sensitive to the world around the,. Creative people are aware of their universe.
5. Motivated by challenging problems. These people like to achieve things by overcoming hurdles and barriers.
6. Tend to withhold decisions on a problem until they have collected sufficient data. They are thinkers as well as doers.
7. Value their independence. They do not have a strong need for group approval.
8. Lead a tich, almost bizarre, fantasy life. They daydream widely and in creative ways.
9. Flexible in their thinking and actions. They can change as the situations require.
10. More concerned with the meaning implications of a problems than with minor details. They look at the big picture.

Developing Personal Creativity

Creativity is, often thought of as, something that you have or do not have. Recent research shows that this is not correct. People can actually increase their creativity if they follow four important steps:

1. Loosen up emotionally and intellectually. Creative people give free rein to their emotions.

2. Discipline yourself to think creatively. Highly creative people try not to be bound by old ways of looking at problems; they go beyond the familiar.

3. When trying to formulate creativity in a group setting, use approaches like brainstorming. Encourage imagination; discourage criticism.

4. Develop the right climate for creativity of employing a human resources approach to management. People are more creative under conditions of participative management than they are under conditions of autocratic management.

6.7.2 How to improve creative abilities

Creative ability can be increased by observing the following principles :

1. Keep track of your ideas, at all times.
2. Post new questions every day.
3. Maintain competence in your field.
4. Read widely in fields that are not directly related to your field of interest.
5. Avoid rigid pattern of doing things.
6. Be open and receptive to your own as well as to others' ideas.
7. Be alert in observation.
8. Engage in creative hobbies.
9. Improve your sense of humour and laugh easily.
10. Adopt a risk-taking attitude.
11. Have courage and self-confidence.
12. Learn to know and understand yourself.

6.8 Management Information Systems (MIS)

Management information system (MIS) is a system by which information is collected, processed and presented to management with a view to improve the quality of decisions. The emphasis of MIS is on information for decision-making. Though MIS was originally developed for large businesses, it has application in all types of organisations. MIS in small organisations, of course, is less elaborate than the one we find in large organisations, but it has the same decision-making potential. All businesses require accurate and timely information. MIS provides the much needed information. It generates data, processes and presents the same, to management in an appropriate form, so that sound business decisions may be taken.

The term 'MIS' refers to a computer-based system for providing decision makers with information, relevant to their areas of concern. It is a system, designed to provide selected decision-oriented information need by management to plan, control and evaluate the activities of an organisation. It provides information on the past, present and projected future and on relevant events inside and outside the organisation.

MIS is basically concerned with processing data into information and is then communicated to the various Departments in an organization for appropriate decision-making.

Scope of MIS : The term "MIS" arose to describe such applications providing managers with information about sales, inventories, and other data that would help in managing the enterprise. Today, the term is used broadly in a number of contexts and includes decision support systems, resource and people management.

MIS Definition : The MIS is defined as an integrated system of man and machine for providing the information to support the operations, the management and the decision making function in the organization.

The MIS is defined as a system based on the database of the organization evolved for the purpose of providing information to the people in the organization.

6.8.1 Need for MIS

MIS tries to handle the organisation's information system through a computer. It offers vital information to managers, so that they can carry out operational control, management control and strategic planning.

1. **Operational Control :** MIS offers highly accurate and detailed information, on a daily or weekly basis. MIS offers a high volume of timely and detailed information derived from daily operations.
2. **Middle Management :** Middle level managers need information on matters affecting their units such as sudden sales decline, increased demand for a particular product line, large-scale problems with suppliers etc. The essential merit in MIS is that if offers data in a comprehensive manner, so that timely, informed and sound decisions can be taken.

3. **Top management :** MIS provides information for **strategic planning and management control.** For **strategic planning**, external sources are looked into closely and analysed in a detailed way. For ensuring top management control, MIS offers data on overall financial performance of the organisation

6.8.2 Designing

1. Problem definition

The team starts by making a thorough assessment of the organisation's capabilities and strategic goals, as well as an assessment of any external factor relevant to organisations functions.

2. Conceptual design

A thorough analysis of current information systems would reveal alternative MIS designs with specific performance requirements. These alternatives could be evaluated against organisational objectives, capabilities and requirements.

3. Detailed design

Once a conceptual plan is decided upon, performance specifications of the new MIS can be established. Components, programming, flow chatting, database can be designed. A model of the system is created, tested, refined and reviewed until it meets the specific levels of performance.

4. Final implementation

The formal needs of the new MIS can now be decided. The logistics are worked out and enacted. Training program starts now. Design and testing of software for MIS will be completed and the organisations databases are entered into the system. After a series of final checks, the MIS is ready for implementation.

6.8.3 Guidelines for effective design

In order to design an MIS and implement the same, in an effective manner, the following guidelines must be kept in mind:

1. **User participation**: MIS must receive inputs from actual users. There must be close cooperation between operating managers and system designers. Users know what information they need, when it is needed and how it will be used for managerial action and decision-making. According to Arnold Barnett, unless operating managers have a decisive voice in the design of the MIS, the information system may fail to provide needed information while simultaneously overloading them with useless information.
2. **Cost-benefit analysis**: MIS must pay in the long run. To keep the MIS on track and within the sanctioned budget limits, designers must carefully evaluate the cost and benefits involved in developing and implementing the system.
3. **Relevant information**: MIS must guarantee enough information for an informed decision. There is no use loading managers with unnecessary, unwanted details. The MIS must filter and provide most relevant information to the appropriate manager. It must condense information, so that relevant information can be absorbed by users quickly. The information should also provide top-level managers with data on critical factors and changes related to organisational effectiveness.
4. **Present the system before installation**: MIS can be installed in four different ways

(i) Crash or direct installation, where the new system replaces the old, entirely. Since the new system is installed overnight, extensive pre-tests must be carried out.

(ii) Parallel installation, where the new system is implemented and operated side by side with the old one. After comparing the outputs from these systems, adjustments can be made and the old systems may be allowed to die. However, this is a costly proposition, if the organisation has to live with two systems.

(iii) Pilot installation, where the MIS is used by a small part of the organisation. Problems can then be discovered before total installation.

(iv) Phased installation, where the organisation goes ahead with MIS in a phased manner, allowing for operational testing and debugging before moving on top the next segment. These alternatives may be examined thoroughly before a final decision is taken. However, pre-testing must ensured, so that omissions and bugs that come up during the test period can be rectified.

5. **Training and documentation of operators**: Training and written instructions to operating people-must be provided, so that they are able to

understand the information needs of managers at various levels clearly. Operators must know what they are doing, for whom they are doing it and why. Perhaps most importantly, managers need to understand how the MIS operates so they can control it, rather than letting it control them.

6.8.4 Problems with MIS

It is remarked, ‘no tool has ever aroused so much hope, at its creation as MIS, and no tool has proved so disappointing, in its use’. Business Week commented that ‘for all the talk about the Information Age, most computers are still just workhorses-churning out payrolls, reports, numerical analyses’. Several reasons account for this disappointment.

1. Development of an integrated report to aid managerial decision-making is not easy. Management makes decisions that cut across several areas such as production, quality control, purchasing or accounting. Unless the reports take into account cost, performance considerations of various specialities, they are of marginal value in helping managers evaluate the trade offs, typically involved in trop level decisions.

2. Often, MIS is designed by computer specialists. Operating managers take a back seat, thinking that specialists know more about systems design. In the absence of inputs from users, current information systems developed by computer specialists may not be put to meaningful use.

3. People may resist the design and implementation of MIS, as it threatens their position in the organisation. Other sources of anxiety for managers include the fact that a computerised MIS tends to allow far more centralised decision-making which makes it easier for top managers to increase their control over operating managers. Also, there is the possibility that a computer based MIS will eliminate or substantially, alter some first-line and middle-manager jobs.

More problems are likely to follow, if MIS disrupts departmental boundaries, if it disrupts the informal communication system and if the system is installed without the participation of people at various levels. Managers need to look into these problem areas more closely before designing and implementing the MIS in the organisation. Proper communication, user participation, user-orientation and other steps, aimed at clearing the fog surrounding the implementation of MIS, will go a long way in translating the rhetoric into concrete action.

Importance of Decision Making in Aviation Industry

Decision Support Systems in Aviation Industry

The term ‘decision support’ covers many different types and levels of computerized support or guidance to the human operator. The main issues associated with decision support are the growing dependency that tends to occur and the effect that the support could have on the ability to maintain situational awareness. Whatever the nature of the support system, it is clear that controllers and pilots respond in a very similar way to other living organisms by developing a growing dependency on the support. This growing dependency has been described in various sources and has a major impact on the way that human roles should develop within air traffic control systems.

The operations decisions for the airlines are those decisions that need to be verified or updated on an hourly or maximally on a daily basis. They include, for: Strategic, Planning, Operations. Example, the response to unanticipated incidents such as adverse weather conditions, flight delays and cancellations, aircraft breakdown, and absence of crew or staff due to illness. Operations decisions also include watching revenues, bookings, and anticipated demand levels in the different markets, matching prices with competitors, and managing seat inventory on each flight on a daily basis.

The increasing number of commercial airline companies has put more pressure on their management to continually seek profits, reduce cost, and increase revenues. Increasing demand for air transportation service has compelled airline management to take advantage of opportunities in different markets. At the same time, increasing competition among airlines necessitates that airline management seek efficiency in all their decisions to promote their profit. It is no surprise that many airlines throughout aviation history have been unable to remain in business, and in most cases, it is agreed that the demise of these airlines has been attributable to deficit management.

Case Study on Creativity and Decision Making
Tackling harassment on airlines

While the instances of sexual harassment on airlines is very rare, in some circumstances the risk can be far greater. Women in India, in particular, have been suffering from a number of cases of assault and harassment on public transport in recent years. In confined spaces, such as those found within an aircraft, it is especially important to ensure that women feel comfortable that they will not be exposed to unwanted advances. To address this critical issue, two Indian airlines, Vistara and Air India, have taken steps to protect women passengers.

In 2017, Vistara launched its Woman Flyer service, which aims to re-risk the entire flying process by helping women with their bags, escorting them to and from their ground transportation and, crucially, providing women with the choice between a window or and aisle seat – not the dreaded middle seat where the risk of harassment is at its greatest. Vistara says that between 75 and 100 women use this free service every day.

Air India, too, will be putting in place seating policies aimed at protecting female passengers. Rather than allowing women to avoid the middle seats, Air India is reserving two rows (six seats in all) for women travelling alone.

CASE STUDY - Lack of Coordination in Decision Making
Vauxhall Helicopter Crash 2013

On 16 Jan 2013, at 07:59 GMT, a helicopter crashed in Vauxhall, London, after it collided with the jib of a construction crane attached to St George Wharf Tower. Two people died in the incident: the pilot, Captain Pete Barnes, 50, and a pedestrian, Matthew Wood, 39. 5 people were taken to hospital and 7 more were treated at the scene. Cpt. Barnes had been en route from Redhill Airport to Elstree Airfield to collect a passenger, businessman Richard Caring, and then fly onwards to Yorkshire. Before Barnes had taken off, Caring called him twice on his mobile phone to suggest either delaying or cancelling the flight. However, Barnes chose to proceed with the flight across London, in low cloud and freezing temperatures. After being unable to land at Elstree at 07:46, whilst returning south to Redhill, Barnes had asked ATC at 07:56 for a change of route and permission to land at the London Heliport in Battersea.

Shortly before 08:00 GMT, the helicopter collided with the jib of a construction crane attached to St George Wharf Tower in Vauxhall. The impact sent the helicopter plunging towards the ground, where it exploded. The BBC reported that the crash happened "in heavy mist". The location of the incident was near Vauxhall bus station, where eyewitnesses reported seeing a "ball of flame". An eyewitness told the BBC that he had heard a "very unusual buzzing sound" just after 08:00.

A preliminary report published by the AAIB indicated that Caring, the client Barnes was to collect, had expressed concerns about the weather and twice suggested he delay take-off. But Barnes stated that he had already started his engine, and chose to proceed with the flight across London in weather later described by the Met Office as prone to widespread low cloud, poor visibility and patches of freezing fog. After being unable to land at Elstree at 07:46, Barnes decided to return to Redhill. After being put under radar control, having entered the London CTR at 07:55, at 07:56 Barnes asked ATC for clearance to divert to the London Heliport. The ATC controller placed Barnes in a hold over the River Thames between Vauxhall Bridge and Westminster Bridge, while checking with controllers at Battersea as to whether they could accept the helicopter

The report stated that at 07:59, just 15 seconds before hitting the crane, the final exchange between ATC and the helicopter, call sign Rocket 2, was:

ATC: Rocket 2, yeah Battersea diversion approved; you're cleared to Battersea.

Barnes: Lovely thanks; Rocket 2.

ATC: Rocket 2, contact Battersea 122.9.

Barnes: 229, thanks a lot.

After the exchange ended at 07:59:18, when the helicopter was about 150 m south-west of Vauxhall Bridge, it immediately afterwards began to turn right. At 07:59:25, it struck the crane on the south side of the river 275 m from the south-west end of Vauxhall Bridge.

The AAIB report also stated that: Calculations suggest that the collision happened at about 208 m AGL. The total height from the ground to the top of the crane's jib was

219 m. The main rotor head, gearbox, and a section of one of the four rotor blades from the helicopter, which had all separated from the fuselage as an immediate result of the initial collision with the jib, landed in the loading bay of New Covent Garden Market in Nine Elms, where they hit a delivery van. The solar-powered red warning lights on top of the crane were not switched on during the crash, because the official requirement was that "the obstacle be lit at night only." An official NOTAM warning had been issued about the structure.

Case Study - Improper Decision Making and its impact in Manufacturing Industry

The Polyester Manufacturer

Jaswant Sethi was sitting on the verandah of his summer cottage in Kasauli, when the news arrived. The consortium of financial institutions that provided huge loans to his company, Hind Synthetics, had directed him to had over the running of the company to a professional manager. Sethis wasn't totally surprised at this turn of events. He had been through tens of meetings in the recent months, trying to make his case against such a move. But, being the hard-headed businessman that he was, Sethi knew that chances of his winning were slim.

Over the past 30 years, Hind had built a synthetic fibre plant with an annual capacity of 26,000 tonnes. Of the Rs.150 crore invested it, Rs.55 crore had come by way of loans. But, the downturn of the past six years had pushed Hind into a crisis. With profits drying up, it had defaulted on interest payments, and today owed Rs.120 crore in principal and interest to the lenders.

As far as Sethi could see, there was no immediate hope of things changing for the better. The faxed message, further added that Sethi would continue to be the chairman of the company, but the new CEO would report to a three-member committee of the board, including Sethi. "Let me assure you, Jaswant, this is only an interim measure", the lead lender wrote in a bid to soften the blow.

"Shyam call Nadim. Tell him to get the car ready. We, are leaving for Delhi", Sethid barked at his house-keeper, on his way to the bath.

Within half-hour of receiving the fax, Sethi was on the road, seated in the ample rear of his Mitsubishi Pajero. Pulling out the fax message from his bag, he tried to mentally playback Hind's past and present. He had ample time to do that - five hours at least - and it wouldn't be until eight in the evening before he could get to meet head of the lead financial institution for dinner.

Memories came flooding back. Sethi remembered the August morning in 1986, when he had accompanied his father to Chennai for the inauguration of Hind's plant. Seth Sr. had been proud that this was one of the biggest polyester plants in India at that time.

The facility had been built to manufacture 4,500 tonnes per annum (TPA) of rayon yarn; 2,500 TPA of nylon yarn and 4,000 PA of nylon tyre cord, and 15,000 TPA of polyester filament yarn. As a teenager, the first thing that had struck Sethi about the new plant was its size; “it’s huge”, he remembered telling his dad. Three decades on, it was the size that was bleeding Hind.

But until the late eighties, Hind had not felt the pinch. A majority of its competitors had similar capacities, and none of them really worried about efficiencies because import tariffs were high and, therefore, the industry could afford to sell on a cost-plus basis. But, liberalisation of the economy, which began in the early nineties, had changed all that. Import duties came down progressively to 32 percent from 150 percent. Suddenly, it was cheaper for customers to import man-made fibre than to buy locally. Manufacturers were forced to match prices, but without comparable efficiencies in place, the bottomline began to hurt.

It hadn’t taken long for Sethi to realise that Hind’s small manufacturing capacity had become a source of competitive disadvantage. “What else can explain the losses despite Hind manufacturing to its full capacity,” Sethid said almost aloud.

At half-past three, Sethi’s Pajero pulled up in front of the office of Rajeev Verma a consultant Sethi had been referred to. Verma was surprised to see the CEO of Hind Synthetics land up in his office without a warning. Sethid thrust the fax message into Verma’s hand by way of explanation. Quickly, Sethi brought Verma up to speed on the events of the past few weeks.

“Companies that came in much later than your have set up 50,00 plus TPA plants” pointed out Verma. “In fact, Vimoline Industries has not only set up a 2-lakh TPA plus plant, but also gone in for backward integration right up to the primary feedstock stage. Why didn’t Hind expand its capacity?”.

“Threin, hangs a tale,” Sethi winced, “You know, Hind was doing well, till the early 90’s with operating margins of up to 40 percent. We thought the good times would last. It was only when profits were beginning to decline by mid-1994 that we thought of expanding our capacity. Paradoxically, it triggered off a spiral from which Hind has not recovered”.

“How?” Verma asked.

“Since the primary capital market was not too favourable,” Sethi explained, “we decided on an initial rights issue in mid-1994 to fund both, capacity expansion and backward integration. But, the issue failed. All major shareholders renounced their rights entitlements.

In anticipation of funds from the rights issue, we had taken a bridge loan from financial institutions. That was clearly a mistake. As the original promoter, I was forced to contribute over 80 percent of the rights issue which helped merely to increase my stake from 12 to 34 per cent”.

“But what happened to the issue proceeds?” Verma asked.

“They were frozen under a petition from the institutions,” said Sethi. Sooner than we realised, we got intro working capital problems. In the process of servicing the debt, our business priorities went haywire. One example: Although we imported the plant and machinery, it could not be commissioned for two years for lack of funds.”

“But are there any synergies among your product lines?” Verma asked.

“Forget about synergy, what scares me is the thought that in another few years, some of my product lines may become obsolete,” Sethis said with a quiver in his voice.

Questions

1) Does it make sense to Hind to retain all its existing four product lines? Why? Why not?
2) What measures should Hind undertake to ensure that its business continues to run and on course?
3) In your opinion, should Hind be a volume player or a speciality player? If Hind decides to be a speciality player, what are the options open to it?
4) Do you think the new CEO can’t have the luxury of a learning period? If yes, how can he arrest cash losses of Hind and generate enough liquidity in a very short span of time?

MODULE 4

MANAGING HUMAN RESOURCES; TRAINING & DEVELOPMENT

Chapter-VII
HUMAN RESOURCE MANAGEMENT
(Fundamentals of staffing)

7.1 Introduction

Staffling is the process of attracting, developing, evaluating and compensating individuals at work. One of the important duties of human resource managers is to help the organisation reach its goals through effective and efficient utilisation of human resources.

7.2 Meaning of staffing

Staffling is the process of attracting, developing and evaluating individuals at work. It is concerned with the selection, placement, growth and development of people in an organisation.

Staffing is the process of acquiring, deploying, and retaining a workforce of sufficient quantity and quality to create positive impacts on the organization's effectiveness

Staffing is defined as

According to McFarland, "Staffing is the function by which managers build an organization through the recruitment, selection, and development of individuals as capable employees."

According to Koontz, O'Donnell and Heinz Weihrich, "The management function of staffing is defined as filling position in the organization structure through identifying workforce requirements, inventorying the people available, recruitment, selection, placement, promotion, appraisal, compensation, and training of needed people."

The main features of staffing

1. **Staffing involves people :** Staffing is difficult because it deals with people. Unlike the other managerial functions such as planning, organising and controlling that may be totally objective and performed almost mechanically,staffing function is difficult to perform.
2. **Staffing is development-oriented :**
    a. Staffing is not simply hiring people.
    b. It aims at developing people through training.
    c. It aims at maintaining people through appropriate compensation policies.
3. **Staffing is continuous :** People join and leave organisations for a number of reasons. To meet the growing needs of an organisation, new hands have to be hired from time to time. Thus, staffing is a continuous activity and it is an integral part of management process.
4. **Staffing is a three step process :** Staffling, basically, involves three things :
    - Hiring the right kind of people to fill vacancies
    - Developing their skills through training
    - Maintaining them by creating favourable conditions of work

Stated precisely, the purpose of staffing is to ensure that the right number and right type of people are working on the right jobs at the right time and place.

7.3 Importance of staffing

Nothing is more important to a firm than the qualities and abilities of the people it employs. People are indispensable in the generation of goods and services. It is the people who operate machines, design new products and services, make decisions to borrow and spend financial resources, market products and deliver services. Only an organisation that consists of the right kind of people can hope to survive and flourish in the present -day competitive environment.

Staffing helps an organisation in the following ways :

1. Key to other managerial functions :

An organisation having the right kind of people can translate its plans into results easily. Organise its facilities and resources properly. Keep activities on the right track and achieve the objectives smoothly.

2. Design a sound organisation :

Staffing is useful in designing a sound organisation. Proper recruitment and selection practices enable the organisation to attract talented people into its fold. Jobs are, thus, put in the hands of the best brains, paving the way for the right kind of work atmosphere and culture.

3. Motivation to do outstanding work :

Where the vacancies in an organisation are filled with the right kind of people, it is possible to achieve objectives smoothly. Their contributions are taken note of and rewarded properly

Staffing is related to other functions

Staffing is related to other functions of management in the following manner :

a) Planning : Planning is deciding in advance what is to be done. Here, decisions are made regarding who is to do it, how is to be done, where is to be done, etc. Plans will not be yielding results, unless right kind of people are appointed to take care of the above decisions.

b) Organising : Once plans are formulated, managers must organise human and physical resources properly and design the organisation that will enable people to carry out the plans by filling the various job positions with the right kind of people to perform the duties.

c) Directing : Staffing is related to directing also. Unless right kind of people are selected initially, it will be difficult to get things done. They may defy orders, disobey instructions and spoil resources.

7.4 Human Resource Management

Human resource management is a process of bringing people and organisations together so that the goals of each are met. It is the part of management process which is concerned with the management of human resources in an organisation. It tries to secure the best from people by winning their wholehearted cooperation.

Human resource management can be defined as –

"employing people, developing their resource, utilizing maintaining and compensating their services in tune with the job and organizational requirements"

"art of procuring, developing and maintaining competent workforce to achieve the goals of an organisation in an effective and efficient manner"
Human resource management is concerned with the most effective use of people to achieve organisational and individual goals.

Why is HRM important to an organisation
Prior to mid-1960s, personnel departments in organisations were often perceived as the "health and happiness" crews. Their primary job activities involved planning company picnics, scheduling vacations, enrolling workers for health-care coverage, and planning retirement parties.
Federal and state laws have placed many new requirements on employers concerning hiring and employment practices. Jobs have also changed. They have become more technical and require employees with greater skills. Furthermore, job boundaries are becoming blurred. In the past, a worker performed a job in a specific department, working on particularly job tasks with others who did similar jobs. Today's workers are just as likely, however, to find themselves working on project teams with various people from across the organisation. Others may do the majority of their work at home and rarely see any of their coworkers. And, of course, global competition has increased the importance of improving workforce productivity and looking globally for the best-qualified workers. Thus, organisations need HRM specialists trained in psychology, sociology, organisation and work design, and law

Features of HRM
According to Ivancevich and Glueck, HRM is concerned with the most effective use of people to achieve organisation and individual goals. It is a way of managing people at work, so that they give their best to the organisational and individual goals.

1. **Inherent part of management** : It is a way of selecting people, training, motivating, appraising their performance for improving their quality.
2. **Pervasive function** : HRM is pervasive in nature. It is Present in all levels in an organization
3. **Action oriented** : HRM focuses attention on action, rather than on record keeping, written procedures or rules. Solve problem through rational(balanced) policies rather than record keeping
4. **People oriented** : HRM is all about people at work both as individuals and groups. It tries to put people on the assigned jobs, produce results, reward, motivate them towards improvements in productivity
5. **Future oriented** : Effective HRM helps organization meet its goals
6. **Development oriented** : HRM intends to develop the full potential of employees. The reward structure is tuned to the needs of employees. Training is offered to sharpen and improve their skills. Employees are rotated on various jobs so that they gain experience and exposure. Every attempt is made to use their talents fully in the service of organisational goals.
7. **Integrating mechanism:** HRM tries to build and also maintains cordial relationship between people working at various levels in organization. In

short, it tries to integrate human assets in the best possible manner in the service of an organisation.

8. Comprehensive function: HRM is, to some extent, concerned with any organisational decision which has an impact on the, workforce or the potential workforce.

The term 'Workforce' signifies people working at all levels, including workers, supervisors, middle and top managers. It is concerned with managing people at work. It covers all types of personnel. Personnel work may take different shapes and forms at each level in the organisational heirarcy but the basic objective of achieving organisational effectiveness through effective and efficient utilisation of human resources, remains the same. "It is basically a method of developing potentialities of employees so that they get maximum satisfaction out of their work and give their best efforts to the organisation". (Pigors and Myers)

9. Continuous function: HRM is not a one shot deal. It cannot be practised only one hour each day or one day a week. It requires constant awareness and alertness of human relations in every day operation.

10. Based on human relation: Every person has different need, perception and expectations. The manager should give due attention to these factors.

11. Inter-disciplinary function : HRM is a multi-disciplinary activity utilising knowledge, and inputs drawn from psychology, sociology, anthropology, economics, etc. To unreal the mystery surrounding the human brain, managers need to understand and appreciate the contributions of all such 'soft' disciplines.

7.5 Objectives of HRM

HRM seeks to achieve the following objectives :

1.To help the organization reach its goals : HR department, like other departments in an organisation, exists to achieve the goals of the organisation. If it does not meet this purpose, HR department (or for that matter any other unit) will wither and die.

2. To employ the skills and abilities of the workforce efficiently : The primary purpose of HRM is to make people's strengths productive and to benefit customers, stockholders and employees.

3. To provide the organization with well trained & well motivated employees : HRM requires that employees be motivated to exert their maximum efforts, that their performance be evaluated properly for results and that they be remunerated on the basis of their contributions to the organisation.

4. To increase to the fullest level of employee's job satisfaction and self-actualisation: It tries to prompt and stimulate every employee to realise his potential. To this end, suitable programmes have to be designed, aimed at improving the quality of work life (QWL).

5. To develop & maintain a quality of work life : It makes employment in the organisation a desirable personal and social situation. Without improvement in the quality of work life, it is difficult to improve organisational performance.

6. To communicate HR policies to all employees : It is the responsibility of HRM to communicate in the fullest possible sense, both in tapping ideas, opinions and feelings of customers, non-customers, regulators and other external public as well as in understanding the views of internal human resources.

7. To help maintain ethical policies and behaviour : The chief personnel officer in a large American Corporation put it thus : Personnel's purpose is "to practice morality in management in preparing people for change, dealing with dissent and conflict, holding high standards of productivity, building acceptance of standards that determine progression and adhering to the spirit and letter of high professional conduct."

Thus, HRM in short should try to

a. Attain economically and effectively the organisational goals.
b. Serve to the highest possible degree of individuals goals and
c. Preserve and advance the general welfare of the community.

7.6 Personnel Management

Personnel management is concerned with people at work and their relationships with each other.

Personnel management refers to a set of programmes, functions and activities designed to maximise both personal and organisational goals.

It is the planning, organizing, compensation, integration and maintenance of people for the purpose of contributing to organizational, individual and societal goals. It is that part which is primarily concerned with human resource of organization.

Personnel Management is essentially concerned with seeing that the organisation attracts and hires qualified, imaginative and competent people for the organisation. This function also involves the establishment of various policies to deal with the employees and to retain them with the organisation.

Features of Personnel Management

Personnel Management is :

1. Concerned with employees, both as individuals and as a group of attaining goals.
2. Concerned with behaviour, emotional and social aspects of personnel.
3. Concerned with the development of human resources.
4. Covers all levels and all categories of employees.
5. Applies to the employees in all types of organisation in the world.
6. Is a continuous and never ending process.
7. Aims at attaining the goals of an organisation.
8. Responsibility at all line managers and a function of staff managers in any organisation.
9. Concerned mostly with managing human resources at work.

10. Central sub system of an organisation and it performs all types of functional management.
11. Aims at securing unreserved cooperation from all employees in order to attain predetermined goals.

7.7 Personnel Management-Functions (Managerial and operative)

The basic managerial functions comprise of planning, organising, directing and controlling.

1. **Planning :** Planning lays down a pre-determined course to do something such as what to do, how to do, where to do, who is to do etc. A personnel manager plans in advance the trend in wages, labour market, union demands etc. Through planning, most of the future problems can be anticipated.
2. **Organising :** According to J.C. Massic, "An organisation is a structure, a framework and a process by which a co-operative group of human being allocates its task among its members, identifies relationships and integrates its activities towards common objectives." The personnel manager has to design the structure of relationships among jobs, personnel and physical factors so that the objectives of the enterprise are achieved.
3. **Directing :** This function relates to guidance and stimulation of the subordinates at all levels. The personnel manager directs and motivates the employees of his department so that they work willingly and effectively for the achievement of organisational goals.
4. **Controlling :** A personnel manager has to constantly watch whether there is any deviation from the planned path. Controlling is concerned with remedial actions. Continuous monitoring of the personnel policies relating to training, labour turnover, wage payments, interviewing new and separated employees etc., is the backbone of controlling.
   If deviations are unavoidable, corrective action can be planned in advance. Controlling helps the personnel manager to evaluate the performance of employees of the personnel department so far as the operating functions are concerned.

Personnel Management -- Operative functions

The operative functions of personnel management are related to specific activities personnel management viz., employment, development, compensation and relations. These functions are to be performed in conjunction with managerial functions.

1. Employment : It is concerned with procuring and employing the people possessing necessary skill, knowledge, aptitude etc to achieve the organisational objectives.

It covers the functions such as: Job Analysis, Human Resource Planning, Recruitment, Selection, Placement, Induction and orientation.

a. **Job Analysis :** It is the process of collecting information relating to the operations and responsibilities of a specific job.

b. **Human Resource Planning :** It is a process of determining and assuring that the organisation will have an adequate number of qualified persons, available at proper times, performing jobs which would meet the needs of the organisation and which would provide satisfaction for the individuals involved.

c. **Recruitment :** It is the process of searching for prospective employees and stimulating them to apply for jobs in an organisation.

d. **Selection :** It is the process of ascertaining the qualifications, experience, skill, knowledge, etc, of an applicant with a view to appraise his/her suitability to a job.

e. **Placement :** It is the process of assigning the selected candidate to the most suitable job. It is matching of employee specification with job requirements.

f. **Induction and orientation :** Induction and orientation are the techniques by which a new employee is rehabilitated in the changed surroundings and introduced to the practices, policies, purposes and people, etc., of an organisation.

2. Human Resource Development : It is process of improving, moulding, changing and developing the skills, knowledge, creative ability, aptitude, attitude, values commitment etc. based on present and future job and organisational requirements. This function includes :

a. **Performance appraisal :** It is the systematic evaluation of individuals with respect to their performance on the job and their potential for development.

b. **Training :** Training is a systematic process by which employees learn skills, knowledge abilities or attitudes to further organisational and personnel goals.

c. **Management Development :** It is the process of designing and conducting suitable executive development programmes so as to develop the managerial and human relations skill of employees.

d. **Career Planning and Development :** It is the planning of one's career and implementation of career plans by means of education, training, job search and acquisition of work experiences. It includes internal and external mobility.

e. **Organisation development :** Organisation development is an organisation-wide, planned effort, managed from the top, with a goal of increasing organisational performance through planned interventions. OD looks in depth at the human side of the organisations. It seeks to change attitudes, values, organisation structure and management practices in an effort to improve organisational performance.

3. Compensation : It is the process of providing equitable and fair remuneration to employees. It includes :

a. **Job evaluation:** It is the process of determining relating worth of jobs

b. **Wage and salary administration :** It is the process of developing and operating a suitable wage and salary programme

c. **Incentives :** It is the process of formulating, administering and reviewing the schemes of financial incentives in addition to regular payment of wages and salary.

d. **Bonus :** It includes payment of statutory bonus according to the Payment of Bonus Act, 1965.

e. **Fringe benefits :** In addition to compensating employees fairly and adequately, for their contributions in the performance of their jobs, organisations, these days, typically pay for a wide variety of supplementary benefits - often called 'fringe benefits'.

f. **Social security measures :** Management provide social security to their employees in addition to the fringe benefits. These measures include :

- Workers compensation to those workers (or their dependents) who are involved in accidents.
- Maternity benefits to women employees.
- Sickness benefits and medical benefits.
- Disablement benefits / allowance.
- Dependent benefits.
- Retirement benefits like Provident Fund, Pension, Gratuity, etc.

4. Human Relations : It is the process of interaction among human beings. It is an area of management practice that leads in integrating people into work situation in a way that motivates them to work together productively, cooperatively and with economic, psychological and social satisfaction.

5. Effectiveness of Human Resource Management : Effectiveness of various personnel programmes and practices can be measured and evaluated by means of organisational health and human resource accounting.

a. **Organisational Health :** Organisational health may be studied by looking into employees contribution to organisational goals and the employee job satisfaction. Employee satisfaction could be understood by labour turnover, absenteeism, commitment and the like. Low rate of absenteeism and high rate of employee commitment indicate employee-satisfaction about the job and the organisation. Employee contribution to organisational goals can be measured through employee productivity of different types.

b. **Human resource accounting, audit and research :** Effectiveness of human resource management can also be found out through human resource accounting, audit and research.

- **Human Resources Accounting (HRA):** It is a measurement of the cost and value of human resources to the organisation. Human resource management is said to be effective if the value and contribution of human resources to the organisation is more than the cost of human resources.
- **Human Resource Audit :** Human resource audit refers to an examination and evaluation of policies, procedures and practices to determine the effectiveness of HRM. Personnel audit (a) measures the effectiveness of personnel programmes and practices and (b) determines what should or should not be done in future.
- **Human Resources Research :** It is the process of evaluating the effectiveness of human resources policies and practices and developing more appropriate ones.

7.8 Human Resource Development

Human Resource Development (HRD) can be defined as a set of systematic and planned activities designed by an organization to provide its members with opportunities to learn necessary skills to meet current and future job requirements.

Learning is the fundamental principle that drives organizations towards higher concentration on Human Resource Development.

HRD activities should begin when an employee joins an organization and continue throughout his or her career, irrespective of the authority and responsibility level that the person holds.

HRD programs are focused on integrating long terms plans and strategies of the organization with the requirements of changes in the job to ensure the efficient and effective use of all the resources available to the organization.

Definition of HRD

Human resource development (HRD) is organized learning experiences provided by employees to bring about possibility of performance growth or personal growth within the specified period of time. (Giley and Eggland, 1989)

Human resource development is a process of developing and unleashing human expertise through personal training and organizational development for the purpose of improving performance (Swanson and Holton, 2001).

Therefore, Human Resource Development in any organization aims at the following:

- To develop the competence of its human resources.
- To create an environment of commitment and motivation among employees of the organization. To develop a conducive organizational culture to achieve its mission for existence.
- To create policies, procedures and systems to train people for better performance that is based on trust, commitment, loyalty and growth.

7.9 HRD features

Important features of HRD are summarised as :

a. **HRD is a system :** It is a system having several interdependent parts or subsystems such as procurement, appraisal, development etc. Change in any one subsystems leads to changes in other parts.
   For example, if there is a change in the promotion policy where seniority is replaced with merit, the chain reactions on affected individuals, unions shall have to be assessed - keeping the difficulties in framing acceptable guidelines regarding 'merit' in mind.
b. **HRD is a planned process :** It is planned and systematic way of developing people. Further, it is undertaken on a continuous basis. Learning, as we all know, is a life-long process and goes on and on.
c. **HRD involves development of competencies :** Basically, it tries to develop competencies at four levels.
   - At the individual level, employees are made to realise the importance of playing their roles in tune and overall goals and expectations of other people. By enriching and redesigning jobs, the roles of employees are made more meaning and interesting.
   - At the interpersonal level, more stress is laid on developing relations based on trust, confidence and help.
   - At the group level, task forces, cross functional teams are created to cement inter-group relations.
   - At the organisational level, the organisation is made to nurture a 'development climate', where every effort is made to harness human potential while meeting organisational goals.
d. **HRD is an interdisciplinary concept :** HRD is an amalgamation of various ideas, concepts, principles and practices drawn from a number of soft sciences such as sociology, psychology, anthropology, economics, etc.

Elements of the Staffing Process

The following elements are involved in the staffing process :

- Human Resource Planning
- Job Analysis
- Recruitment
- Selection
- Placement and Orientation
- Training and Development
- Performance Appraisal

7.10 Human Resource Planning

Human Resources planning is a process by which management determines how the organization should move from its current manpower position to its desired manpower position. Through planning, management strives to have the right number and the right kind of people, at the right place, at the right time, doing things which result in both organization and the individual receiving maximum long-run benefits HR planning is a mechanism created to forecast the required human resource to perform a specific task. It also assesses the skill requirement of employees for each job. It is a complex task which estimates the future demand and supply position of HR in the organization. Hence, it gives a picture of infinite future in advance in terms of human resource requirements for the company.

Meaning of Human Resource Planning

Human resource planning involves getting the right number of qualified people into the right jobs at the right time. It involves: –

- Identifying and acquiring the right number of people with the proper skills
- Motivating them to achieve high performance
- Creating interactive links between business objectives and resource planning activities

Concept of Human Resource Planning

Human Resource Planning (HR Planning) is both a process and a set of plans.

An effective HR plan also provides mechanisms to eliminate any gaps that may exist between supply and demand. Thus, HR planning determines the members and types of employees to be recruited into the organization or phased out of it.

Dynamic by nature, the HR planning process often requires periodic readjustments as labor market conditions change.

It is how organizations assess the future supply of and demand for human resources.

Definition of Human Resource Planning (HRP)

According to Geisler, " HRP is the process including forecasting, developing, implementing & controlling – by which a firm ensures that it has the right number of people & right kind of people, at the right place ,at the right time doing things for which they are economically most suitable.

Why is HRP important ?

Human resource planning is a highly important and useful activity. If used properly, it offers a number of benefits :

1. **Reservoir of talent :** The organisation can have a reservoir of talent at any point to time. People with requisite skills are readily available to carry out the assigned tasks.

2. **Prepare people for future :** People can be trained, motivated and developed in advance and this helps in meeting future needs for high-quality employees quite easily. Likewise, manpower shortages can also be met comfortably (when people quit the organisation for various reasons) through proper human resource planning.

3. **Expand or contract :** If the organisation wants to expand its scale of organisations, it can go ahead easily. Advance planning ensures a continuous supply of people with requisite skills who can handle challenging jobs easily.

4. **Cut costs :** Planning facilitates the preparation of an appropriate manpower budget for each department or division. This, in turn, helps in controlling manpower costs by avoiding shortages / excesses in manpower supply. The physical facilities such as canteen, quarters, school, medical help etc., can also be planned in advance.

5. **Succession planning :** Human resource planning, as pointed out previously, prepares people for future challenges. The 'stars' can be picked up and kept ready for further promotions whenever they arise. All multidimensional companies for example, have this policy of having a 'hot list' of promising candidates prepared in advance. Such candidates are rolled over various jobs and assessed and assisted continuously. When the time comes, such people 'switch hats' quickly and replace their respective bosses without any problem.

What is HRP

HRP is a sub-system of total organizational planning. HRP facilitates the realization of the company's objectives for the future by providing the right type and number of personnel. HRP is also called Manpower planning, Personnel planning or Employment planning. HRP ensures that the organization has:

- Right Number
- Right Kind
- Right Place
- Right Time

7.11 Objectives of HRP & its importance

HRP is required to meet the following objectives :

1. Forecasting Human Resources Requirements: HRP is essential to determine the future needs of HR in an organization. In the absence of this plan it is very difficult to provide the right kind of people at the right time.

2. Effective Management of Change: Proper planning is required to cope with changes in the different aspects which affect the organization. These change needs continuation of allocation/ reallocation and effective utilization of HR in an organization.

3. Realizing the Organizational Goals: In order to meet the expansion and other organizational activities the organizational HR planning is essential.

4. Promoting Employees: HRP gives feedback in the form of employee data which can be used in decision-making in promotional opportunities to be made available for the organization.

5. Effective Utilization of HR: The data base will provide the useful information in identifying surplus and deficiency in human resources.

Needs of HRP

1. Employment-Unemployment Situation: Though in general the number of educated unemployment is on the rise, there is acute shortage for a variety of skills. This emphasis is the need for more effective recruitment and retaining people.

2.Technological Change: The myriad changes in production technologies, marketing methods and management techniques have been extensive and rapid. Their effect has been profound on the job contents and job contexts. These changes cause problems relating to redundancies, retaining and redeployment. All these suggest the need to plan manpower needs intensively and systematically.

3.Organizational Change: In the turbulence environment marked by cyclical fluctuations and discontinuities, the nature and pace of changes in organizational environment, activities and structures affect manpower requirements and require strategic considerations.

4. Demographic Change: The changing profile of the work force in terms of age, sex, literacy, technical inputs and social background has implications for HRP.

5. Skill Shortage: Unemployment does not mean that the labour market is a buyer's market. Organizations generally become more complex and require a wide range of specialist skills that are rare and scare. Problems arise when such employees leave.

6. Governmental Influences: Government control and changes in legislation with regard to affirmative action for dis-advantages groups, working conditions and hours of work, restrictions on women and child employment, casual and contract labour, etc. have stimulated the organizations to become involved in systematic HRP.

7. Legislative Control: The policies of "hire and fire" have gone. Now the legislation makes it difficult to reduce the size of an organization quickly and cheaply. It is easy to increase but difficult to shed the fat in terms of the numbers employed because of recent changes in labour law relating to lay-offs and closures. Those responsible for managing manpower must look far ahead and thus attempt to foresee manpower problems.

8. Impact of the Pressure Group: Pressure groups such as unions, politicians and persons displaced from land by location of giant enterprises have been raising contradictory pressure on enterprise management such as internal recruitment and promotion, preference to employees' children, displace person, sons of soil etc.

9. Systems Approach: The spread of system thinking and advent of the macro computer as the part of the on-going revolution in information technology which emphasis planning and newer ways of handling voluminous personnel records.

10. Lead Time: The log lead time is necessary in the selection process and training and deployment of the employee to handle new knowledge and skills successfully.

Objetive of HRP

The objective of **Human Resource Planning** is to make the organization reach the desired manpower position from the current manpower position, by forecasting the demand for and supply of human resources in the near future. There are several benefits of Human resource planning that led its scope to expand across the different business organizations.

Benefits of Human Resource Planning

1. The human resource planning helps in forecasting the future needs of the manpower and not only this, but it also helps in anticipating the vacancies arising in the near future.
2. It is cost effective, i.e. the enterprise can anticipate the shortage and surplus of manpower and can control the imbalance, that may become unmanageable or expensive.
3. Better planning for the employee development. Through human resource planning, the skills of the existing employees can be improved by giving them timely training and development opportunities.
4. Training programs become more effective since the manpower gaps, arising out of shortage or surplus, can be determined through the manpower planning and the training can be imparted accordingly.
5. It helps to make the strategic decisions related to the hiring and training of the manpower, in the case of shortage and layoff, termination or replacement of the manpower, in a case of surplus.
6. Through Human Resource planning, the idle arising out of vacancy can be reduced and thus the overall performance of the business remains unaffected.

Thus, through human resource planning the firms can effectively manage the manpower requirements (both current and future) and also helps in reducing the lead time spent on searching the prospective candidate for the vacant position.

7.12 Importance of HRD in Aviation Industry

Historically, human factors issues in aviation have been dealt with in a reactive manner, now, the pro-active management of Human factors issues should be a normal component of the process followed by designers, providers and users of those systems. The time to address human factors issues is during technology design, before the technology is deployed into operational contexts. This will help to anticipate negative consequences of human error rather than regret its consequences. Technology and human performance (human capabilities and limitations which have an impact on the safety and efficiency of aeronautical operations) must be considered as a joint-human-machine system. Designing technology without consideration of human factors / Human errors will yield compromises rather than optimum benefits. So, select the right training schedule and give the right training to your employees and make them competent to take the right decision at the right time. Your airport is then rightly placed to move ahead.

Case Study on HR Planning (Recruitment)

HDFC Bank in India - The Strategic Context

HDFC Bank (estd. 1994) is a leading financial institution in India. As on June, 2017, it has more than 4,700 branches across the country. Its business philosophy is based on four core values: Operational excellence, Customer focus, product leadership, and people. The bank is considered as an organization with progressive HR policies, while it leads on digital technology front, including introduction of India's first humanoid robot in its branches.

HDFC Bank selectively recruits talent from business schools, while keeping away from top tier schools like the IIMs. IIM graduates with professional experience are recruited directly for lateral positions. Hiring is taken seriously with extensive reference checking. For senior-level leaders, the bank has entered into an agreement with IIM, Ahmedabad for leadership training.

The bank's management protects its cultural uniqueness, and these factors have made it a preferred employer. Emphasis is given to employee participation in decision-making and celebration of success. At present, the bank is focussing on digitization and efficiency improvement, and aligning its processes accordingly and altering the HR architecture, including redeploying people and not hiring against positions that were vacant because of regular attrition.

Case Study on HR Planning (Role allocation)

A Trading Assistant's job

Based on his view of what is happening in Fortune Financial Service Limited (FFSL), Robin Singh, the Branch Manager of Delhi office, concluded that one of the first things he had to attend involved developing job descriptions for his on-line trading assistants.

The daily turnover of the FFSL's Branch in the Connaught Circus area has been going up steadily in recent times, thanks to the stock market boom. In January, 2000, it had reached an all-time high of Rs. 7 Crore. To encash the opportunities presented by the boom, FFSL had recruited 5 additional assistants – all young graduates with over two years' experience in stock market operations – taking the total number of trading assistants to 12. Two supervisors have also been appointed about six months back to oversee trading arrangements and back-office operations. The branch allows trading in stocks belonging to Bombay Stock Exchange, National Stock Exchange and Delhi Stock Exchange. Each assistant had to look after the requirements of more than 30 clients on a daily basis. In recent times, FFSL faced a number of problems on settlement days, (Friday for BSE, DSE and Tuesday for NSE) especially when there is a sustained rise or fall in stock prices. The major ones included the following :

1. Clients exceeded their limits with active cooperation from trading assistants / supervisors.
2. Clients issued cheques which bounded back later on.
3. Share certificates were not handed over in time or delivery slips not handed over in cases of dematerialized stocks.
4. Clients simply disappeared for a while, whenever they took a long position in a particular script – only to surface when the price is up.

Robin Singh brought these problems to the notice of management and suggested the following steps :

1. Clearly define the roles and responsibilities of trading assistants and supervisors.

2. Assess the net worth of a client carefully before enrolling him as a member : Set trading limits clearly and circulate these to assistants daily.
3. On the settlement day ask the clients to pay or square up.
4. Collect amount from clients on a daily basis whenever they exceeded limits.
5. Make the entire group responsible, whenever they allowed clients to exceed limits.

Questions :

1. What should be the formal and final form of the trading assistant's job description?
2. Is it advisable to specify rules and regulations in the body of the job description or should these be kept separately ?
3. How would you have conducted the job analysis in the above case ?

Case Study - Establishing HR practices

"Jack Nelson's Problem"

As a new member of the board of directors for a local bank, Jack Nelson was being introduced to all the employees in the home office. When he was introduced to Ruth Johnson, he was curious about her work and asked her what the machine she was using did. Johnson replied that she really did not know what the machine was called or what it did. She explained that she had only been working there for 2 months. However, she did know precisely how to operate the machine. According to her supervisor, she was an excellent employee.

At one of the branch offices, the Supervisor in charge spoke to Nelson confidentially, telling him that "something was wrong", but he didn't know what. For one thing, she explained, employee turnover was too high, and no sooner had one employee has been put on the job than another one resigned. With customers to see and loans to be made, she continued, she had little time to work with the new employees as they came and went.

All branch supervisors hired their own employees without communication with the home office or other branches. When an opening developed, the supervisor tried to find a suitable employee to replace the workers who had quit.

After touring the 22 branches and finding similar problems in many of them, Nelson wondered what the home office should do or what action he should take. The banking firm generally was regarded as being a well-run institution that had grown from 27 to 191 employees during the past 8 years. The more he thought about the matter, the more puzzled Nelson became. He couldn't quite put his finger on the problem, and he didn't know whether to report his findings to the President.

Questions:

1) What do you think is causing some of the problems in the bank's home office and branches?

2) Do you think setting up an HR unit in the main office would help?

3) What specific functions should an HR unit carry out ? What HR functions would then be carried out by supervisors and other line managers? What role should the Internet play in the new HR organisation?

Chapter-VIII
TRAINING AND DEVELOPMENT

8.1 Introduction

In the knowledge driven world of today, the pace of change is so fast. Even to stay at the same place, the organizations have to run fast. Strategic advantage to the organizations comes only from the core competences, which are developed by the individuals working in it. Such levels of excellence can be achieved only by investing in people. Investment must not confine to compensation only, but must entail the inputs aimed at updating the skills of the employees. Training is one such potion to cure the organizations of sluggishness, which may creep in because of the organizational inertia.

Largely, the personnel department has been associated with procuring and hiring human resources. But, after the newly appointed employees join the organization, it is necessary to impart training to them in order to make them competent for the jobs that they are supposed to handle. In modern industrial environment, the need for training of employees is widely recognized to keep the employees in touch with the new technological developments. Every company must have a systematic training programme for the growth and development of its employees. It may be noted that the term '**training'** is used in regard to the teaching of specific skills, whereas the term **'development'** denotes overall development of personality of the employees. This chapter studies the various methods of training and development, which are used by various organizations, particularly those engaged in the business and industrial activities.

8.2 Need and Rationale of Training

Training is important, not only from the point of view of the organization, but also for the employees. It gives them greater job security and an opportunity for career advancement. A skill acquired through training is an asset for the organization and the employee. The benefits of training stay for a very long time. Training can become obsolete only when there is a complete elimination of the desired for that skill and knowledge, which may happen because of the technological changes. In general terms, the need for training can arise because of the following reasons:

(i) Changing Technology : Technology is changing at a fast pace. Be it any industry, technological changes are changing the way in which operations were done. Newer machines are being used for automation of the processes. Computers have made the controls very easy. Advances in information technology have enabled greater degree of coordination between various business units, spread far across the globe. In order to keep themselves abreast with the changes, the employees must learn new techniques to make use of advances in the technology. Training needs to be treated as a continuous process to update the employees in new methods and procedures.

(ii) Demanding Customers : As the free markets become stronger, customers are becoming more and more demanding. They are much more informed about the products. They have many sources of information. Intensified competition forces the organizations to provide better and better products and services to them. Added to the customer conscious, their requirements keep on changing. In order to satisfy the customers and to provide best of the quality of products and services, the skills of those producing them need to be continuously improved through training.

(iii) Thrust on Productivity : In the competitive times, organizations cannot afford the extravaganza of lethargy. They have to be productive in order to survive and grow. Continuous improvement of the employees' skills is an essential requirement for maintaining high standards of productivity. Productivity in the present times stems from knowledge, which has to be relearned continuously.

(iv) Improved motivation : Training is a source of motivation for the employees as well. They find themselves more updated while facing the challenging situations at job. Such skill development contributes to their career development as well. Motivated employees have lesser turnover, providing an organization with a stable work force, which has several advantages in the long run.

(v) Accuracy of output : Trained workers handle their job better. They run their machines safely. They achieve greater accuracy is whatever job they do. This reduces accidents in the organizations. Adherence to accuracy infuses high standards of quality in the products and services, thus giving them a competitive edge in the difficult times. Quality reduces wastages and ensures better customer satisfaction.

(vi) Better Management : Training can be used as an effective tool of planning and control. It develops skills of the workers for future and also prepares them for promotion. It helps them in reducing the costs of supervision, wastages and industrial accidents. It also helps increase productivity and quality.

8.3 Definition of Training

- Training is often looked upon as an organized activity for increasing the knowledge and skills of people for a definite purpose.
- It involves systematic procedures for transferring technical know-how to the employees so as to increase their knowledge and skills for doing specific jobs with proficiency.
- In other words, the trainees acquire technical knowledge, skills and problem solving ability by undergoing the training programme.

According to Flippo, "Training is the act of increasing the knowledge and skills of an employee for doing a particular job".

Training involves the development of skills that are usually necessary to perform a specific job. Its purpose is to achieve a change in the behaviour of those trained and to enable them to do their jobs better. Training makes newly appointed employees fully productive in lesser time. Training is equally necessary for the old employees whenever new machines and equipment are introduced and/or there is a change in the techniques of doing the things.

Training is a continuous process and does not stop anywhere. The top management should ensure that any training programme should attempt to bring about positive changes in the knowledge, skills, and attitudes of the employees.

8.4 What does Training Include

Udai Pareek has observed that there are three elements of training – purpose, place and time.

Training without a purpose is useless because nothing would be achieved out of it. The purpose must be identified carefully and now there are a large number of techniques, to be discussed in subsequent lessons, available for establishing training needs.

After having identified the purpose of a training programme, its place must be decided i.e. whether it has to be on the job or off the job. If off the job, where a training programme should be. Place would decide the choice of training method and also influence its effectiveness. The next element is the time.

Training must be provided at the right time. A late training would provide outdated knowledge, which would be useless for the employees. The timing has also to be specified in physical terms, i.e. which month/week of the year and at what time of the day. This can have a lot of ramifications in terms of the cost of training and its ultimate efficacy in achieving the desired results.

8.5 Objectives of Training

The objectives of training can vary, depending upon a large number of factors. The objectives depend on the nature of the organization where training has to be provided, the skills desired and the current skill levels. It is difficult to draw generalizations of the objectives of training; still they can be stated as under :

1. To increase the knowledge of workers in doing specific jobs.
2. To systematically impart new skills to the human resources so that they learn quickly.
3. To bring about change in the attitudes of the workers towards fellow workers, supervisor and the organization.
4. To improve the overall performance of the organization.
5. To make the employees handle materials, machines and equipment efficiently and thus to check wastage of time and resources.
6. To reduce the number of accidents by providing safety training to employees.
7. To prepare employees for higher jobs by developing advanced skills in them.

8.6 Training and Development

Although the terms training and development are used together, they are often confused. Training means learning the basic skills and knowledge necessary for a particular job or a group of jobs.

In other words, training is the act of increasing the knowledge for doing a particular job.

But development refers to the growth of an individual in all respects. An organization works for the development of its executives or potential executives in order to enable them to be more effective in performing the various functions of management.

Training	Development
1. Training means learning skills and knowledge for doing a particular job and increases skills required for a job. 2. Training generally imparts specific skills to the employees. 3. Training is concerned with maintaining and improving current job performance. Thus, it has a short-term perspective. 4. Training is job centered in nature. 5. The role of trainer or supervisor is very important in training	1. Development refers to the growth of an employee in all respects. It is more concerned with shaping the attitudes. 2. Development is more general in nature and aims at overall growth of the executives. 3. Development actually builds up competencies for the future performance and has a long-term perspective. 4. Development is career- centered in nature. 5. All development is 'self-development' and the executive has to be internally motivated for the same.

8.7 Significance of Training

1. Fostered by technological advances, training is essential for any human resource development exercise in organizations in the rapidly changing times of today.
2. It is an essential, useful and productive activity for all human resources working in an organization, irrespective of the job positions that they hold.
3. It benefits both employers and the employees.
4. The basic purpose of training is to develop skills and efficiency. Every organization has to introduce systematic training programmes for its employees. This is because trained personnel are like valuable assets of an organization, who are responsible for its progress and stability.
5. Training is important as it constitutes a vital part of managerial control.

8.8 Benefits of Training to Employers

The employers invest in training because they reap several benefits out of the exercise, which can be summed up as under:

1. **Faster learning of new skills :**
    - Training helps the employers to reduce the learning time of their employees and achieve higher standards of performance.

    - The employees need not waste time in learning by observing others.
2. **Increased productivity :**
    - Training increases the skill of the new employee in while performing a particular job.
    - An increased skill level usually helps in increasing both quantity and quality of output.
    - Training can be of great help even to the existing employees. It helps them to increase their level of performance on their present job assignments and prepares them for future assignments.
3. **Standardization of procedures :**
    - Training can help the standardization of operating procedures, which can be learnt by the employees.
    - Standardization of work procedures makes high levels of performance rule rather than exception. Employees work intelligently and make fewer mistakes when they possess the required know-how and skills.
4. **Lesser need for supervision :**
    - As a generalization, it can be stated safely that trained employees need lesser supervision.
    - Training does not eliminate the need for supervision, but it reduces the need for detailed and constant supervision.
    - A well-trained employee can be self-reliant in his/her work because s/he knows what to do and how to do.
5. **Economy of operations :**
    - Trained personnel will be able to make better and economical use of the materials and the equipment and reduce wastage.
    - The trained employees reduce the rate of accidents and damage to machinery and equipment. Such reductions can contribute to increased cost savings and overall economy of operations.
6. **Higher morale :**
    - The morale of employees is increased if they are given proper training. A good training programme moulds employees' attitudes towards organizational activities and generates better cooperation and greater loyalty.
    - With the help of training, dissatisfactions, complaints, absenteeism and turnover can also be reduced among the employees. Thus, training helps in building an efficient and co-operative work force.
7. **Managerial Development :**
    - The top management can identify the talent, who can be groomed for handling positions of responsibility in the organizations. Newer talent increases the productivity of the organizations.

- By providing opportunity for self-development, employees put in their best effort to contribute to the growth of the organization.

Benefits of Training to Employees

The employees are the ultimate link in any organization, who carry out the operations. Training can help them in several ways, as mentioned below:

1. **Increasing Confidence :** Training creates a feeling of confidence in the minds of employees, who feel comfortable while handling newer challenges. It gives a feeling of safety and security to them at the work place.
2. **New Skills :** Training develops skills, which serves as a valuable personal asset of a worker. It remains permanently with the worker himself.
3. **Career advancement :** The managers can develop their skills to take up higher challenges and work in newer job dimensions. Such an exercise leads to the career development of the employees, who can move up the corporate hierarchy faster.
4. **Higher Earnings :** Higher earnings are a consequence of career development. A highly trained employee can command high salary in the job market and feel more contended.
5. **Resilience to change :** In the fast changing times of today, training develops adaptability among workers. The employees feel motivated to work under newer circumstances and they do not feel threatened or resist any change. Such adaptability is essential for survival and growth of an organization in the present times.
6. **Increased Safety :** Trained workers handle the machines safely. They also know the use of various safely devices in the factory, thus, they are less prone to accidents.

8.9 Changing Facets of Training

The present time of rapid change has its influence on training also. Lynton and Pareek have identified the following salient changes, that have occurred in training in last thirty years:

1. Training has changed from training individuals to training teams of people, comprising of members across the hierarchies.
2. Training has acquired an inter-group learning character.
3. Training is finding itself linked with the organizational development process. It is a part of a higher-end corporate relearning exercise.
4. Socio-technical systems are influencing the training processes in organizations.
5. Target audience of audience is also undergoing a compositional change. There are more number of females and people from diverse ethnic groups and castes working in the organizations. This creates diversity in the training activity as well.
6. Technologies, government and markets are undergoing a rapid change. (This issue is not being addressed in detail here as it requires a detailed discussion, which is usually included in the paper on business environment).

7. Training extends beyond employees and includes clients, suppliers, publics as well, making a learning organization into a learning system.

8.10 Roles and Responsibilities for the Trainers

A trainer has many roles to play in order to make any training effective. Unlike in education, where the guru acted as a friend, philosopher and guide, the relationship between a trainee and a trainer is more professional. Still, a trainer has to wear many hats.

There are many classifications of a trainer's role, which can be stated as follows

1. The trainer 2. The provider 3. The consultant 4. The innovator 5. The manager

1. The trainer :

- A trainer's role is primarily concerned with actual direct training. It is a role that involves the trainer in helping people to learn, providing feedback about their learning and adopting course designs to meet trainees' needs.
- The trainer's role may involve classroom teaching and instruction, laboratory work, small group work, supervision of individual project work and all those activities that directly influence immediate learning experiences.

2. The provider

- This training role relates to the design, maintenance and delivery of training programmes.
- It involves training-needs analysis; setting objectives; designing courses; choosing appropriate methods; testing out and evaluating courses or training activities; and helping trainers to deliver the training.

3. The consultant

- As a consultant, a trainer is primarily concerned with analyzing business problems and assessing/recommending solutions, some of which may require training.
- It may involve some elements of the provider role but specifically concentrates on liaising with line managers; identifying their performance problems; advising on possible training solutions (where appropriate); working with providers and/or trainers to establish training programmes; advising training managers (where the roles are separated) on training goals: and policies; and ensuring evaluation takes place and the results are used.

4. The innovator

As an innovator, a trainer is concerned with helping organizations to manage the change effectively and to solve performance problems. It involves:

- Working with managers at senior/middle levels.
- Providing support and help to managers in coping with change.
- Identifying where seminars and workshops can be a useful means of educating managers for change.
- Facilitating change; identifying the real sources of power in the organization and linking with these to help bring about change.
- Advising the training function on how it can best help in the change process.

5. The manager

A manager's role in training is primarily concerned with planning, organizing, controlling and developing the training and development activity or function. It involves the following functions:

- Setting training goals, policies and plans.
- Liaising with other departments and with senior managers about the contribution training can and should make to improving performance.
- Ensuring that appropriate training activities are designed, developed, delivered and evaluated.
- Acquiring and developing training staff; establishing effective lines of authority and communication within the training function.
- Acquiring and effectively using non-staff resources.
- Monitoring quality standards and controlling activities against a total training plan.

8.11 Designing a Training programme

Some of the typical steps in designing a training programme are:

(i) Identification of training needs.
(ii) Setting training objectives.
(iii) Organizational set-up for training
(iv) Training operations.
(v) Evaluation of training.

1. **Identification of Training Program :** The present time is the age of change. In all the spheres of organizational activity, there is a very rapid change. Technology has become the most important harbinger of the change process. In order to remain competitive, people have to learn newer skills and keep themselves updated. This calls for a constant training.

   The process of change has influenced even the process of training itself. Earlier the people were acquiring training through apprenticeship and vocational courses, which are not sufficient in the modern era of industrialization. It is necessary to identify the training needs because of the following reasons:

   - Adoption of new techniques in an organization and introduction of modern working methods. For example, Computerization of the office as has been done in banks, railways etc. The staff needs to be trained to handle the newer gadgets.
   - Although it is often said that the workforce is cheap in India, but they do not measure upto the global standards in terms of productivity. Poor performance by the workers as reflected by low output, lack of initiative, incompetence, and bad decisions. This requires their systematic training.
   - Wide gaps exist between what workers should be doing and what they are doing.
   - Analysis of the strengths and weaknesses of an organization may pinpoint the areas of weaknesses, which need to be handled seriously.

   Training needs can be identified through the following types of analysis:

(i) Organizational analysis

(a) Analysis of objectives

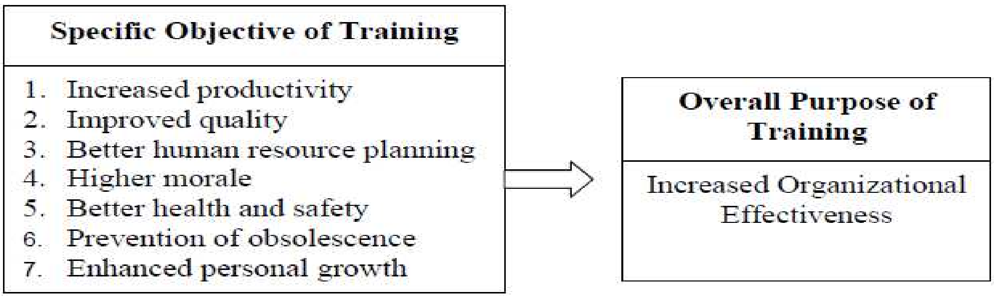
(b) Resource utilization analysis

(c) Climate analysis

(ii) Task analysis

(iii) Manpower or Human Resource Analysis:

2. **Setting Training Objectives :** Once the training needs are identified, the next step is to define specifically training objectives and to decide upon the methods to be adopted to achieve these objectives. The overall aim of any training programme is to increase organizational effectiveness. However, each training programme must also have specific objectives such as increased productivity, improved quality, better human resource planning, better health and safety, prevention of obsolescence and enhanced personal growth.
These objectives contribute to organizational effectiveness.
The relationship between specific objectives and overall purpose of training is shown in diagram.



3**. Organisational Set-up for Training :**

Training has to be imparted by the people and in order to enable them work effectively; organization must have a structure that makes them work effectively and efficiently.

The exact position of the training department must be specified in the organizational structure of the company. Training, being a staff function has a risk of being sidelined in a large organization. Some of the typical structures of training department can be:

(i) As a part of the personnel department

In most companies, human resource development is entrusted upon HRD/Personnel department. In such a situation, the training department would function within the authoritative control of the HRD manager. Usually, the new employees undergo an orientation/induction programme, which is organized by this department. In such department, there can be a permanent training manager, who shall plan and manage the training programmes. He shall also evaluate the training programmes and report to the HRD manager. Although rare, organization might hire some permanent faculty to provide the training. The common practice is that some core faculty might be hired, while the external experts might impart specialized training. Usually, the training imparted by this department is more generic in nature.

(ii) In the form of a matrix organization

The training manager might not be a specialist in all functional areas. While imparting sophisticated training, the common practice is to take a manager from the functional department. For example, if sales training was to be given to the representatives, the sales manager might be asked to plan the same. In such a situation, he shall design the training programme and identify the faculty who shall provide the training. He might even identify the trainees who need to be trained. The training manager, who shall be under the HRD manager, shall organize the training according to the plan suggested by the sales manager. He might arrange for the hotel, training facilities and other necessary paraphernalia required for the training. In such a situation, the training activity is conducted in the form of a matrix organization, where the training manager merely becomes a facilitator of a training programme.

(iii) Training by functional heads

When training is not a very regular exercise, even the functional heads, such as marketing manager/production manager etc. might undertake the task of organizing the training programmes. They plan and organize the entire programme themselves.

4. Training operations :

(a) Selection of the Trainees :

The proper selection of trainees is very important factor that determines permanent and gainful results. A trainee must be provided the training which he really needs. Sometimes, the employees perceive training as a paid vacation. This might lead to wastage of the entire effort. The trainee might receive the training in a subject, which he is not very likely to use. Again, the effort would be of no use. Sometimes, training is also seen as a sign of incompetence. The employees might resist the same. So, proper screening of the candidates for training improves the effectiveness of the training programme. While giving training to an employee, the first step is to attempt to place him at ease. It is generally seen that many people are somewhat nervous when approaching an unfamiliar task. The instructor should not forget the newness of the training programme to the trainee though he has repeated experience of this. In addition to minimize any possible apprehension, the trainer should emphasize the importance of job, its relationship to the workflow and the importance of rapid and effective learning. Thus, the trainee must be given the proper background information before he starts learning the new skills and knowledge.

(b) Training the trainer.

The trainer is a key figure of any training programme. Before he is entrusted upon with the task of undertaking the training, he must be judged whether s/he him/herself is competent enough to do the same or not. The firms might engage a qualified instructor from inside or outside the organization. However, many insiders are not good instructors because they might not possess the ability to teach the skill. Trainer needs many qualities besides theoretical competence. He must be able to divide the job into logical parts so that he may take up one part at a time without losing his perspective of the whole. He must be tolerant and patient. He must be able to appreciate the value of training job in relation to the enterprise and an understanding of what the employees would go through in order to acquire the skills and knowledge as envisaged by the programme.

The trainer has to have professional expertise to fulfill his responsibility. Therefore, it is desirable that the trainer must have knowledge about the job for which he is going to instruct the trainees. He must be able to suggest solutions to the practical problems faced by the trainees. The trainer should explain and demonstrate the operations step by step and should allow the trainees to repeat these operations. He should also encourage questions from the trainees in order to be sure that the trainees understand the job.

(c) Training Period :

The duration of a training programme depends upon the skill to be acquired, the trainee's learning capacity and the training methodology used, For example, a simple orientation programme for clerks may require an hour a day over a period of one week, while a course in computer programming may be required two hours a week for 10 weeks. The use of training aids usually helps to reduce the training time. To maintain interest and secure maximum accomplishment, no single session should last longer than two hours.

Another issue is whether the training should be given during working hours or after the working hours. If the training is given during working hours, the productivity may suffer and the organization will have to pay for this time. But if the training is arranged after the working hours, the employees may not be able to make full use of training programmes because they might be tired already. For effective training, the training manager should reconcile these situations.

(d) Training Methods and Material

There are several on-the-job and off-the-job methods of training. The choice of any training method depends upon the specific objectives of the training programme and several other factors. To increase the effectiveness of training, some written material is usually desirable as a basis for instruction, review and reference. The training section may prepare the training material with the help of line supervisors to be used for different jobs. A complete outline of the whole course should be made with the main topics included under each heading. The training material should be distributed among the trainees well in advance so that they may come prepared in the lecture class and may be able to understand the subject quickly and may remove their doubts by asking questions from the instructor.

5. Evaluation of Training

Management of training would not be complete without proper evaluation of training. Training is a very costly and time-consuming process. It is essential to determine its effectiveness in terms of achievement of specific training objectives. Individuals like to know how much they learned or how well they are doing. The sooner employees know the results of a quiz or test, the sooner they can assess their progress. The sooner employees receive positive feedback from the trainer, the less time they will waste.

Self-graded tests and programmed learning kits provide the necessary feedback to a person on his progress on a particular subject. This principle does not necessarily mean frequent testing, but the more immediate feedback on learning the more motivating it is likely to be.

Evaluation of training would provide useful information about the effectiveness of training as well as about the design of future training programmes. It will enable an organization to monitor the training programme and also to modify its future programmes of training. The evaluation of training also provides useful data on the basis of which relevance of training and its integration with other functions of human resource management can be examined.

Training Effectiveness

- Training effectiveness is the degree to which trainees are able to learn and apply the knowledge and skills acquired during the programme.
- It is influenced by the attitudes, interests, values and expectations of the trainees and the training environment.
- A training programme is likely to be more effective when the trainees want to learn, are involved in their jobs and have career plans

Essentials of Good training

1. Training programme should be chalked out after identifying the training needs or goals. It should have relevance to the job requirements.
2. It must be flexible and should make due allowance for the differences among individuals as regards ability, aptitude, learning capacity, emotional make-up, etc.
3. It should prepare the trainees mentally before they are imparted any job knowledge or skill.
4. It must be conducted by well-qualified and experienced trainers.
5. An effective training programme should emphasize both theory and practice. It should help in acquiring knowledge and its practical applications.
6. It should have the support of the top management as it can greatly influence the quality of training.
7. Lastly, an effective training programme should be supported by a system of critical appraisal of the outcome of the training efforts.

Understanding the training needs

Generally, it is stated that a training need exists when there is a gap between the present skills and knowledge of its employees, and the skills and knowledge they require or will require for an effective performance. However, it must not be assumed that poor performance is being caused by a lack of competence on the part of the employee. The real problem may lie elsewhere.

The following case would make this clearer

In a cafeteria where there are a lot of complaints about the attitude and manners of counter staff. These were reduced, not by increased social- skill training, but by a re-design of the counter layout, an alteration of lunch-hour overlaps and a better presentation of food to the counter. This reduced the problems that occurred, which were readily coped with by the counter staff by using the social skills they already possessed. In this situation, the extra training was unnecessary.

8.12 Scope of training needs

Logically, training needs must apply to individuals, at whatever level in the organization, but the scope and grouping of application varies considerably. Consequently, the scale and characteristics of the related training also varies, and so does its importance and cost.

Three categories of the scope of training needs can be identified, as stated below:

1. **At the level of all individuals** : There are some training needs, which may cover everyone in the organization. For example, where the development and survival of a business depends on a much greater willingness on the part of its managers and work-force generally to accept change, or where the whole business is moving to a new site. In the present times of disinvestments of PSUs, computerization and corporate restructuring, many organizations undertake the exercise of imparting training to everyone in the organization. Every individual has to relearn new skills to work in newer environment
2. **Specific groups in an organisation :** This category of training relates to specific groups of people within an organization, although it is less wide in its scope. There may be in a particular unit, department, or section; at a certain level, such as supervision; or within a particular occupation or exercising a particular function such as designated safety officers. An example is when a new information system, linking all the retail outlets of a major chain store, leads to the requirement for training in the use of on-line computer terminals for certain grades of staff in all branches.
3. **Particular individuals in an organisation :** The third category relates to particular individuals. Examples of person-specific learning needs include:
    - Preparing an employee for a new job. **E.g.** when a person is shifted from one department to another, he needs to get trained for the newer responsibilities.
    - Activities in support of career or self-development. **E.g.** a person getting training before getting promoted to the next position.
    - Remedial training or coaching where work performance is not up to standard. **E.g.** an employee might need specific training or counseling to be able to perform better.
    - Updating training **E.g.** the technology might change and the organization might have to update the training of the individuals.

8.13 Importance of Identifying Training Needs

The identification of training needs is very important because of three contextual changes that occur in an organization. They are discussed as follows.

1. **Job changes :** While continuing to be employed by the same organization, many managers and their staff, especially in recent years, have had to adapt to

significant changes in their work or work environment, and on occasions be retrained for an entirely new kind of work. These changes have occurred as a result of new equipment, new methods, systems or procedures, computerization, reorganization and takeovers, relocation, or legislation. The changes in themselves may not be new; what is new has been the frequency and pace with which they are now taking place. In this context, what employers are requiring, to a greater degree than ever before, is a workforce, which is flexible and responsive to change.

2. **Person Changes :** Individuals changing jobs, or preparing for future changes in their work, whether in their present organization or elsewhere, are potentially in need of training. There will be a need for induction and initial training for young people commencing employment or for adults joining a new department or organization; 're-induction' and updating for women returning to work after a break; training as a preparation for transfer or promotion or as part of a longer- term career development.
3. **Performance Deficiencies :** The emphasis placed on the need for training stimulated by technological and other changes should not eclipse the importance of identifying routine or maintenance needs. Indicators of learning needs which result from shortfalls in work performance include simple situations such as operator faults, customer complaints, the carelessness of familiarity. Recurrence of human errors - such as forgetting the difficult aspects of tasks, instructions and procedures, which are carried out less frequently etc. indicate that there are shortfalls in the training.

8.14 Types of training

Training can be classified into many types, depending upon several bases. On the basis of purpose, several types of training programmes, which are not mutually exclusive, are offered to the employees. They invariably overlap and employ many common techniques.

Some of the important types of training programmes are as follows:

1. **Orientation or Induction Training :** Induction relates to introducing or orienting a new employee to the organization. When a new employee joins any organization, he needs to be acquainted with its procedures, rules and regulations. He must be helped to familiarize himself with the work environment and with his fellow employees. It is better to give him a friendly welcome when he joins the organization, get him introduced to the organization and help him to get a general idea about the rules and regulations, working conditions, etc. of the organization. Employee orientation or induction training basically deals with the introduction of the organization to the newly employed person. The purpose is to give a 'bird's eye view' of the organization where he has to work. It is a very short and informative type of training given immediately after recruitment. It creates a feeling of involvement in the minds of newly appointed employees.

2. **Job Training :** When an employee joins an organization, he undergoes job training, which relates to the specific job, the worker has to perform. It gives information about machines, process of production, instructions to be followed, methods to be used and so on. It develops skills and confidence among the workers and enables them to perform the job efficiently. Job training is the most common form of the formal in-plant training programmes. It is necessary for the new employees to acquaint them with the jobs they are expected to perform. It helps in creating interest of the employees in their jobs.
3. **Apprenticeship Training :** Apprenticeship training programmes are more inclined towards education than merely on the vocational training. Under this, both knowledge and skills in doing a job or a series of related jobs are involved. The governments of various countries, including India, have passed laws which make it obligatory for certain classes of employers to provide apprenticeship training to the young people. The usual apprenticeship programmes combine on the job training and experience with classroom instructions in particular subjects. The trainees receive wages while learning and they acquire valuable skills, which command a high wage in the labour market.
4. **Internship Training** : Under this method of training, the educational or vocational institute enters into an arrangement with an industrial enterprise, or any organization which can utilize their knowledge, for providing practical knowledge to its students. Internship training is usually meant for such vocations where advanced theoretical knowledge has to be backed up by practical experience on the job. For instance, engineering students are sent to big industrial enterprises for getting practical work experience and medical students are sent to big hospitals to get practical knowledge.
5. **Refresher Training :** As the name implies, the refresher training is meant for the old employees of the enterprise. It is also called retraining. The basic purpose of refresher training is to acquaint the existing workforce with the latest methods of performing their jobs and to improve their efficiency further. The skills with the existing employees become obsolete because of technological changes and because of the tendency of human beings to forget.
   Thus, refresher training is essential because of the following factors:
   (a) The workers require training to bring them up-to- date with the knowledge and skills and to relearn what they have forgotten.
   (b) Rapid technological changes make even the qualified workers obsolete in course of time because new technology is associated with new work-methods and job requirements. The workers need to learn new work methods to use new techniques in doing their jobs.
   (c) Refresher training becomes necessary because many new jobs that are created due to changes in the demand for goods and services are to be handled by the existing employees.
6. **Training for Promotion :** The talented employees may be given adequate training to make them eligible for promotion to higher jobs in the

organization. Promotion of an employee means a significant change in his responsibilities and duties. Therefore, it is essential that he be provided sufficient training to learn new skills to perform his new duties efficiently. The purpose of training for promotion is to develop the existing employees to make them fit for undertaking higher job responsibilities. This serves as a motivating force to the employees.

8.15 Methods of training

There is a wide range of training methods and techniques have been developed over the years by various organizations and training experts. Different training methods are suitable for different categories of people in the organization. There can be several categories of personnel in an organization, e.g. managerial and non- managerial, technical, administrative, skilled, unskilled, senior, junior, etc. Each organization has to choose the methods and techniques of training which are relevant for its training needs.

Various methods of training may be classified into the following categories:

1. Vestibule training.
2. On-the-job training.
3. Off-the-job training.

l. On-the-job Training (at the place of work)

On-the-job training means having a person learn a job by actually doing it. Every employee, from mailroom clerk to CEO, should get on-the-job training when he or she joins a firm. In many firms, OJT is the only training available.In other words, the worker learns in the actual work environment. It is based on the principle of 'learning by doing'.

The most familiar on-the-job training is :

(i) Coaching : Here, an experienced worker or the trainee's supervisor trains the employee. This may involve simply observing the supervisor, or (preferably) having the supervisor or job expert show the new employee the ropes, step by step. On-the-job training is part of multifaceted training at Men's warehouse, which combines on-the-job training with comprehensive initiation programs and continuing-education seminars. Every manager is accountable for developing his/her subordinates.

(ii) **Special assignments**: Special assignments similarly give lower-level executives first and experience.

(iii) Job Rotation : Job rotation, in which an employee (usually a management trainee) moves from job to job at planned intervals, is another OJT technique.

II. Vestibule Training (adapted to the environment at the place of work)

Vestibule means a cabin and the term 'vestibule training' is used to designate training in a cabin (or a classroom) for semi-skilled jobs. It is more suitable where a large number of employees have been trained at the same time for the same kind of work. Where this method is used, there should be well-qualified instructors in charge of training programme. Here the emphasis tends to be on learning rather than production. It is frequently used to train clerks, machine operators, typists, etc.

III. Off-the-job Training (away from the place of work)

The biggest merit of on-the-job training methods is that they do not require the worker to be absent from his workplace. There is no disruption in the normal activities. However, when the training is specialized, or needs the use of sophisticated equipment, or needs a specialist trainer, it might not be feasible to provide the training while on the job. For such situations, off-the-job training methods are used by the organizations.

There are several off-the-job methods of training and development as described below:

(i) Special Lecture-cum-Discussion
(ii) Conference
(iii) Case Study
(iv) Sensitivity training
(v) Special projects
(vi) Committee assignments.

8.16 Critical analysis of training programmes in India

A lot of research has been done to evaluate the effectiveness of the training programmes and some of the interesting findings of these are:

1. **Duplication of effort :** Most of the training programmes have lot duplication. There is a lack of coherence between the training programmes conducted by various institutions. If an executive has attended one training programme, he is unlikely to get a new content if he attends another one on a similar topic. This erodes the interests of the trainees.
2. **Far from reality** : The training programmes are generally conducted by the academic institutions, who might not have a very good rapport with the industry. So, their training is often far from reality. The academic institutions are particularly guilty of a lack of updation because of typical work conditions prevailing there.
3. **Conducted by generalists :** Very few behavioural scientists engage themselves into the training programmes. So, the training programmes are often conducted by those who do not have the required skills. There are a few institutions which train the tutors, but not all tutors attend these programmes. Lack of basic skills makes their training shallow, which can fail to impress the trainees.
4. **Improper need identification :** There is a big gap in identifying the training needs. Not much homework is done by the organizers of the training programmes on identifying the needs of training. Even the client organizations are not very much aware of their training needs. So, most public sector organizations fail to get any tangible benefits out of a training programme.

5. **Inadequate training facilities :** Even in times of technological developments, there are areas which might lag in terms of resources for providing training. This can be a major handicap in making training effective.

8.17 Newer challenges of training

The winds of change have brought about a paradigm shift in the ethos and philosophy of training. In Europe, change of outlook was discussed in the mid eighties and the researchers felt that the training of future should provide for the following features:

- Free the trainer from location constraints.
- Sustain the trainee's motivation and confidence.
- Protect the trainee from mistakes which could damage either him or his organization Encourage self analysis and insight.
- Eliminate blame and discouragement.
- Be under trainee's control.
- Permit individual valuation and choice in learning.
- Give every trainee to acquire skills which would enrich his future.

Importance of Training in Aviation Industry

Human Factors Support implementation, Education and Training

The involvement of human factors should continue beyond the design stage into the implementation process. There is a tendency to allow modifications to the final design to be made by the end user to facilitate implementation. This needs to be carefully controlled by involving human factors and end users together. It is very easy to lose some or much of the effectiveness of the original design concept through misinformed or uninformed final design modification choices which can lead to loss of efficiency, and possibly have safety implications.

New systems require fully developed implementation plans which include educating the users on the logic, capabilities, and rationale of the new system operation as well as its role in the overall ATM system. The operators of a system will tend to look upon changes in system design as extensions or refinements of current practice and may fail to understand the need for new and different tasks and procedures to realize productivity and safety. This need for education and training was one of the main conclusions of the PDI simulation report (Eurocontrol (1997), PHARE Development simulation. The education process is in addition to the typical training that operators will receive with the introduction of new equipment or procedures. The baseline data, described earlier sections, will be invaluable in supporting the development of the implementation plan for new equipment and procedures. Without a positive and proactive education and training program there is likely to be considerable transfer of old attitudes and working methods, often referred to as negative transfer. In developing the implementation plan, very careful attention must be paid to the potential for transfer of habits used to accomplish tasks under the old system which, if applied with the new system, would seriously compromise efficiency; but more importantly safety. Such negative transfer is most often evident when operators are under considerable stress. Again, the baseline database will provide an effective tool in the identification of potential negative transfer.

Civil Aviation needs the most dynamic self-starter managers and how do we get such managers ? Training is the only answer. "Civil Aviation is the 21st century will be vastly more complex and demanding than in the second half of the 20th century" so said, Jonathan Howe, Former Director General, ACI. Training the men and women who work in civil Aviation is key to meeting the unprecedented challenges. Focus of training is generally placed on the executives. While, it can continue, a lot more training will need to be given to the grass root level staff.

Airport/airline management would need to take the initiative to train and retrain all their staff and executives. Managers whether in airlines, airports, air navigation services, air traffic controllers or fire and rescue services or any other field of civil aviation will need to expand their knowledge level and expertise if they are to achieve a dynamic balance between profitability and safety goals.

Case studies on Training and Development

Investing in ATCs' skills in South Africa

Air traffic controllers play an instrumental role in the running of the aviation system. Not only are they essential in ensuring air traffic is managed safely, but they also make an invaluable contribution to the overall efficiency of air transport, overseeing the air travel of millions of passengers each year.

It takes a certain type of person with innate visualisation skills to be able to become an air traffic controller and, for such an important job, air traffic management organisations need to ensure that they can attract the best and brightest, and not only those fortunate enough to be able to fund their own education. That is why South Africa's Air Traffic & Navigation Services (ATNS) has established an air traffic control officer trainee bursary programme.

This scheme is open to all South African citizens, as long as they are at least 18 years old, have high school level maths and English qualifications and are medically fit. The bursary programme allows those with the raw ability to become professional air traffic controllers to be funded through their training without the need for additional financial backing. For the duration of the training course, the bursary pays for tuition, accommodation at ATNS's own guest lodge, transport, meals and a monthly allowance.

The training programme consists of three phases: the Bursary Scheme, air traffic control officer learnership and, finally, full qualification as an air traffic controller. Over 100 students from South Africa, Zambia, Swaziland and Namibia were conferred with various aviation qualifications in November 2015.

Investment on youth at South African Airways

Contributing towards the professional development of youth, South African Airways (SAA) runs a very successful youth traineeship called the 'Cadet Pilot Programme'. This yearly scheme trains 40 young South Africans to become qualified commercial pilots.

The two very remarkable aspects of this programme are: the requirement to select individuals who fall under the category of previously disadvantaged individuals (as defined in the Employment Equity Act); as well as to hire with the intention of transforming the flight deck community and make it more representative of South Africa's race and gender demographics. These two characteristics are aligned with the strategic objectives of skills development and training embedded in the airline's new long-term strategy, gaining altitude.

In the space of 14 months, the 40 candidates are offered theoretical and practical training which enables them to get a 'frozen' ATPL (Airline Transport Pilot License). The airline believes that by providing in-house training, cadets will familiarise themselves with the environment, the SAA culture and philosophy early on in their development. Once enrolled in this programme, they serve as in-flight relief pilots or Second Officers on long-haul flights. Completion of this scheme means that, the future pilots will be of service not only to SAA, but also to other domestic airlines.

This training programme is a great example of how companies can focus on the country's youth in order to empower them with the critical, yet scarce skills required in aviation while providing a genuine model for the airline industry in the development of future pilots.

Case study

How to handle trainees in a work related training context Modern Industries Limited

Modern Industries Ltd. (MIL) in Bangalore is an automobile ancillary Industry. It has a turnover of Rs. 100 crores. It employs around 4,000 persons.

The company is professionally managed. The management team is headed by a dynamic Managing Director. He expects performance of high order at every level. It is more so at the Supervisory and Management levels. Normally the people of high calibre are selected through open advertisements to meet the human resource requirements at higher levels. However, junior-level vacancies are filled up by different types of trainees who undergo training in the company.

The company offers one-year training scheme for fresh engineering graduates. During the first six months of the training, the trainees are exposed to different functional areas which are considered to be the core training for this category of trainees. By then, the trainees are identified for placement against the available or projected vacancies. Their further training in the next quarter is planned according to individual placement requirements.

During the last quarter, the training will be on-the job. The trainee is required to perform the job expected of him after he is placed there. The training scheme is broadly structured mainly keeping in mind the training requirements of mechanical engineering graduates.

Mr. Rakesh Sharma joined the company in the year 1983 after his B. Tech . degree in paint Technology from a reputed institute. He was taken as a trainee against a projected vacancy in the paints application department In MIL, the areas of interest for a trainee in Paint Technology are few. Hence, Mr. Sharma's core training was planned for the first 3 months only. Thereafter, he was put for on-the-job training in the paints application department. He took interest and showed enthusiasm in his work there. The report from the shop manager was quite satisfactory.

The performance of the trainee is normally reviewed once at the end of every quarter. The Training Manager personally talks to the trainee about his progress, strengths and shortcomings. At the end of the second quarter, the Training Manager called Mr. Sharma for his performance review. He appreciated his good performance and told him to keep it up. A month later Mr. Sharma met the Training Manager. He requested that his training period be curtailed to 7 months only and to absorb him as an Engineer. He argued that he had been performing like a regular employee in the department for the last one quarter. As such, there was no justification for him to be put on training anymore. Further, he indicated that by doing so, he could be more effective in the department as a regular engineer. He would also gain seniority as well as some monetary benefits as the trainees were eligible for a stipend only. The regular employees were eligible for many allowances like conveyance, dearness, house rent, education, etc. which was a substantial amount as compared to the stipend paid to a trainee.

The Training Manager turned down his request and informed him that it was not a practice of the company to do so. He told him that any good performance or contribution made by the trainees during the training period would be duly rewarded at the time of placement on completion of one year of training. Further, he told him that it would set a wrong precedence. Quite often, some trainees were put on the job much earlier than the normal period of three quarters for several reasons.

Thereafter, Mr. Sharma's behaviour in the department became different. His changed attitude did not receive any attention in the initial period. However, by the end of the third quarter, his behaviour had become erratic and unacceptable. When he was asked by the Department Manager to attend to a particular task, he replied that he was still on training and such task shouldn't be assigned to a trainee. According to him, those jobs were meant to be attended by full-time employees and not by trainees.

The Paintshop Manager complained to the Training Manager about Mr. Sharma's behaviour and he was summoned by the Training Manager. During the discussions, Mr. Sharma complained that while all the remaining trainees were having a comfortable time as trainees, he was the only one who was put to a lot of stress and strain; the department was expecting too much room him. He felt that he should be duly rewarded for much hard work; otherwise, it was not appropriate to expect similar work output from him.

The Training Manager tried to convince him again that he shouldn't harp on rewards as he was a trainee; his sole concern should be to learn as much as possible and to improve his abilities. He should have a long-term perspective rather than such a narrow-minded approach. He also informed him that his good performance would be taken into account when the right occasion arose. He warned him that he was exhibiting negative attitude for which he would be viewed seriously. His demand for earlier placement was illogical and he should forget it as he had already completed 8 months and had to wait only for 4 months. He advised Mr. Sharma that the career of an individual had to be seen on a long-time perspective and that he should not resort to such childish behaviour as it would affect his own career and image in the company.

Mr. Sharma apparently seemed to have been convinced by the assurance given by the Training Manager and remained passive for some time. However, when the feedback was sought after a month, the report stated that he had become more perverted. He was called again for a counselling session and was given two weeks time to show improvement. At the end of those two weeks, the Training Manager met the Department Manager, to have a discussion about Mr. Sharma. It was found that there was absolutely no reason for Mr. Sharma to nurture a grievance on poor rewards. It was decided that he should be given a warning letter as per the practice of the company and, accordingly, he was issued a warning letter.

This further aggravated the situation rather than bringing about any improvement. He felt offended and retaliated by thoroughly disobeying any instruction given to him. This deteriorated the situation more and the relationship between the manager of the department and the trainee was seriously affected .

In cases of rupture of relationship, normally the practice was to shift the trainee from the department where he was not getting along well so that he would be tried in some other department where he could have another lease for striking better rapport. But unfortunately, in the case of Mr. Sharma, there was no other department to which he could be transferred, since that was the only department where his specialisation could have been of proper use. By the time he completed his training, he turned out to be one who was not at all acceptable in the department for placement. His behaviour and involvement were lacking. In view of this, the Department Manager recommended that he be taken out of the department. When Mr. Sharma was informed about it, he was thoroughly depressed.

One of the primary objectives of the Training Department is to recruit fresh graduates who have good potential and train them to be effective persons, in different departments. They are taken after a rigorous selection process which includes a written test, a preliminary and a final interview. During the training period, their aptitudes, strengths and weaknesses are identified. Their placement in departments is decided primarily on the basis of their overall effectiveness there.

Here is a case where the person happened to be hard-working in the beginning but turned out to be a failure in the end.

The Training Manager was conscious of this serious lapse and was not inclined to recommend his termination. But at the same time it was difficult to retain a person whose track record was not satisfactory. He still felt that a fresh look be given into this case but he was unable to find a way out. He was now faced with the dilemma whether to terminate or not to terminate Mr. Rakesh Sharma.

Questions:

(a) Where did things go wrong?

(b) What options are open for the Training Manager other than termination of Mr. Sharma?

(c) How could you put Mr. Sharma back on the right track?

MODULE 5

MOTIVATION, MORALE, PRODUCTIVITY, LEADERSHIP, COMMUNICATION, CONFLICT MANAGEMENT AND STRESS

Chapter-IX
MOTIVATION, MORALE, PRODUCTIVITY AND LEADERSHIP

9.1 Introduction

The success of organisation ultimately depends on how effectively managers are able to motivate their subordinates. Poorly motivated people can nullify the soundest organisation. Managers can increase motivation by creating growth opportunities and by offering rewards that are in line with employee aspirations.

Motivation

Motivation is the characteristic that helps you achieve your goal. It is the drive that pushes you to work hard .It is the energy that gives you the strength to get up and keep going - even when things are not going your way.

9.2 Objective of Motivation

The purpose of motivation is to create conditions in which people are willing to work with zeal, initiative. Interest, and enthusiasm, with a high personal and group moral satisfaction with a sense of responsibility.
To increase loyalty against company.
For improve discipline and with pride and confidence in cohesive manner so that the goal of an organization are achieved effectively.

Motivation process : A generalised model

The motivation framework is a good starting point for understanding how motivated behaviour occurs. For example, a worker feels that he is underpaid, he experiences a deficiency and a need for more income. In response to this need, the worker searches for ways to satisfy it, such as working harder to get a raise in pay or seeking a new job. Next, he chooses an option to pursue. After working harder (the chosen option in this case) for a reasonable period of time, he then evaluates his success. If his hard work resulted in a pay raise, he continues to work hard (tension reduction). If no raise has been offered, he is likely to try another option. A need, thus, is a strong feeling of deficiency in some aspect of a person's life that creates an uncomfortable tension. The deficiency compels the person to take actions to satisfy the need, reduce the tension and diminish the intensity of the motivating force. When a need is satisfied, it is no longer a motivator or behaviour.

9.3 Importance of Motivation

The success of an organisation, ultimately, depends on how effectively managers are able to motivate their subordinates. In the words of Allen, 'poorly motivated people can nullify the soundest organisation'. The following points bring out the importance of motivation in modern organisations :

1. **Productive use of resources :** Modern organisations work through physical, financial and human resources. The utilisation of physical and financial resources depends on the willingness of people to work. Motivation enables people to convert physical and financial resources into useful products. It helps management to get the best out of human as well as non-human resources.
2. **Increased efficiency and output :** Motivation enables people to work enthusiastically. As we all know, performance is a product of not merely ability to do a task but the willingness to do the same with zeal and enthusiasm. Motivation

bridges the gap between the ability to work and the willingness to perform wholeheartedly to thereby increase the overall efficiency and output. This, ultimately, helps in reducing the cost of operations.

3. **Achievement of goals :** Motivation causes goal-directed behaviour. It helps people to move in a desired direction and earn rewards. In organisations where managers try to understand the needs of employees and institute appropriate incentive systems, accomplishment of goals is fairly easy. If people are not properly motivated, no useful purpose can be served by planning, organising and staffing functions.

4. **Development of friendly relationships :** Motivation brings employees closer to the organisation. The needs of employees are met through attractive rewards, promotional opportunities, etc. Employees begin to take more interest in organisational work. Their morale would improve. They begin to think that the enterprise belongs to them and there is no difference between the interests of the enterprise and their own interests. This helps in developing cordial relations between management and workers.

5. **Stability in workforce :** Attractive motivational schemes satisfy the need of employees. As a result, their commitment to organisational work increases. Employees do their tasks loyally and enthusiastically. They are not tempted to leave the organisation. This means reduced employee turnover. Further, satisfaction on the job means reduced absenteeism. Employees attend to their work regularly and sincerely so as to earn rewards. The organisation benefits because it is able to maintain a stable workforce. The skill and competence of employees continue to be available to the organisation. This enhances the image of the firm and helps it to secure the services of competent people.

Why motivation is important

This can summarize by saying that motivation is important both to an individual and a business.

Motivation is important to an individual as:

1. Motivation will help him achieve his personal goals.
2. If an individual is motivated, he will have job satisfaction.
3. Motivation will help in self-development of individual.
4. An individual would always gain by working with a dynamic team.

Similarly, motivation is important to a business as:

1. The more motivated the employees are, the more empowered the team is.
2. The more is the team work and individual employee contribution, more profitable and successful is the business.
3. During the period of amendments, there will be more adaptability and creativity.
4. Motivation will lead to an optimistic and challenging attitude at workplace

Features of Motivation

Motivation is the set of forces that cause people to behave in certain ways. As rightly pointed out by Griffin, on any given day, an employee may choose to work as hard as possible at a job, to work just hard enough to avoid a reprimand, or to do as little as possible. The goal for the manager is to maximise the occurrence of the first outcome and minimise the occurrence of the last one. In this sense, motivation is the work that a manager performs to inspire, encourage and impel people to take required action. According to Scott 'motivation is a process of stimulating people to action to accomplish desired goals' .

The process of motivation is characterised by the following :

1. **Motivation is an internal feeling :** Motivation points to energetic forces within individuals that drive them to behave in certain ways and, to environmental forces that trigger these drives.
2. **Motivation produces goal-directed behaviour :** Motivation has got a profound influence on human behaviour, it harnesses human energy to organisational requirements. There is the notion of goal orientation on the part of individuals, their behaviour is directed towards something.
3. **Motivation contains systems orientation :** It considers those forces in individuals and in their surrounding environments that feed back to the individuals either to reinforce the intensity of their drive and the direction of this energy or to dissuade them from their cause of action and redirect their efforts.
4. **Motivation can be either positive or negative :** Positive motivation or the carrot approach, offers something precious to the person in the form of additional pay, incentives, praise etc., for satisfactory performance. Negative motivation or stick approach emphasises penalties while controlling performance.
5. **Motivation means bargaining :** Behaviour is what people do. Motivation is why they do it. Barnard explained motivation in the form of 'inducements-contribution' theory. It focuses on workers and organisations endeavouring to find what payouts (inducements) to workers in exchange for what degree of cooperation from workers will be satisfactory to both parties. The problem of motivation then becomes one of arriving at compensation to workers that will coax them the output that is required.
6. **Motivation is a complete process :** Five reasons can be provided in support of this statement.
   (a) First, motive is a hypothetical construct. It cannot be seen. Often, we observe individuals putting a great deal of overtime. We cannot definitely state whether they are doing it because of additional income they receive or simply because they enjoy their work.
   (b) Individual may have a host of needs that are continuously changing and, sometimes, in conflict with each other. As a result, it becomes exceedingly difficult to observe or measure motivation with certainty.
   (c) People satisfy their needs in many different. A salesman may work hard to earn money; a second salesman may be spurred by his achievement motive and so on. By simply observing sales persons in action, it is not easy to differentiate between these groups.
   (d) Promoting an employee to a new and more challenging task may intensify the drive to work harder in anticipation of the next promotion. Thus, gratification of a particular need may gradually lead to an increase in its intensity.
   (e) Finally, goal directed behaviour does not always lead to need satisfaction.
7. **Motivation is different from job satisfaction :** Motivation is the drive to satisfy a want or goal. It is concerned with goal-directed behaviour. Satisfaction refers to the contentment experiences when a want is satisfied. The tem 'satisfaction' is used to analyse outcomes already experienced by an employee'. Satisfaction is a consequence of rewards and punishment associated with past experience.

Nature of Motivation : Complexities

It is not easy to understand the complexities involved in motivating people. If an employee has an argument with his boss and fails to report to work the next day, it may appear that his behaviour is a result of the confrontation. However, his behaviour may actually be motivated by a combination of factors including overwork, family illness or some other problems. As things stand now, the ‘why’ of behaviour cannot be explained easily. Let us examine some of the factors that complicate this process.

1. **Multiple causes :** Different people may have different reasons for behaving in the same manner.

   For example, a bank officer may join a service club because it is a good place to have business contracts; another may join because of the social atmosphere; still another joins because of the interesting programmes and speakers at the club. Thus, three different ‘whys’ can underline the same behaviour, further complicating the process of inferring motivation from behaviour.

   For example, the motivations of people trying to pursue a certain career can spring from quite different reasons. Personality, background, experiences, group effects or many other factors can impact a person’s career choice.
2. **Multiple behaviours :** Further, the same motive or drive may result in different behaviour.

   For example, if Rao wants a promotion, he may concentrate on performing his job exceptionally well. But Siddarth, who also wants a promotion, may take a different approach. He may try to ‘apple polish’ the boss to get the promotion. Another manager, who also wants the promotion very badly, may be afraid to do anything at all for fear he will fail. The motivation for these three behaviours is the same, but it cannot be determined simply by viewing the behaviour of the three managers.

Motivation, obviously, is a complex subject. It is difficult to explain and predict the behaviour of employees. The introduction of an apparently favourable motivational device may not necessarily produce the desired ends if it brings opposing motives into play.

In a factory, when blue-green lighting was introduced to reduce eye strain, the output of men workers increased but that of women workers decreased. On investigation, it was found that the latter disliked the changes in lighting because they felt that the new lighting made them look ‘simply ghastly’. An intelligent manager is expected to look into the complex factors that go into the behaviour of employees carefully and initiate appropriate steps to motivate them.

Determinants of motivation

Traditionally it is believed that employees are motivated by the opportunity to make as much money as possible and will act rationally to maximize their earnings. The assumption is that money, because what it can buy is the most important motivator of all people. If this is so, why do some employees oppose the introduction of piece rate plans and others refuse to take overtime. Obviously in place of the above monistic approach (men motivated by money alone) a pluralistic explanation is required. According to the pluralistic approach men work to fulfill variety of needs. Three types of forces generally influence human behavior: (1) Forces operating within the individual (2) forces operating within the organization and (3) forces operating in the environment.

1. **The individual :** Human needs are both numerous and complex. Some of these needs cannot be described and identified because people hide their real needs under the cover of socially accepted behavior. Further, each person is different and variety of items may prove to be motivating depending upon the needs of the individual, the situation the individual is in and what rewards the individual expects for the work done. It is the duty of the manager to match individual needs and expectations to the type of rewards available in the job setting.
2. **The organisation :** The climate in the organization must be conducive to human performance. Climate plays an important part in determining worker's motivation. The climate in an organization is determined by a number of variables such as its leadership styles, autonomy enjoyed by members, growth prospects, emotional support from members, reward structure etc.
3. **The environment :** A worker does not live in two separate worlds, one inside the factory and the other outside it. The troubles and pleasures of off the job life cannot be put aside when reporting for work in the morning nor can factory matters be dropped when returning home after work. On the job experiences and off the job experiences are inextricably interwoven and cannot be separated in to water tight compartments. Culture, norms, customs, images and attributes accorded by society to particular jobs, professionals and occupation and the worker's home life – all play a strong motivation role. An individual may prefer to do the job of an officer (because it has social status and gives a lot of power) rather than serve as a college teacher (powerless position). In other words factor such as social status and social acceptance play an important role in shaping the motivations of people.

9.4 How to motivate employees (Intrinsic, Extrinsic)

Two types of Motivation identified by Herzberg et al

- Intrinsic motivation
- Extrinsic motivation

1.Intrinsic Motivation

The self –generated factors that influence people to behave in a particular way or to move in a particular direction.

These factors include responsibility, autonomy(freedom to act), scope to use and develop skill and abilities, interesting and challenging work and opportunities for advancement.

2. Extrinsic Motivation

What is done to or for people to motivate them. This includes rewards, such as

- increased pay
- praise
- or promotion
- and punishments, such as
- disciplinary action
- withholding pay, or criticism

Extrinsic motivation can have an immediate and powerful effect, but it will not necessarily last long.

Theories of Motivation

There are many competing theories, which attempt to explain the nature of motivation. These theories are all, at least, partially true, and all help to explain the behavior of certain people at certain times. However, the search for a generalised theory of motivation at work appears a vain quest. Motivation varies over time and depending up on the circumstances.

It is because of the complexity of motivation and the fact that there is no single answer to what motivates people to work well, that these different theories are important for the managers to guide them. They show that there are many motives, which influence people's behavior and performance. The different theories provide a framework within which direct attention is incorporated to the problem of how best to motivate staff to work willingly and effectively. It is important to emphasize that these various theories are not conclusive.

These different cognitive theories of motivation are usually divided into two contrasting approaches: **content theories and process theories**.

Content theories attempt to explain those specific things, which actually motivate the individual at work. These theories are concerned with identifying people's needs and their relative strength, and the goals they pursue in order to satisfy these needs. Content theories place emphasis on what motivates.

Process theories attempt to identify the relationship among the dynamic variables, which make up motivation. These theories are more concerned with how behavior is initiated, directed and sustained. Process theories place emphasis on the actual process of motivation.

1. Maslow's Need Hierarchy Theory : The most well-known and pioneering theory of motivation is that of Abraham Maslow's hierarchy of needs. According to Maslow's hierarchy of human needs, people are motivated by five basic needs. These needs are arranged in the order in which a person seeks to gratify them. These needs are:

1. Physiological needs - (food, clothing, shelter, etc.,)
2. The need for safety and security - (freedom from danger, job security, health-care etc..,)
3. The need to belong - (Acceptance by the group, friendships, love etc.,)
4. The need for esteem - (Recognition by others, feeling of achievement etc.,)
5. The need for seIf-actualization - (fulfillment of capacities)

The needs are arranged in order of importance under the assumption that a lower level need is satisfied before the next higher level need becomes a motivating factor. People try to satisfy their physiological needs first. When their basic needs are ensured, they seek security, belongingness, esteem and finally self- actualization. When one need is satisfied, next higher level need emerges to take its place. People are always striving to satisfy the new needs that emerge.

2. Alderfer's ERG Theory :

Clayton Alderfer reorganized Maslow's Need hierarchy into three levels of core needs: (1) Existence needs (2) Relatedness needs and (3) Growth needs - hence the label ERG Theory.

Existence needs includes both physiological and safety needs; it corresponds to the lower-order needs of Maslow's theory.

Relatedness comprises love and belongingness needs.

Growth incorporates both esteem and self actualization needs. Relatedness and growth needs together comprise the higher order needs as set by Maslow.

Maslow's Model Vs. ERG Theory

Similarities	The overall structure of need categories is same. Alderfer's theory is only a reconfigured need hierarchy model. Both models deal with

	movements upwards in the hierarchy
Differences	ERG theory provides a specific mechanism for downward movement in the hierarchy which Maslow does not provide. According to Alderfer, in addition to satisfaction progression, frustration regression can also occur if you fail to satisfy needs at a certain level. ERG theory has a specified method for testing the theory, but Maslow did not provide for empirical substantiation.

3. Henberg's Two-Factor Theory

On the basis of extensive interviews with some 200 engineers and accountants employed in different industries in and around Pittsburgh area, U.S.A., Frederick Herzberg and his associates developed a Two factor model of motivation. In the interviews they were asked about what kind of things on their job made them unhappy or dissatisfied and what things made them happy or satisfied. From the analysis they found that reported good feelings were associated with job content factors. Reported bad feelings, on the other hand, were associated with the peripheral aspects of the job-the job context factors. The intrinsic job content factors are the job satisfiers or motivators and the extrinsic job context factors are the dissatisfiers or hygiene factors. Taken together, they became known as Herzberg's dual factor theory.

a. **Hygiene Factors :** Company policies and administration, supervision, working conditions, security, status, salary, interpersonal relations are considered as maintenance factors. They are not an intrinsic part of a job, but they are related to the conditions under which a job is performed. Maintaining a hygienic work environment will not improve motivation. He found that the presence of hygiene factors will prevent dissatisfaction but do not increase satisfaction or motivation and the absence of which, increase dissatisfaction with the job. Hence he called these factors as dissatisfiers/maintenance factors.
b. **Motivators :** Motivators are associated directly to the content of job itself. These factors include achievement, recognition, advancement, work itself, responsibility, growth etc. The presence of motivators leads to satisfaction whereas the absence of which will prevent both satisfaction and motivation.

According to Herzberg's theory, only challenging jobs that have the opportunities for achievement, recognition, responsibility, advancement and growth will motivate personnel.

Relation to Moslow theory

Herzberg's theory is closely related to Maslow's need hierarchy. On a comparison, one can see that the maintenance or hygiene factors are roughly equivalent to Maslow's lower level needs and the motivators are roughly equivalent to Maslow's higher level needs.

Morale and Productivity

- Morale is purely emotional.
- Morale is an attitude of an employee towards his job, his superior, his organisation, etc.. Morale may range from very high to very low.
- It is not a static thing.

According to Edwin B. Flippo -- Morale is defined as a mental condition or attitude of individuals and groups, which determines their willingness to co-operate.

Importance of Morale

- It plays a vital role in the organisation's Success.
- High morale keeps the employees loyal to the job, profession and organisation.

Morale results in

- High level commitment, sincerity, employee loyalty
- Reduction in absenteeism, labour turnover, grievances
- Increase in discipline
- Reduction in industrial conflicts
- Sound superior-subordinate relations
- Increase in employee pride
- Team building
- Employee empowerment
- Easy implementation of enterprise resource planning

Factors affecting morale

Human behaviour is difficult to explain. A clerk working under an authoritarian boss might be quite happy with himself, the boss and the organisation. Yet, an officer with a five-figure salary can experience morale problems. What affects the status of morale? Let's explain these factors in greater detail :

1. **The organisation :** The goals of the organisation influence the attitudes of employees greatly. If the goals set by management are worthwhile, useful and acceptable, then workers develop a positive feeling toward the job and the organisation. Likewise, a clear structure with well-defined duties and responsibilities encourages people to work with confidence. The reputation of the company is another important factor worth mentioning here. Persons working in reputed organisations experience feeling of pride and a spirit of loyalty.
2. **Leadership :** The actions of managers exert a strong influence over the morale of the workforce. Fair treatment, equitable rewards and recognition for good work affect morale greatly. Workers feel comfortable when they work under a sympathetic, caring leader in place of one who is authoritarian, dictatorial and dominating. Negativism, inconsiderateness and apathy are not conducive to the development of a good work climate.
3. **Co-workers :** Poor attitudes of coworkers influence others. Imagine working with a person who talks about the negative points of an organisation all day long. Such a person can make each workday an unpleasant experience for others. He can cause co-workers to think negatively, and even if they don't, such an attitude is certainly not a morale booster.
4. **The nature of work :** Dull, monotonous, repetitive work affects employee morale adversely. On the other hand, if an employee is asked to do something interesting and challenging, his morale may be high.
5. **Work environment :** Morale is a direct function of the conditions in the workplace. Clean, safe, comfortable and pleasant work conditions are morale boosters.
6. **The employee :** How the employee looks at himself (the self-concept) also influences morale greatly. For example, individuals who lack self-confidence or who suffer from poor physical or mental health frequently develop morale problems. Further, how the employees personal needs are satisfied can

significantly influence their morale. Salary, fringe benefits, DA rates, allowances may affect employee morale in a positive or negative manner, when they compare themselves with others doing similar jobs. Employees can become disgruntled when they feel that their pay and benefits are not in line with the current industry rates or are not keeping up with rising prices.

9.5 Morale and productivity relationship

Generally, it is believed that high morale will lead to high productivity. However, Prof. Keith Davis points out that there is not always a positive correlation between the two. A manager can push for high productivity by using scientific management, time studies and close supervision. High production and low morale may result, but it is doubtful whether this combination can last. The opposite can also occur-there can be low production with high morale. In this case, manager works so hard to please his subordinates that they are too happy to work hard for themselves.

On the basis of several research studies, Miller and Form have given four combinations of productivity and morale.

1. High morale - high productivity

When group goals are satisfied and individual goals including freedom of work, salary, etc. are satisfied, which will lead to motivation of the employees, so standard of performance will be high, which in turn leads to high productivity and vice versa.

2. Low Productivity - high morale

Though the individual goals rather than causing high productivity like pleasant fellow workers, good working conditions, etc.. are satisfied, where supervisors lack technical & administrative skills, which leads to low productivity of high morale group & where workers lack adequate skills or training leading to low productivity by high morale.

3. High productivity - Low morale

Supervisor is only able to increase high productivity through his skills or planning ability rather than through motivation. He practices penalty method to give rise to high productivity.

4. Low productivity - Low morale

Where group goals and individual goals did not get satisfied. It will thus be observed that there is a complexity of relationship between morale and productivity.

9.6 Morale Building

Maintaining a reasonable level of morale is not an easy job. Some of the important steps that need to be taken up by management, that too on a continuos scale, are listed below -

1. **Remuneration :** The remuneration must be fair and equitable. It should be fair in relation to employees' skills and abilities and equitable in relation to the wages prevailing in the industry.
2. **Job security :** The employee must be sure of his job and its continuity.
3. **Participation** : Employees must be treated as 'resources'; not as tools. They must be allowed to participate in all important decisions affecting their lives in the organisation. Participation makes employees more committed to their job and allows them to exchange their ideas, suggestions with others.

4. **Job enrichment** : Enrichment is a process of making jobs more responsible, challenging and interesting. Enriched jobs offer employees opportunities for achievement, recognition and growth.
5. **Organisation structure :** Tall structures increase the distance between the manager and his employees. Often, Communication gets distorted and control becomes difficult. Flat structures permit the employee to move closer to the manager and discuss the implications of commands on a face-to-face basis. A healthy interchange of ideas can take place often, paying the easy for a positive work climate.
6. **Grievance redressal** : Many a time, grievances are the cause of low employee morale. The use of a well-established procedure helps in redressing employee grievances promptly. The case of the employee is presented to the appropriate authority in time, putting an end to unpleasant arguments, and conflicts.
7. **Employee counsellors** : Companies can have the services of behavioural scientists in order to tackle important causes of poor employee morale, i.e., absenteeism, tardiness, turnover, etc. The counsellor's basic function is to assist employees with their problems and complaints, and put them on the right track promptly.
8. **Sound leadership :** Top management must be genuinely interested in the employees at all levels. They must undertake sound human resource practices for building good employee relations. They must listen to the problems of employees patiently and sympathetically. They must inspire their subordinates through their actions. Morale surveys, absenteeism and turnover records, observation and listening all help in initiating steps promptly. Their attempt, in the final analysis, must be to improve the mental health of employees.

9.7 Leadership introduction - Parekh's principles

Leadership is the ability to influence people towards the attainment of goals. It occurs among people, and involves the use of influence to achieve organisational objectives.
Leadership is the ability to develop a vision that motivates others to move with a passion toward a common goal. So leadership is a process by which a person influences others to accomplish an objective and directs the organization in a way that makes it more cohesive and coherent.

9.8 Leadership definition by various authors

Leadership is the "process of social influence in which one person can enlist the aid and support of others in the accomplishment of a common task" -- M Chemers
Leadership is ultimately about creating a way for people to contribute to making something extraordinary happen -- Alan Keith
Leadership is the process of influencing others towards the accomplishment of goals. It is the ability of a manager to induce subordinates to work with zeal and confidence -- Koontz & O'Donnell
Leadership as the ability to influence a group toward the achievement of a vision or set of goals -- Robbins, Timothy & Vohra

9.9 Functions of leaders

Leaders perform a variety of functions while trying to realise the organisational goals. These are stated as

1. **Leader develops teamwork :** The three vital determinants of team work are the leader, subordinates and the environment. These factors are interdependent. It is the leader's responsibility to make the environment conductive to work. He studies the employees individually and instils interest in them. By encouraging the inquisitive employees and by prohibiting insidious elements, he creates a healthy environment. He inculcates the sense of collectivism in employees to work as a team. The resultant output will, then, be efficiency.
2. **Leader is a representative of subordinates :** He is an intermediary between the work groups and top management. Leaders are called 'linking pins' by Rensis Likert. As linking pins, they serve to integrate the entire organisation and the effectiveness depends on the strength of these linking pins. Leaders show personal concern for the employees. As representatives, they carry the voice of the subordinates of the top management.
3. **Leader is an appropriate counsellor :** Often, employees suffer from emotional problems. Inability to secure promotion, wage increase for showing good performance, obtain transfer to a good location : the reason could be any of these and many more. Such barriers keep the employees off the work track. Leaders perform a vital function here. They listen to the employees, try to remove the obstacles, offer wise counsel and keep the employees mentally happy.
4. **Leader uses power properly :** If a leader is to effectively achieve the goals expected of him, he must have power and authority to act in a way that will stimulate a positive response from the workers. No leader is effective unless the subordinates obey his orders. Therefore, the leader uses appropriate power so that the subordinates willingly obey the orders and come forward with commitment.
5. **Leader use time well :** Time is precious but often overlooked in management. A leader uses his time productively by following time-preparation-charts, scheduling techniques, etc. Information, facts and statistical inputs are combined effectively so as to produce timely decisions.
6. **Leader strives for effectiveness :** Leaders take certain conscious decisions in order to achieve goals effectively. In addition to the above functions, they carry out additional activities to reach the targets in time. They delegate work, invite participation from subordinates, offer proper rewards for good performance, mix up with subordinates and enforce discipline and control whenever necessary.

9.10 Importance of leadership: Leadership helps an organisation in the following ways

1. Inspires employees

- A leader creates a strong urge in employees for higher performance.
- He lifts a man's vision to higher sights.
- By showing the proper way to do a job, a leader helps employees to give their best to the organisation.
- As pointed out by Terry, leadership triggers a person's will-to-do and transforms luke warm desires for achievement into burning passions for successful accomplishment.

2. Secures cooperation

- A dynamic leader breathes life into the group.

- He influences the behaviour of employees in such a way that they readily work for organisational objectives.
- He makes them realise that by translating plans into action, they can earn adequate rewards. He, thus, inculcates a sense of collectivism in the employees and forces them to work as a team.
- Without sound leadership, cooperative action is impossible.
- Leadership provides character to the group and paves the way for integrated efforts at various levels.

3. Creates confidence

Employees often suffer from emotional problems in organisations. They get frustrated because of their inability to do certain jobs, to secure promotions, to sharpen their skills, to get along with people. A leader comes in here –

- renders wise counsel and tries to removes barriers and instils confidence in employees.
- Creates a wholesome attitude among employees for successful work accomplishment
- Transforms potential into reality
- Makes them realise their potential by showing the right way, clearing the paths and removing the hurdles.

4. Provides good working climate

A leader –

- Provides a healthy work climate where individuals can work toward objectives happily.
- Initiates necessary changes and unifies efforts of employees.
- By making a judicious use of time and money, he takes up assignments on a priority basis.
- Important problems are tackled first through prompt actions.
- Subordinates are allowed to do things independently. Their problems are looked into.
- Provides imagination, foresight, enthusiasm and initiative to employees and forces them to have an identity of interest, outlook and action.

9.11 Qualities of a good leader

A leader has got multidimensional traits in him which makes him appealing and effective in behavior. The following are the requisites to be present in a good leader.

1.Intelligence : A leader must have the ability to solve problems and take proper decisions. for this he must be an intelligent person.

2.Communication skill : Objectives of the management must be communicated with the employees for this a leader must have good communication skill.

3. Emotional Stability : A leader should be emotionally stable. He should not lose temper at any stage.

4. Understanding Human Behavior : A leader should posses a deep understanding about human behavior, emotions, needs etc. and he should be able to deal with people.

5. Understanding the views of others : The leader should understand the views of others. If he does all the things in his own way he may lose the support of others.

6. Motivating the Followers : It is not enough if the leader is self motivated. He should also know how to motivate his followers.

7. Initiative and Creative Ability : The leader should take initiative because he has to take the lead to do a work and then only others will follow. The leader should also have creative ability

8. Judging Ability : Leader should be able to judge anything. Then only the leader can anticipate the response to the actions and decisions.
9. Responsibly & Decision Making : A leader should lead from the front by taking the responsibilities and must be a decision maker.
10. Guidance : Leader should be a good guide to his subordinates. He should tell and demonstrate the ways of doing work.
11. Personality : The leader should have an attractive and pleasing personality.
12. Dignified : A leader should behave with his subordinates in a dignified manner.
13. Honest : Leader should be honest, sincere, fair and reasonable in his dealings with his subordinates.

Role of leadership in Aviation Industry

Ability to adapt to rapid changes and takes a flexible, dynamic approach to leadership in the evolving airport development and operating environment. Wedged between these leadership imperatives is commercial development making it clear that airport leaders must be commercially oriented towards identifying, pursuing and consummating attractive commercial development deals for their airport business.
An effective teamwork gives you the benefits of increased productivity, better use of resources, cost reduction, innovation and creativity, improved quality, better customer service and higher quality decisions. A person who commands the group's respect stands the best chance of getting everyone to commit to the team process and of overcoming resistance. Managing and leading are different, in that some feels that the managers do things right, whereas, leaders do the right things. What kind of training is needed to get the best out of airport leaders?

Case Study - Motivating the employees
"Unfair Treatment"

Ravi Shankar has been with Silver line Industries Ltd.(SIL) for over 5 years and during that time has progressed to the current position of senior system Analyst. He is generally pleased with the company and thoroughly enjoys the creative demands of his job.
One Saturday afternoon in the executive fitness centre, while talking to his friend Ishwar Dayal, a colleague in the networking section, Shankar discovered that his department had hired an IIT graduate s a programmer analyst. Shankar, although a jovial fellow, got upset when he learned that the new recruits starting pay was only Rs. 3,000 a month higher than his own. Shankar was be wildered. He felt that he was being treated unfairly.
The following Monday morning Shankar confronted Keith Weston, the HRD manager and asked if what he had heard was true. Weston apologetically admitted that it was and attempted to explain the company's position": Shankar, the market for analysts is very tight and more so if we want qualified people from IITS. Without a premium salary, the company can't draw people from IITs, competing with global majors in the field. We desperately needed another analyst and this was the way we cloud get one".
Shankar asked Weston whether his salary would be adjusted accordingly. Western replied: "your package will be decided at the time of performance review after Six months. We are also thinking of employee stock option plan this year for those who have put in 5 years of service. Long term service awards for people like you are also

in the pipeline. You are doing a great job, and I am sure your immediate boss will recommend a raise. You will not have anything to complain against SIL after six months”.

After returning back to his residence, Shankar took out his CV, ornamented the same a bit, before finally sending it across to IT consultants in and around Mumbai. Before retiring, he was saying to himself: “Six months is a pretty long time!”

Questions

1) Do you feel that Weston’s explanation was satisfactory? Discuss.

2) What is likely to be the impact of this incident on Shankar’s motivation to work?

3) How do you react, if you were to be in Shankar’s position?

4) What action do you think the company should have taken with regard to Shankar? Explain.

Case study - Motivation

Neither Piet nor his staff are motivated and this is the major reason for the downfall of his company. The airfare where rising proportionally but the services given to the customers were not improving and this was the major irritating factor for the customers.

So it was the responsibility of staff to help out such customers which would not affect the losing shares of the company. Customers were not given attention, in fact, they are not given the appropriate services if the seats are overbooked and the customer has already paid high for his travelling. In order to avoid the contingency of flying with empty seats, the company follows the policy of overbooking of seats, by chance if some customers do not turn up. But there may be reverse case if all the customers turn up which may lead to total chaos. And in such cases it was required by the Manager as well as staff to comfort those passengers giving them the surety that problem would be resolved.

But this was not the case with Piet team members. Airline industry is a service industry and it totally depends on the services rendered by the staff, how they are helping in the profitability of the company. If the customers are unsatisfied with the service, nothing can stop the shares going down in the market. So Piet was quite concerned about the bad performance of his team, staff members as they were not providing the ultimate customer satisfaction.

Piet was another concern was that he was not getting the support and help he needed from his line managers, the only communication was through emailing process which was not much effective and the issues which should be discussed were never discussed. This was demotivating for him also. The problem was not only with the staff but also with the top management, human resource management team and the strategy makers. The policies framed were not sound enough to support the growth of company, not much action were taken to modify them. The HR department was also not concerned with the demotivated employees and were not trying to resolve the coming up issues. So it was the urgent need of time to work upon such major issues.

If I would have been in the place of Piet, the first thing that I would have done is to work upon **motivating my staff members**, because this was the major problem which was affecting the overall business. The leadership and motivation are active process and helps the organization to grow in an effective and competitive manner.

Chapter-X
COMMUNICATION, CONFLICT MANAGEMENT, STRESS

10.1 Introduction

The word communication is derived from a Latin word 'Communis' which means to share or to participate.

Communication is the process by which information is exchanged and understood by two or more people, usually with the intent to motivate or influence behaviour. Communication among people can be affected by communication channels, non-verbal communication and listening skills.

10.2 Nature of Communication

Communication refers to the process of passing information and understanding from one person to another. It involves an exchange of facts, ideas, opinions or emotions by two or more individuals. According to L.A. Allen -- Communication is the sum of all the things one person does when he wants to create understanding in the mind of another. Communication is a bridge of meaning between people. By using this bridge of meaning a person can safely cross the river of mis-understanding that separates people.

Features of communication

The essential features of communication are given below

1. **Two people**: Communication always involves two people-a sender and a receiver. Communication is not a one-way street; one person cannot communicate. A sportsman alone in a forest, for example, may speak or shout, but he cannot communicate.
2. **Sequential process**: Communication is a process, involving several steps. First, the sender has an idea to communicate. Second, the idea is translated into a recognisable form such as spoken or written language. This is called encoding information. Third, the encoded message has to usually travel a distance through various communication channels like telephone routes, mail routes etc. Fourth, once the receiver gets the message, he begins decoding that is, transforming the message back into ideas. Finally, if the idea received by the receiver is the one which was intended, communication has taken place.
3. **Continuous activity**: Everything a manager does involves communicating not something, but everything. A manager must always be in touch with his subordinates, peers and superiors in order to get things done. It is an activity to which every manager devotes an overwhelming portion of his time.
4. **Pervasive function**: Communication takes place at all levels in an organisation. It is, infact, the artery of an organisation through which instructions, orders and decisions of the management flow down to the lower levels. It also conducts upward the pulse of the workforce - i.e., their ideas, feelings suggestions, etc. It is essential at all levels of management and in all areas of business.
5. **Transference of meaning and understanding**: Communication involves both information and understanding. It takes place when the receiver understands what the sender means to convey. If the idea received by the

receiver is the one which was intended, communication has taken place. Effective communication, thus, is the process of sending a message in such a way that the message received is as close in meaning as possible to the message intended.

10.3 Importance of communication

Communication is important to all managers, and it is needed by all employees. It pervades everything managers do. In fact, a large part of the manager's time is spent in some form of communication-writing, reading, speaking or listening. Communication is the means by which he persuades, informs, motivates and leads employees towards organisational goals. Communication is important because of the following reasons :

1. **Basis of action**: Communication is important because unless employees know the company objectives, they cannot associate them with their own. The transmission of information from one person to another is necessary for an organisation's well-being. Getting the right information to and from the correct sources is necessary for an organisation to function properly. Communication keeps the people working in accordance with the desires of managers.
2. **Facilities planning**: Communication helps the planning process in a number of ways:
   i) It helps executives to interact and provide vital inputs to plans.
   ii) It helps executives to strike rapport with subordinates, seek their opinions and provide realistic information on which sound plans could be prepared.
   iii) It helps executives to communicate what is contained in the plans in a clear way and Secure their acceptance.
3. **Helps in decision-making**: The quality of decisions made in an organisation depends largely on the amount and quality of information available to the decision-maker. Communication provides the right type of information to a manager and enables him to consider the pros and cons thoroughly before arriving at a decision. It helps him to move close to subordinates, identify their problems and solve them amicably.
4. **Means of coordination**: Communication is the foundation of all group activity. In an organisation, the work is done at various levels and processed by different departments and individuals. For best results, communication between these internal units is essential. It permits upward, downward and horizontal interaction between members at all levels of authority. In the absence of communication, members may fail to realise the importance of working unitedly towards a common goal. It is only through communication that people can attain a common viewpoints and understanding and cooperate to achieve organisational objectives. In the words of Hicks, "when communication stops, organised action comes to an end".
5. **Improves relationships**: Communication builds better relationships among employees working in an organisation. It binds individuals to a common purpose. Exchange of facts, opinions, feelings and sentiments and interchange of information concerning work would enable employees to understand each other. Communication helps superiors to test the pulse of the subordinates. It creates a bridge of meaning between them. By using this bridge of meaning, a person can safely cross the river of misunderstanding that separates people. Communication thus, improves understanding between

people. It cements the superior-subordinate relationship. In short, it serves as the 'lubricant fostering the smooth operation of the management process".

6. **Improves motivation and morale**: Communication improves morale and motivation by keeping people informed. Good communication induces people to give their best to the organisation. Without communication, it would be impossible to understand others and make them understand. Communication brings about a meeting of minds. Employees can communicate their grievances, troubles, problems to the management. Managers, in turn, can explain the importance of organisational rules, policies and procedures properly. Without facts, understanding and acceptance, efforts to promote productivity are doomed to fail. According to Glueck, effective managers rely on words - words clearly and persuasively communicated - to motivate subordinate, peers, and superiors to do as they wish".

10.4 Process of Communication

Before communication can take place it needs a purpose, a message to be conveyed between a sender and a receiver. The sender encodes (converts in a symbolic form) and passes it through medium (channel) to the receiver who decodes it. The result of transfer of meaning from one person to another.

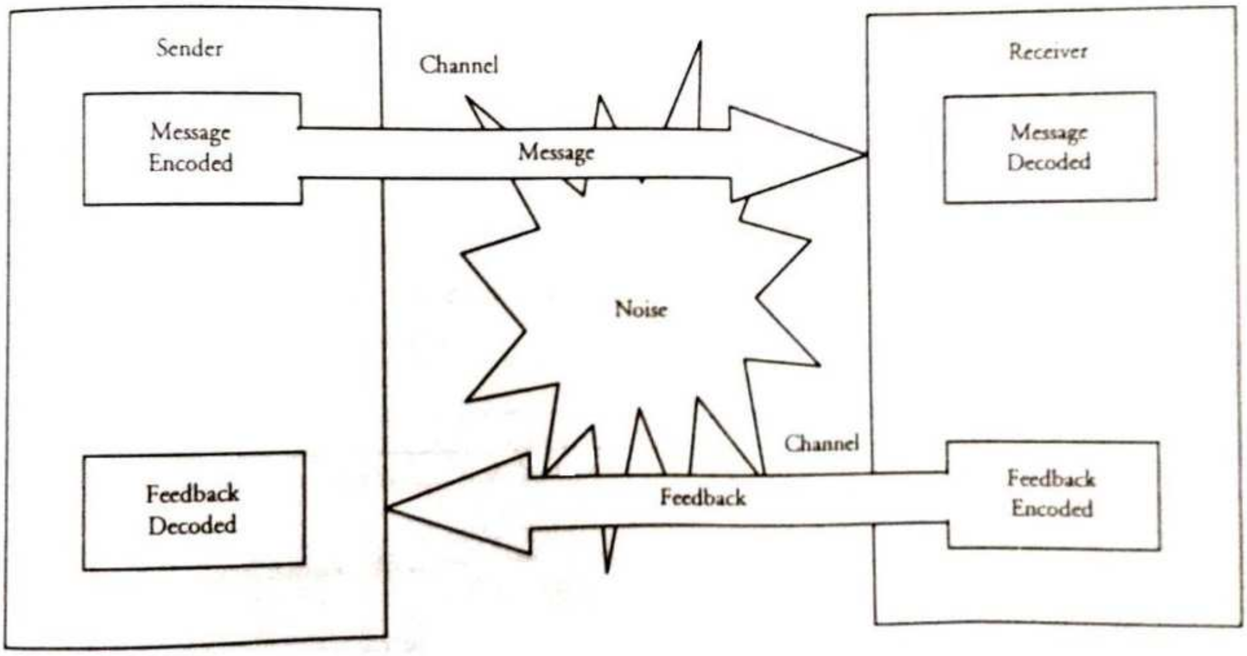


Figure: A model of the Communication process

The process of communication involves the following steps:

- **Message:** Message is a key idea that the sender wants to communicate. It is a sign that elicits the response of recipient. Communication process begins with deciding about the message to be conveyed. It must be ensured that the main objective of the message is clear.
- **Sender / Encoder :** Sender / Encoder is a person who sends the message. A sender makes use of symbols (words or graphic or visual aids) to convey the message and produce the required response. For instance - a training manager conducting training for new batch of employees. Sender may be an individual or a group or an organization. The views, background, approach, skills,

competencies, and knowledge of the sender have a great impact on the message.

- **Encoding :** Encoding is the process where the information you would like to communicate gets transferred into a form to be sent and decoded by the receiver.
- **Channel :** Channels are the way you convey your message. These channels include verbal such as telephone, and face-to-face conversations as well as non-verbal such as e-mail and text messaging. Each individual channel has its strengths and weaknesses in terms of communicating.
- **For instance :** Written medium is chosen when a message has to be conveyed to a small group of people, while an oral medium is chosen when spontaneous feedback is required from the recipient as misunderstandings are cleared then and there.
- **Decoding :** Decoding is on the receiving end of communication. This stage is just as important as encoding. Communication can go downhill at this stage if the receiver is not practicing active listening skills or if they do not possess enough information to accurately decode the message
- **Receiver :** Receiver is a person for whom the message is intended or aimed. The degree to which the decoder understands the message is dependent upon various factors such as knowledge of recipient, their responsiveness to the message, and the reliance of encoder on decoder.
- **Feedback :** Feedback is the main component of communication process as it permits the sender to analyze the efficacy of the message. It helps the sender in confirming the correct interpretation of message by the decoder. Feedback may be verbal (through words) or non-verbal (in form of smiles, sighs, etc.). It may take written form also in form of memos, reports, etc.
- **Noise :** Noise is any interface with a message that hampers the sharing of meaning between the sender and the receiver. Thus, negative attitudes, misperception, a loud radio, a person's accent, illegible print or pictures, jargon, poor eye sight all qualify as noise. Understanding tends to diminish as noise increases. Noise can be minimised by foreseeing and neutralising sources of interference. (**Jargon** : Jargon is specialised or technical language within a trade, profession or cultural group)

10.5 Channels of Communication (Formal and Informal)

A communication channel is the route through which messages flow from the sender to the receiver. There are basically two types of channels-formal and informal-which are used by managers.

Formal Communication

The Formal communication channel is established by the management and is generally specified in organisation chart. As the name itself implies, it is the deliberately created and officially blessed route for flow of communication between the various positions in the organisation. In such official channels, commands, instructions and orders travel downward; reports regarding performance, grievances and suggestions travel upward; and coordination travels horizontally. The formal communication channel respects the 'unity of command' principle and prescribes, of course in a rigid way, a specified route for the flow of information between various positions in the organisation. Thus, formal communication is systematic, orderly in nature and supports the authority of superiors. For example, a superior does not give orders to anyone who is more than one level below him in the hierarchy. The subordinate, in turn, is not allowed to communicate directly with those at more than one level higher in the hierarchy. However, formal communication is a painfully slow one. Where messages have to ravel a considerable distance, communication distortions can occur. There are three ways in which formal communications can go: downward, upward and horizontal. Downward and upward communications are two sides of the same coin, that is vertical communication.

1. Downward communication: Downward communication travels from the superior to the subordinate. The primary purpose is to transmit information and instruct employees in the performance of their jobs. Important downward communication channels include written directives and instructions, face-to-face conversations, use of public address systems, company newspapers and bulletin boards. Management, traditionally concentrates most of its communication effort on downward communication, providing direction and control for the employees. As rightly pointed out by McFarland, 'downward communication helps tie the levels together and is the means by which managers put their delegated authority to work'.

To improve downward communication skills :

- **Inform employees about company goals :** If they are unclear about their company's goals, it is unreasonable to expect them to be motivated to achieve those goals
- **Explain company policies and practices :** If this is not done, employees may work conscientiously, but un knowingly violate company policies
- **Explain to workers the importance of their work :** When employees are informed of the importance of their work and are shown how it relates to the operation of the organisation, then motivation to do a good job is enhanced
- **Clearly state downward messages :** Make sure the messages are phrased clearly so they will be easily understood by the receiver. Also, seek feedback on how important messages are interpreted. Feedback, helps in resolving misunderstanding that may creep in unwittingly.
- **Offer workers necessary feedback on performance :** This helps them find gaps in performance and learnt about improved ways of cementing the gaps

2. Upward communication: Upward communication travels from subordinate to superior. It provides feedback on how well things are going. It reveals the degree to which ideas passed down are accepted. Upward communication, usually, consist of (i) ideas and suggestions for improvements, (ii) requests for help or information, and (iii) expression of attitudes or feelings affecting performance on the job. Upward communication can be encouraged by management through the adoption of open door policies, grievance procedures, attitude surveys, joint management councils, etc. When used fully, upward communication provides a wonderful opportunity for employees to contribute valuable ideas for improving departmental or company efficiency.

To facilitate upward communication :

- **Show a positive attitude**: Exhibit a genuine interest in your subordinates and in the work that they do. The employees are more likely to keep you informed about important work-related matters if they sense that you care.
- **Indicate what information workers should send**: Explain to workers as to what type of information you need to get so as to improve overall performance (such as work-related problems, employees' experiences, feeling as about company procedures, policies etc.)
- **Listen to what workers say**: Listen to their comments, feelings, ideas, and suggestions carefully. Ask questions, seek further clarifications and

encourage them to be more open. Friendly gestures and informal settings would go a long way in putting workers at ease and encourage them to come out with valuable feedback. Direct personal interaction, often, promotes productive relationships with workers. These relationships create and foster a spirit of camaraderie among employees.

- **Promote information sharing**: Share important information with workers regularly through horizontal communication channels.

3. Lateral and diagonal communication: Later communication takes place between people on the same level of the hierarchy. This channel promotes a horizontal flow of messages, enabling departments to work with other departments without having to rigidly follow the up and down channels. It promotes coordination and teamwork. Cross-organisational communication helps people to come out the confines of their narrow specialities and look at organisational problems in a broader perspective. Diagonal communication takes place between people who are neither in the same department nor in the same level of the hierarchy. Diagonal communication, no doubt, facilitates speedy transmission of messages, but cuts across the organisational structure. Consequently this form of communication should be used by carefully observing two simple rules: (i) obtain permission from one's direct supervisor before undertaking the communication, and (ii) inform the direct supervisor of any significant results of the cross-communication.

Informal Communication

Formal communication channels only tell us part of the story of communication in organisations. They represent the way the organisation is set up, but not how it actually operates. Informal communication channels exist outside the official network and develop because of spontaneous interaction between people working in an organisation.

The best known type of informal communication is known as the 'grapevine' (or the 'rumour mill'). Normally people like receptionists, mail and message carriers, delivery persons, maintenance personnel and materials handlers are likely to be the important actors in the grapevine, carrying juicy pieces of information from place to place There is thus, no prescribed direction for the flow of messages, nor is there any ready available means for verifying them. The grapevine can carry erroneous messages as well as accurate ones. According to Keith Davis, grapevines are a natural and inevitable part of organisational life. In fact, he says that it would be strange for employees NOT to take some part in exchanging informal information with their co-employees. A lively, active grapevine is an indication of the employees deep need to talk about his job, company, and co-employees. It can serve as an outlet for frustration, it is an important device for developing strong group identity and for gaining social acceptance and recognition, and has numerous other functions, both good and bad One important limitation of grapevine is that it tends to spread rumours and half-truths, thereby rapidly tarnishing the image and reputation of people. For example, Davis found that in one plant the grapevine he studied was circulating a rumour that a welder was marrying the general manager's daughter. The story was ninety per cent accurate in that the welder was getting married on the date and in the location mentioned by the grapevine. However, through the bridge-to-be had the same name as the general manager's daughter, she was actually someone else. Of course, the grapevine could also be used to spread the right word, to allay fears, and to overcome the typical tardiness of formal communication channels. Managers can deliberately drop a piece of information (which they want to spread quickly) at a strategic point on the grapevine, watch it spread through the organisation, and then observe how well it has been received by the employees. The grapevine is an inevitable part of organisational life. No weed killer yet devised can eradicate it. "The manager's job is to understand the nature of the grapevine, accept in prune the distorted branches, and cultivate the good ones." He must make a constructive use of the grapevine and use it to supplement formal communication.

Differences between Formal and Informal Communication

Sl. No.	Formal Communication	Informal Communication
1	Formal communication is that which takes place within the line of authority. Observing the norms and conditions necessary to the hierarchy.	Informal communication, too , operates in every organisation and carries communication which doesn't arise out of the formal channels of communication. Informal discussion about rumours an un-verified information.
2	Formal communication, in whichever direction its movers are always planed, dictated and guided.	Today this type of communication is recognized as integral part of the communication structure of every organization. This is known as grapevine communication.

Barriers of Communication

Several factors may disrupt the communication process or come in the way of effective communication.

Semantic Barriers

Many of our communication problems are semantic in nature, as the same word may convey a different meaning to different people. When two individuals attach different meanings to a word, a breakdown in communication can occur. The use of jargon can also create a barrier to communication. The vocabulary and jargon employed by engineers, statisticians skilled mechanics convey little meaning to unskilled and less-educated persons. Breakdowns in communication, thus, result when the sender does not tailor the message to match the knowledge base of the receiver. Further, some people have a limited inventory of words with which to express themselves. Others complicate the communication process through the use of empty and high-sounding words. It should be remembered that words are building blocks, and only the correct use of the blocks can create a structure.

Interpersonal Barriers

a) **Can't express effectively**: Some people cannot communicate effectively because they cannot use words and their personality effectively.

b) **Filtering**: Any attempt to alter and colour information to present a more favourable impression is called filtering. Since subordinates are evaluated on the worth of their performance, they try to filter information as it progresses up the chain of command. They short-circuit information and tell the boss what he wants to hear. Such attempts lead to message distortion and an incorrect impression of the real situation is created.

c) **Credibility**: Credibility is based on a person's competence in the subject area being communicated, and is based on the degree of confidence in the person.

d) **Inattention**: Inattention is another barrier. We often hear but do not listen. This is more so in the case of highly repetitive material.

e) **Perceptual differences**: Perceptual differences-differences in past experiences, educational background, emotions, values and beliefs-also affect each person's perception of a message or of words. Receivers will accept messages that are important to them. Messages that are against their values would be rejected or misperceived.

f) **Jealousy**: Jealousy also plays an important role in reducing the effectiveness of communications. Competent individuals are viewed as a threat to the security of peers and subordinates.

g) **Information overload**: Managers are flooded with information from various corners. But, there is no automatic thermostat to control and regulate the flow of information. The effectiveness of communication is likely to be hampered when managers allow themselves to be inundated with bundles of data. Perhaps, that is the reason why managers are forced to ignore or just give a cursory review of too many messages. In this process, inevitably, many of the messages are either overlooked or misinterpreted.

h) **Emotions**: How the receiver feels at the time of receipt of information, influences effectively on how he interprets the information.

i) **Time pressures**: Managers are often subjected to time pressures; because decisions must be made within specified deadlines. Such time pressures can create communication problems. Formal channels get short-circuited in the process of expediting matters, leave some important people in dark, or messages transmitted may be incomplete, rendering communication ineffective.

Structural Barriers

a) **Hierarchy**: When an organisation grows, its structure expands, creating many communication problems. Messages have to pass through several hierarchical levels. It follows that something may be lost or added by transmission at each stage of the process. Messages are likely to be delayed and distorted.

b) **Status**: Open and free flow of communication is also affected by status relationships in the organisation. Superiors are reluctant to discuss important problems with subordinates because this may expose them completely. Subordinates, in turn, avoid situations which require them to reveal information that might present them in an unfavourable light.

c) **Specialisation**: Specialisation is another barrier. Too much fragmentation of work causes people to be more loyal to their particular departments than to their organisation as a whole. It tends to separate people even when they work side by side. Different functions, special interests, and job jargon can make people feel that they live in different worlds. The result can prevent employees from having feelings of a united family, make understanding very difficult, and lead to errors. Instead of working as one happy, hard-working team they begin to work as disorganised groups. Factors like 'tunnel vision', 'arts mentality', 'sectional interest', 'departmental loyalty' prevent employees from looking at organisational problems in a broader perspective and prevent them from listening to others' point of view in a patient manner.

10.6 Good communication - 10 Commandments

Communication is the basis of managerial work. It is, therefore, necessary for a manager to study in many aspects and educate the staff about the importance of good communication. The following 10 commandments helps the manager to improve his communication skills.

1. Clarity

a. Think and plan before communication
b. Be clear about what you want to communicate
c. The more systematically, the problem is analysed, the clear it becomes

2. Purpose

a. State the purpose of each communication
b. Obtain information
c. Initiate action
d. Change another person's attitude
e. The sharper the focus of your message, the greater its chances of success.

3. Physical and human setting

a. Be sensitive to the total setting in communication.
b. The manager should analyse the social climate governing work relationships before issuing orders and objectives. The tome of communication should be changed accordingly.
c. The communication should also conform to the expectations of subordinates.

4. Participation

a. Invite others to participate in planning a communication.
b. Allow them to participate fully and develop the facts upon which appropriate communications can be built.
c. Participation helps to bring additional insight and objectivity to your message.

5. Word choice and body language

a. Select simple words and use them carefully.
b. Physical actions such as emotions, gestures and facial expressions convey thoughts and emotions.
c. The body language should support the written communication.

6. Empathy

a. Empathy is the ability to identify with the various feelings and thoughts of another person.
b. Create a climate that encourages subordinates to communicate openly and honestly with them.
c. To be in a much better position to understand why people act as they do so.
d. Should appreciate the feelings of subordinates.

7. Actions

Should support communication through –

- good supervisory efforts
- Clear assignment of duties
- Fair rewards for effort
- Should policy of enforcement

8. Use of feedback

a. The managers should provide feedback, which provides an open channel, so that he can check on how the messages are being perceived.
b. Should create an environment that encourages feedback

9. Communication for tomorrow as well as today

To be planned with the past in mind so as to support company policies consistently.

10. Be a good listener

Listening is one of the most important, most difficult and most neglected skills in communication. Effective listening is empathetic listening. It requires an ability to listen for feeling as well for words.

10.7 Introduction to conflict management

Conflict is a basic part of life in groups and organisations. The very nature of an organisation guarantees the emergence of conflict. Firstly, organisation consists of people with divergent personalities, perceptions, and values. Secondly, these people are put on jobs with contrasting features that impart unequal degrees of status and frequently foster competition. Finally, organisations contain groups that often compete for scarce resources while trying to achieve assigned goals. In organisations, conflict can take many forms and can stem from many sources. If the fires are not put out in time, conflict has the potential to seriously disrupt organisational life.

Conflict is a perceived difference of values between two or more patties that results in mutual opposition. It implies both, opposing interests or goals; opposing or incompatible behaviour. It is a process in which A deliberately tries to offset the efforts of B by some form of blocking that will result in frustrating B in attaining his goals or frustrating his interests (Robbins).

Features of conflict

(i) **Incompatibility**: Conflict occurs when two or more parties pursue mutually exclusive goals, values or events. It is based on the assumption that there are two or more parties whose interests or goals appear to be incompatible.

(ii) **Perception**: Conflict arises out of two perceptions. If X perceives his goals to be incompatible with those of Y there is conflict. If, however X has no opportunity to frustrate the goal attainment of Y, there is no conflict.

(iii) **Blocking**: Conflict refers to deliberate (blocking) behaviour. X deliberately tries to prevent Y from attaining his (Y's) goals. If interference is accidental, there is no conflict.

(iv) **Scarcity**: Conflict arises, basically because of scarce resources. Possibilities for conflict expand when there are limited resources such as office space, equipment, training, operating funds and pay allocations

(v) **Latent or overt**: Conflict can exit either at the latent or overt level, but generally speaking, conflict is a term that is limited to overt acts.

(vi) **Verbal or non-verbal**: Conflict behaviour may be verbal or non-verbal. One can express opposition by words, by a shake of the head, by an indecent gesture, by writing a scathing memo, or by scratching the paint of a new car with a nail as it moves down the assembly line.

Changing Scenario of Conflict

Over the years, three distinct philosophies that refer to different managerial attitudes towards conflict have been identified: the classical, behavioural and interactionist philosophies.

(i) The classical conflict approach viewed conflict as an organisational abnormality, a potentially dangerous process. Conflict induces mainly negative outcomes: anger, resentment, confusion, lack of cooperation etc. It disrupts the smooth functioning of organisational processes and creates chaos and disorder.

Conflict is bad and must be avoided at all costs. The organisation structure with its clear policies, elaborate rules and well-defined specifications of authority and responsibility should not permit conflicts. It will not occur if sound management principles are applied. By any chance if conflicts develop, they can be easily and quickly resolved by the management. Managerial attitude towards conflict was one of fear and disdain. Conflict, by definition, was viewed as harmful and was to be avoided and suppressed.

(ii) Behaviorists also had a similar jaundiced view of conflict. They also believed that conflict, by definition, was harmful and should be avoided. Those who generated conflict were troublemakers and were bad for the organisation. This view reflected a "popular preoccupation with morals, human relations and cooperation, and the general value that peace is good and conflict is bad". They, however, accepted the fact that conflict is a natural occurrence in all organisations.

(iii) The emerging view of conflict, called interactionist view, reverses many of the cosy nostrums of human relations management. The interactionist view of conflict has a broader scope. It recognises that in some cases conflict may be helpful, facilitative and functional. The interactionist views may be summarised thus:

1. Conflict is not an organisational abnormality. On the other hand, it is a normal aspect of social intercourse. It is a fact of life that must be understood rather than fought.
2. Conflict is inevitable. It is an inherent structural component in all social relations.
3. Conflict is neither bad nor good for organisations. Perfect organisational health is not free from conflict.
4. Conflict is not always caused by trouble makers. It is rather determined by Structural factors like the design of a career structure, the physical shape of a building, etc.
5. Conflict is integral to the nature of change.
6. Conflict is not only inevitable but sometimes desirable.

A minimum level of conflict is optimal. In the words of S.P. Robbins, "While the behavioural approach accepted conflict, the interactionist view encourages conflict on the grounds that a harmonious, peaceful, tranquil and cooperative group is prone to becoming static, apathetic, and unresponsive to needs for change and innovation"

Positive (Functional) vs. Negative (Dysfunctional) Conflict

In negative conflict, individuals view others as adversaries. They are more concerned about protecting themselves. They are less, or not at all bothered about the basic human rights of others. They try to win at all costs and often see people as expenses and not as investments. They take criticisms to their heart and fail to elicit the true thoughts and feelings of others. In positive conflict individuals with differing points of view and personalities show mutual respect for each other's ideas, thoughts and feelings and consequently develop rapport and effective working relations. They support each other and communicate openly without playing games. Rather than taking negative statements personally, they assert themselves to achieve positive results.

Most experts today view conflict as a potentially useful aspect of an organisation. It is said that an organisation void of constructive conflict is an organisation void of excitement, diversity and viability. Conflict prevents stagnation by stimulating interest and curiosity. It is the medium through which problems can be aired and solutions arrived at. It is the root of personal and social change. Conflict provides an adequate platform wherein people can "blow off steam", that is, it permits immediate and direct expression of rival claims. Without conflict, organisations would be only apathetic and stagnant. The following are some of the positive consequences of conflict:

1. **Major stimulant for change**: Conflict spotlights the problems that demand attention, forces clarification of their nature and channelises organisational efforts towards finding better solutions. It initiates a search for ways to polish and refine objectives, methods and activities.
2. **Group think is avoided**: Without strong vocal disagreement, group think could overpower a highly cohesive group, preventing it from making rational decisions based on facts. Conflict also counteracts the lethargy that often overtakes an organisation.
3. **Conflict fosters creativity and innovation**: It prevents stagnation; it stimulates interest and curiosity. In an atmosphere of open confrontation, people tend to put forward more imaginative solutions to problems. A climate of challenge compels individuals to think through their own ideas before airing them out. Conflict can help individuals to test their capacities to learn and develop. A scholar who exposes his theories and research to the scrutiny of his colleagues may be stimulated to a deeper analysis, when he is confronted with conflicting data and theoretical analysis by a colleague.
4. **Cohesion and satisfaction**: Inter-group conflict and competition drives groups close together. Under conditions of mild inter-group conflict, group membership can be very satisfying to members. The whole purpose and internal unity of athletic groups, for example, would disappear if there is no conflict. In the face of a common enemy, group members close ranks and put aside former disagreements. For example, petty conflicts between cricket team members are generally put aside before the big game. According to Boulding, organisations, in many ways, are the creations of their enemies and it is through a common hatred of the enemy that they establish their internal unity.
5. **A minimum level of conflict is optional**: Conflict is necessary for the internal stability of organisations. The occasional flare-up of inter-group conflict serves to balance power relationships between departments. It also helps individuals in reducing accumulated ill-feelings and tensions between them. A good flight clears the air.

Negative consequences of conflict can be summarised thus -

1. **Conflict creates stress in people**: Conflict exacts its toll on the physical and mental health of the combatants. Intense conflicts generate feelings of anxiety, guilt, frustration and hostility. Winners try to injure the feelings of the defeated. Losers feel defeated and demeaned. The distance between people increases. A climate of mistrust and suspicion develops. Division replaces cohesion. Losers indulge in non-cooperation and pay scant attention to the needs and interests of other group members.
2. **Diversion of energy**: One of the most dreadful consequences of conflict is the diversion of the group's time and effort toward winning the conflict rather than toward achieving organisational goals. Parties focus on their own narrow interests and tend to put their own aims above those of the organisation. Long-term goals begin to suffer as short term problems become

more important. Much energy is drained off in trying to put out the 'fires'. In extreme cases sabotage and even illegal activities occur.

3. **Instability and chaos**: Under intense conflicts, collaboration across individuals, groups and departments decreases or vanishes. Tensions will continue to mount up and each new conflict will split organisation sub-units further apart leading to communication breakdowns. In the heat of such an internecine warfare, the disputants squander away energy and resources that could be put to better use. The normal work-flow is disrupted; the moral fabric of the group torn apart and the whole system is skewed out of balance.

Conflict and Organisational Performance

Organisational performance, as can be seen, is low when the level of conflict is either extremely high or extremely low, while moderate levels of conflict contribute to high organisational performance. When conflict is low, performance suffers because of a lack of arousal and stimulation. Individuals find their environment devoid of any challenge. They do not search for new ideas and the organisation is slow to adapt to environmental changes. When conflict level is higher, performance suffers due to lack of coordination and cooperation. The organisation is in a state of chaos because of disruption to important activities. People spend more time defending themselves or attacking others rather than doing productive work. When conflict is sufficient enough to provoke people to think creatively, act enthusiastically and achieve goals.

Types of conflict

1. Functional conflict

- When it increases the involvement of people.
- When it leads to growth.
- When relationships are clearly defined.
- When it provides an outlet for stress, anxiety, frustration, anger.
- When it leads to cohesion within the group.

2. Dysfunctional consequences

- When it keeps people from getting work done.
- When it threatens the relationship; destroys confidence and trust.
- When it becomes personal; feelings are hurt.
- When it dictates conformity; people are forced to a decision.

Most conflicts are –

- Minor
- Easily handled
- Overlooked (without harm to people)
- Avoidable (if) - Explanations are provided
  A service oriented behaviour / attitude is displayed

Conflicts can be --

- Difference of opinion or approach
- Competing interests & goals
- Value conflicts
- Unclear/unspoken
- Space needs - "Keep your distance" "Do not disturb - refueling!"

10.8 Conflict resolution styles

Conflict management style is often viewed in terms of two dimensional model. Thompson suggested five styles : Competitive, sharing, avoidant, collaborative and accommodating

1. Competitive : The competitive style is high on assertiveness, and low on cooperativeness. This style is power oriented and is associated with direct physical aggression and heavy reliance on punishment to gain control over others.

2. Avoiding (withdrawal) : A conflict handling mode that involves ignoring or suppressing a conflict in the hope that it will either go away or not become too disruptive.

3. Accommodating : A conflict handling mode that focuses on solving conflicts by allowing the desire of the other party to prevail.

4. Compromise : A conflict handling mode that aims to solve conflict issues by having each party give up some desired outcomes in order to get other desired outcomes.

5. Problem solving / confrontation / collaboration (win-win) :

Conflict is viewed as a non-zero sum game
Other party is seen as a mutual problem solver
Parties pursue joint outcomes
Issues are looked at objectively
Open, honest sharing of information
Flexibility
Tries to solve the conflict in a way that will benefit both the parties.

Collaboration is a conflict handling mode that strives to resolve conflicts by devising solutions that allow both parties to achieve their desired outcomes.

10.9 Conflict management strategies

Conflict can produce functional as well as dysfunctional effects. If allowed to continue it will have a disruptive influence over the entire organisations, resources will be wasted, people go off the track, targets may be missed and the entire organisation may have to pay for such costly lapses in the long-run.

The strategies for conflict management include the following :

1.Ignoring the conflict : If the conflict is not too severe and the consequences not very serious, managers tend to ignore it and pretend that it does not exist.

2. Physical separation : If the warring functions or parties are physically separated, the likelihood of open hostility and aggression is reduced. Physical separation may work when the two groups are not required to interact, however, separation may not solve the issue.

3.Withdrawal : The withdrawal may be from the situation or from the relationship with other group

4. Dominance : The simplest conceivable conflict solution is elimination of the other party - to force opponents to flee and give up the fight or slay them.

5. Appeal procedures : A conventional method of resolving disputes in an organisation is that the people in disagreement ask for a higher authority to help them arrive at a solution by resolving the problem satisfactorily.

6. Compromise : Compromise can be used very effectively when the goal sought can be divided equitably. If this is not possible, one group should be prepared to give up something of value as concession. Compromise may also involve third-party interventions as well as total group or representative negotiating and voting.

7. Liaison group / intermediaries: To arbitrate differences between two warring functions, a full-time integrator can be appointed who can speak the language of both the parties. Some times, third party consultant mostly human relations experts, can also be appointed to change attitudes and reduce conflicts.

8. Member relations : Inter organisational activities, sometimes, help in reducing conflict. Exchange of people between independent departments creates an atmosphere where the new corner can exchange his views with others, It helps him see the big picture and his role in it.

9. Reduce interdependence : The potential for conflict is very great in situations where two departments have to work in an independent fashion and share scare resources. One way to resolve conflict is to reduce interdependencies by moving from reciprocal to sequential or from sequential to pooled interdependence.

10. Procedural and structural changes : Conflict can occur because a procedure is illogically structured.

A Case : The HR Manager and the production manager were found to be hostile to each other over a recruiting procedure which did not allow the production manager to review applications at an early stage of the hiring sequence and to offer comments. When the procedure was changed, many of the difficulties were resolved.

11. Superordinate goals : Major common goals that require the support and effort of all parties. Superordinate goals demand interdependence and cooperation between departments. It is believed that the possibilities for achieving harmony are greatly enhanced when disagreeing parties are brought together to work towards overriding goals which are real and compelling to all concerned.

12. Identifying a common enemy : Groups in conflicts temporarily resolve their differences to combat a common enemy. When the conflict had become very intense, the two different methods experimented was -

1.One was creation of superordinate goals.
2. To present a common 'threat' or 'enemy'.

13. Integrated problem solving : Another conflict management strategy tries to find a solution that incorporates the requirements of both the parties. Both the parties work together to define the problem and identify mutually satisfactory solutions. They freely exchange task related information. A minimum level of trust between parties is essential for this strategy to produce results.

10.10 Introduction to Job Stress

Organisational life is quite stressful. Work pressures, tight schedules, meetings that never seem to end on time, unhelpful colleagues, critical bosses, incompetent subordinates and a host of other irritating factors may all have a cumulative effect in making the lives of modern-day executives quite miserable. As we all know, stress is the body's reaction to any demand made on it. Perceptions of events, whether positive or negative activate stress. It is, therefore, a highly individualistic affair. What is stressful to "X" may not be to another. But it is fairly easy to conclude that everyone lives under a certain amount of stress. In fact, the only people without stress are dead. At the same time, it is certainly wrong to conclude that stress is always bad. Mild stress may improve productivity. It may force people to focus more sharply on the problem and come out with solutions But if stress is severe and persists for long periods of time, it can be harmful. Stress can be disruptive to an individual as any accident. It can lead to poor performance on the job, excessive use of alcohol or other drugs, poor attendance or an overall poor health. In fact, there is growing evidence that undue stress is related to diseases that are major causes of death - coronary heart disease, stroke, hypertension, diabetes, cancer, cirrhosis and also suicide. According to Robbins, stress is a condition in which an individual is confronted with an opportunity, constraint or demand related to what he or she desires and for which the outcome is perceived to be both uncertain and important. According to this widely accepted definition, stress is associated with (i) constraints or demands, (ii) uncertainty over the outcome which is regarded as important.

There are actually two faces to stress -

(i) **Constructive stress** acts in a positive manner for the individual and the organisation e.g. winning a contest, falling in love. This indicate a situation where the individual is in balance or behaves within tolerable limits. Low to moderate amounts of stress an act in a constructive or energising way. Moderate stress can increase effort, stimulate creativity and encourage diligence in one's work. It can be equated with tension that causes you to work hard before exams, pay attention in class, and complete projects and assignments on time. The same positive results of stress can be found in the workplace.

(ii) **Destructive stress** is not healthy for the individual and/or organisation. Distress would indicate effects that are out of balance or outside the tolerance limits. Excessive stress may lead to overload and breakdown at a person's physical and mental systems. Performance can suffer as people experience illness brought on by very intense stress and/or react to high stress through absenteeism, turnover, efforts, accidents, and dissatisfaction and reduced performance.

Optimum Level of Stress

The concept of an appropriate dosage of stress is highly important. Stress literature indicates that the ultimate goal is to reduce stress. It may be, but not necessarily. For some people, the level of stimulation is very low; they are bored and need more excitement and challenge. If stress is a neutral concept, then the goal is to reduce distress and maintain eustress. Thus, we are concerned with maintaining balance and equilibrium, realising that it is a dynamic process.

Nature of stress : Positive or negative

As pointed out previously, stress is a state of tension experienced by individuals facing extraordinary demands, constraints or opportunities. Stress can be either positive or negative. For example, some new work situations can bring us positive challenges and excitement, while others are very disturbing and anxiety-arousing. Unfortunately for us, we live in an environment in which we must constantly face stress-producing situations. We cannot avoid them all, and we cannot fight them all. For the most part, we choose to get along with them. The ambiguous boss, the preferred opportunities, the multifarious relationships, increased mobility, heavy traffic, the extra job, risky investments - in general, "life in the fast lane" - which most of us experience, can be viewed as a series of stress - producing situations. Consequently, each of us faces more of these stressors in a week than our parents faced in a lifetime. Instead of arising and subsiding stress stays with us and builds up. Stress is additive as it persists and grows, we begin to exhibit a wide variety of symptoms and effects which, for the most part, are dysfunctional and which, for some, are crippling or even fatal.

Individuals can have a variety of reactions to job stress. They can react emotionally by feeling frustrated or anxious, happy or excited, bored or depressed. They may experience mental blocks, be very hypersensitive to criticism or have trouble concentrating. People can also respond to stress behaviourally; they may eat more, drink more; lose their appetites; or stop going out socially and refuse to mix up with people freely.

10.11 Sources of stress

It is important for a manager to understand and recognise stressors because they cause job-related stress, which influences work attitudes and behaviour. Stress has organisational and personal factors.

Organisational Factors

1. **Occupational demands**: Some jobs are more stressful than others. Certain jobs seem to contain a high amount of in-built stress in the form of time pressures, too many meetings, difficulties in meeting standards, interpersonal games etc. especially at higher levels. According to Parasuraman and Alutto, at lower levels also, stress-producing situations emerge on technical grounds (equipment breakdown) or role frustration (low status, inadequate supervision). As rightly pointed out by Robbins, "assembly lines can put pressure on people when their speed is perceived as excessive; the more interdependence between a person's tasks and the tasks of others, the more potential stress there is". Jobs where temperatures, noise levels, obnoxious or toxic levels are dangerous or undesirable can increase anxiety. Overcrowding could lead to the same results because of frequent interruptions to work.
2. **Role conflict** : A role is nothing but a general set of guidelines indicating how persons holding certain positions should or ought to behave. For example, top managers are expected to be decisive and aggressive, while salesmen are expected to be friendly and cheerful. These expectations, unfortunately may cause lot of discomfort and stress to the parties involved. This is especially true, in situations where different groups of people with whom the individual interacts hold contradictory expectations about how he or she should behave. Under these circumstances, role conflict exists, and the person in question may find himself pulled in different and incompatible directions.
3. **Role ambiguity** : Role ambiguity occurs when position holders are uncertain about: limits of their authority and that of others, company rules, job security and the method used to evaluate their work. Research studies have indicated that the more ambiguity a person reported, the lower the person's utilisation of intellectual skills, knowledge and leadership skills. It was also found that role ambiguity was significantly related to low job satisfaction and to feelings of job related threats to mental and physical well being.
4. **Role overload** : Imagine for a moment about an executive who is attempting to dictate a letter, talk on three phones, conducting an interview and writing a report all at the same time. There is no use trying to do too much in too little time. Constant interruptions, changing hats every five minutes, a constant stream of visitors, a mountain of files and papers to process and a number of subordinates seeking valuable advice and guidance from the superior all increase the quantitative and overload. Persons who experience such conditions show clear signs of sres and report health problems.
5. **Role underload** : At the other extreme, having nothing to do or being asked to do too little in one's work can also be quite stressful. Ironically, role underload can lead to many of the same problems as role overload; low self esteem, increased frequency of nervous symptoms and complaints, increased health problems. One of the most unfortunate outcomes of the role underload is passivity.

6. **Inter-personal relationships** : Another source of stress in organisations is poor interpersonal relationships with others, namely supervisors, coworkers, subordinates or clients. When interpersonal relationships at work are not pleasant, employees develop a generalised anxiety, a feeling of fear about upcoming meetings and interactions. Three aspects of interpersonal relationships at work, in particular, a negative influence on job stress; amount of contact with others, amount of contact with people in other departments and organisational climate.
7. **Ineffective communication** : Stress can result from lack of communication or from a lack of the right time. We begin to see the world differently and we tend to interpret communication efforts differently.
8. **Responsibility** : Any type of responsibility can be burdensome for some people. Different types of responsibility tend to function differently as stressors. One way of classifying this variable is in terms of responsibility for people versus responsibility for things. The more responsibility for people reported, according to one research study, the more likely the person was to smoke heavily, have high blood pressure and show higher cholesterol levels. On the contrary, the more responsibility for things the employee reported, the lower these indicators were.
9. **Job change** : Individuals and work undergo constant changes as organisations try to become more competitive and aggressive in the marketplace. These changes can cause stress for the job holder. Job change, entails a certain amount of uncertainty that may ultimately lead to stress. Change can be especially stressful for individuals afraid of losing their jobs.
10. **Climate within a company** :Employees can also experience stress when they feel that they should get more money for their work, or if company restrains them from doing things they feel they must do to be effective in their job. Apart from physical surroundings, the psychological climate within a company is also important. When day to day life in an organisation is characterised by unfriendly, hostile exchanges, employees feel the tension all around. They do not trust each other and do not express their concerns openly. They are unsupportive of each other spend little time helping each other with problems. Likewise, if employees are not encouraged to participate actively in organisational activities, stressful situations may develop. Additionally, factors like insufficient authority (where a manager does not receive the backing needed from management to carry out its directives) pressures towards conformity (where members are expected to follow established norms whether they like them or not); faulty job designs also produce lot of stress for people working within a company.

Personal Factors

1. **The impact of life change**: Traumatic experiences in life (death of a loved one, divorce, loss of family estate, etc.) can have a significant impact on the psychological well-being of an individual. Research studies have also indicated the fact that when individuals undergo extremely stressful changes in their lives, (retirement, marriage, illness, etc.) their personal health does often suffer.
2. **Type A and B personalities**: Cardiologists Friedman and Roseman, have identified several personality characteristics of people who are most prone to stress. Such people, called as Type A personalities, gravitate toward

occupations that encourage heavy work. They are frequently found to be heavy smokers. They are ambitious, hard-driving and set tough targets for themselves. They are willing to oppose others to get what they want They take on increasing amounts of work and work at incredible speed, in order to meet deadlines. They are fiercely competitive and would like to win all the time. Type B's, one the other hand, work at a steadier pace. They do not work against the clock. They set reasonable targets for themselves and do not feel the pressure. They are likely to let things roll off their backs rather than fight every issue. The type A could be compared to a racehorse and the type B to a turtle. Though the recent studies question the relationship between type A behaviour pattern and stress, it has been generally agreed that type A's are more prone to stress than type B's.

3. **Internals vs. Externals and the belief in eternal locus of control** : A person's belief in locus of control is related to susceptibility to job stress. People with an internal locus of control feel that their fate is pretty much under their control. Eenals look to outside forces as controlling their fate. They generally feel that their fates are determined by events and forces beyond their control. Internals generally describe their jobs as less stressful than externals. The underlying cognitive mechanism seems to be that if people believe that they can control potential adverse forces in their job environment, they are less prone to the stressor worrying about them.
4. **Other reasons** : In the race to the top, many aspirants who do not make it ultimately, experience feelings of failure, frustration and resentment. Family responsibilities sometimes clash with organisational demands. People experience role conflicts because work and family place overlapping demands upon their limited time. Excessive rules and regulations could also act as powerful forces of stress. Young managers with great ideas and ideals often find the organisational environment too restrictive and overbearing. When they fail to get their ideas or ideals translated into actin, they may experience a great amount of stress.

10.12 Management of stress

It is not true that employees do not want any stress at work. As the current research evidence indicates, employees are energised and motivated by moderate amounts of stress. What most people want in the workplace is a challenging job assignment followed by moderate doses of competitive spirit, constructive conflict and a zeal to get ahead of others. There are a variety of ways in which individuals cope, or deal with stress at work. Broadly, these could be classified into two categories :

1. Individual coping strategies
2. Organisational coping strategies

1.Individual coping strategies :

- **Time Management :** Inability to manage time could create stressful situations on the job quite frequently. Unfinished work, critical remarks from boss and colleagues, comments from subordinates in hushed tones, misplaced papers, all make the life of an executive quite miserable.
- **Exercise :** Physically inactive individuals have a higher incidence of heart attacks and death than active individuals. Exercise, as most of the studies indicate, reduces depression, anxiety and phobias. When

you exercise regularly, the day-long tension on the job is given a decent burial. You focus more on your body than on your mind. Not surprisingly, many organisations now-a-days encourage their executives to be physically fit and active. Companies like Infosys Technologies, Escorts, NIIT, Tata Group companies have created in-house physical fitness for the benefit of employers.

- **Meditation and relaxation :** Mind gets the needed relaxation when we engage in a creative hobby like painting, reading, gardening etc. The wonderful effects of prayer a relation measure have been well-documented in our ancient scriptures. Meditation also helps in putting our nagging thoughts to rest. Meditation is a way of focusing, on something in a relaxed state, in a serene and quiet environment.

Other strategies

1. **Keep a pet :** There is nothing funny about keeping a pet. Research has indicated that keeping a pet can be a very effective stress killer. Families that have a dog or a cat that matter any kind of pet suffer from fewer stress related applications than families without pets.
2. **Say your prayers religiously :** Being religious helps in controlling stress. Prayers and meditation done in private often provide cathartic release. Research has proved that faith and religion do wonders for individuals under stress.
3. **Sing aloud :** It doesn't matter if you don't sing too well or the neighbours put objections. Singing gives that release of emotions which helps you live with fewer frowns.
4. **Laughter, the elixir :** Break into laughter and see the tension dissolve around you. A good laugh relaxes the mind, exercises facial muscles, reduces blood pressure and improves circulation. Laughing heartily is one of the best ways of getting rid of the frustration and tensions of modern existence.
5. **Sleep right :** A sleeping beauty is less likely to be prone to stress than a workaholic. Napping and dozing can refresh and relax. Catching those 40 winks is a sure way to peace and tranquility. People with chronic sleep problems tend to get tired and stressed more often than those who manage to grab adequate sleep.
6. **Be good at loving :** A good lover definitely means leading a good and healthy sex life. Fulfilling and satisfying sex is the key to many problems and is one of the most effective stress busters ever invented.
7. **Spend time with children :** Children have a therapeutic effect on people who spend time playing with them. Their innocence, joie de vivre and capacity for happiness can be infectious.
8. **Take a walk :** Walk in the morning, walk in the evening, walk just about anything. Walk with friends or walk alone but do try long walks for cutting down on stress. Walking is one exercise which doesn't have a cutoff age.It has no side effects, doesn't need any special equipment and can be done anytime. It is also, a refreshing exercise which works on almost all major muscle groups.
9. **Make friends :** Friends are for all times. Especially when you are drown in the dumps and need a shoulder to cry on. They are great sounding boards for your worries and tensions. But, one must take care to have a dew reliable and good friends instead of several fair weathered ones.

10. **Enjoy the idiot box :** Watching favourite programmes on TV can be a great relaxant. No matter what people say about the idiot box, it does have some good effects. And one of them is helping unwind. Put your feet up on a stool, your favourite drink in hand and let the magic of the small screen take over and cast a spell over you. It'll make you forget all the worries and tensions of a long day.
11. **Cultivate interests :** An interesting pastime is one of the greatest anxiety busters. It could be gardening, playing an instrument, reading, writing, cooking, just about anything that interests you.
12. **Dare to dream :** Everyone has secret dreams and ambitions. They may be simple or complex but they are closest to our hearts. Most of us don't want to share our dreams with people, lest they laugh at us. But the truth is that it is these dreams that keep us going. They add colour to our lives, give us hope and the drive to carry on. And if you find someone to share your dreams with, nothing like it.

2. Organisational coping strategies :

Stress management include stress prevention also. This is best achieved through certain organisational coping strategies. These include

a. **Role clarity :** Define employee roles clearly. Employees must have a clear understanding of the job. They must know what the company expects and be confident that they can meet these expectations. Stress, most often, occurs when employees are not very sure about their work roles or fear they cannot do their jobs. When excessive stress is present in a role, management can initiate steps such as :
    - Redefining the person's role.
    - Reduce overload by redistributing the work.
    - Set up procedures to prevent hindrances to work.
    - Arrange for a meeting of all those involved in a messy situation and try to find a way out.
    - Make the job intrinsically meaningful, challenging and rewarding.

b. **Supportive climate :** Factors such as freedom to think and act independently, a certain amount of informality with key employees, clear communications, participative decision making, friendly conversations - all help in reducing stress levels in an organisation.

c. **Clear career paths :** To reduce uncertainty, each employee must be sure of where he is heading for, say after 5 years within the same organisation. A clear career path and the job rewards and benefits that follow committed service would go a long way in preventing or reducing stress levels greatly.

d. **Company-wide programmes :** A variety of programmes can be used to manage work stress. These include :
    - Job enrichment
    - Employee counseling
    - Training and development programmes
    - Establishing autonomous work groups
    - Establishing variable work schedules
    - Setting up health clubs and offering health facilities
    - Service benefits including marriage gifts, birthday bonus, transport subsidy, large service bonus

Importance of Communication in Aviation Industry

Communication is vital to the modern world. In this sense miscommunication in human interaction is a critical factor. A misrepresentation in the law of torts is actionable at negligence 148 and an aeronautical miscommunication, negligently delivered could be construed as gross negligence. The operative criterion would be that the aircrew would place reliance upon communications received from the air traffic control centre.

Actual Communication Performance

Actual communication performance (ACP) is an observation of the dynamic operational communication capability of the same communication elements as was used for the determination of ICP. ACP is expressed in the same terms and parameters as are RCP and ICP, but at a given instant may differ from the ICP of particular path. ACP can be determined by monitoring the communication path or by monitoring the current condition of the elements of the path. It is recognized that various cognizant authorities may wish to specify the necessary reactions of the airspace manager and flight crew when ACP differs from ICP.

Air/Ground Communication

Air/Ground communication provides for the transfer of information between the aircraft and a ground entity. The ground entity may be an air traffic control facility, an airline operations center or another source of required information, such as an airport which prepares an Automated Terminal Information System (ATIS) message. Air/air communication is a special case of air/ground communication. The primary use of air/air communication is monitoring the party line of other air/ground communications. Certain operations, such as operations at uncontrolled airfields, require transmission-inthe-blind. That is the pilot reports his position and intent to any and all aircraft near that airport without addressing a specific aircraft or expecting a reply. In addition, flight crews directly communicate between aircraft, such as in oceanic airspace.

Communication functionality may be described in three layers of service. The application layer provides standard formats for efficient transfer of information. In voice communication, this consists of standard phrases and reporting procedures which have evolved over time and are specified in documents such as FA Order 7110.65, Air Traffic Control, and the Aeronautical Information Manual (U.S. FAA, 1997). The next layer is the Protocol layer, which provides the conventions or rules for communication. The third layer is the Media layer, which connects communicating nodes together by radio frequencies or wires.

Executives who are capable of planning and overseeing large projects and who can envisage solutions to future issues or problems, successfully communicate these to a multitude of constituent groups, and then doggedly pursue their goals are best suited to airport environment.

CRM aims to soter a climate or culture where the freedom to respectfully question authority is encouraged. However, the primary goal of CRM is enhanced situational awareness, self awareness, leadership, assertiveness, decision making, flexibility, adaptability, event and mission analysis, and communication. It recognises that a discrepancy between what is happening and what should be happening is often the first indicator that an error is occuring. This is a delicate subject for many organisations, especially ones with traditional hierarchies, so appropriate communication techniques must be thought to supervisors and their subordinates, so that supervisors understand that the questioning of authority need not be threatening, and subordinates understand the correct way to question orders.

Cockpit voice recordings of various air disasters tragically reveal first officers and flight engineers attempting to bring critical information to the captain's attention in an indirect and ineffective way. By the time the captain understood what was being said, it was too late to avert the disaster.

Case Study - Impact of Mis-comunication
Rumour in Belta Cables Limited

Arjun das had been working with Belta Cables Ltd. (BCL) for several years, during this time he had worked his way up from the bottom to the position of foreman. He was proud of what he had achieved, and he liked his work at BCL. He had recently bought a flat and his wife and children with their new neighbours.

In recent months, the company had lost two good contracts and as a result had been forced to lay off some employees. They had for the most part, laid off employees with the least seniority, although this was not required. Now, there was a rumour circulating that they were going to lose another contract.

As Arjun Das considered the situation, he realized he now had the least seniority of the foreman in his division. Thus, he concluded that the company was going to lose more business and owing to his lack of seniority he was going to be given a 'golden hand-shake'. As a result of this painful conclusion, Das become extremely despondent, His interest in his job deteriorated badly and he began to have a hard time getting along with his co-workers.

Actually, the rumour circulating in the company was incorrect. Instead of losing business, BCL was anticipating some new contracts Further, management was very pleased with Arjun Das as an employee and had no intention of letting him go.

Questions

1. In what ways, if any, has poor communication caused this problem ?
2. How might this situation be improved ?
3. What is the basis for Arjun Das's anxiety ?

Case Study - Conflict Management
Aviation Industry

In September, 2015, the pilots of Germany's largest airline Lufthansa went on their 13th strike in past 18 months resulting in the cancellation of over 1000 flights and affecting over 1,40,000 air travellers. The main striking issues have been over raising the age at which Lufthansa pilots can take early retirement and creating new pay grades for workers in the group's low-cost branches such as German wings. The union leaders from Romania's Air Traffic Services Administration - ROMATSA have decided to go on a strike in lieu of issues concerning flight and passenger safety. Spanish airport handlers have called a strike targeting top tourist hotspots in the country. Three unions representing the workers have announced four stoppages starting from 4th September, 2015 affecting flights at Madrid, Barcelona, Malaga and Majorca's Palma airport.

Questions

1) Did the airline management have no prior information about this strike ? If yes, then it reflects on a very poor employee grievance mechanism / Conflict management in the organisation

2) If the management was aware of the discord involving pilots, why was there no preventive action taken by management?

3) Being a customer centric sector, why was the interest of customers compromised both by the pilots as well as the management?

4) Who has to be held accountable for causing inconvenience to passengers and a loss of revenue to the company ?

5) Even after risking their career, did the striking pilots get what they wanted - Trade Union ? Then was this adamant and irresponsible behavior worth it?

6) What could be the action by the management to resolve the conflict?

MODULE 6

MANAGEMENT OF CHANGE; AND FUTURE OF HR

Chapter-XI
MANAGEMENT OF CHANGE

11.1 Introduction

Everything in this world is subject to change. Technology change rapidly. Competition is hotting up. Economic shocks occur every now and then. The nature of workforce has become quite complex. Successful organisations have to adapt and change continually in order to stay ahead of others in the competitive race.

Organisational change may be defined as 'the adoption of a new idea or behaviour by an organisation'. It is a way of modifying an existing organisation. The purpose of undertaking such modifications is to increase organisational effectiveness, that is, the extent to which an organisation achieves its objectives.

Most managers agree that, if an organisation has to be successful, it must change continually in response to significant developments such as customer needs, technological breakthroughs, economic shocks and government regulations.

11.2 The dilemma of change

1. Stability versus change

- o Organisations desire change in order to remain competitive, in order to remain in harmony with the ever-changing environment
- o Organisations also want to achieve internal stability because of the predictability and certainty it provides. As such organisations sit on the horns of a dilemma with reference to change.
- o Organisations handle the stability-change dilemma depending on the amount and type of innovation required.
- o The organic organisation is always oriented towards change rather than stability.
- o Mechanic organisations are oriented towards technological stability
- o Organisations thus, resolve the stability -change dilemma by structuring in an organic way when the organisation needs new ideas and frequent changes, and by structuring in a mechanic way whenever possible, to obtain efficiency.

2. What type of change ? Changes can be seen in a variety of ways. This poses another dilemma.

a. Evolutionary change

- i. Some changes are evolutionary in nature
- ii. Do not greatly violate the traditions and status quo expectations
- iii. They are usually piecemeal, takes place one by one. Because, they are adjustments within the status quo, they seldom promote great enthusiasm, arouse deep resistance, or have dramatic results. Since they do not constitute significant departures from the past practices, they are unlikely to provoke resistance
- iv. **Limitation :** They are very slow and organisation may fall behind the requirements

b. Revolutionary change

- i. Changes sometimes may be cataclysmic
- ii. The revolutionary changes result in over turning the status quo arrangements, cause violations, rejections or suppression of old expectations

iii. The revolutionary churnings generally pose strong resistance and sometimes only an exercise of power can order the implementation of such changes.

iv. Revolutionary changes are rarely introduced except where situation becomes highly intolerably having no other acceptable opinion.

c. **Planned change :** A new and scientific way of viewing change is "the planned alteration in the existing organisational system". Planned organisational changes, is the intentional attempt by an organisation to influence the status quo itself. Planned changes are made by the organisation with the purpose of achieving something that otherwise might be unattainable, or accomplishable with great difficulty. Through **planned changes** organisations reach new frontiers and progress more rapidly toward a given set of goals and objectives.

Planned change has two important goals.

(i) It seeks to improve the ability of the organisation to adapt to changes in its environment.

(ii) It seeks to change employee behaviour.

To survive in a competitive world, the organisation must respond to changes in an intelligent way (stimulate, innovation, empower employees, create work teams, find new products, etc.). It must also make employees learn new ways of doing things by changing their behaviour.

Features of planned change

1. It is deliberate, systematic and intentionally undertaken.
2. It takes place in all organisations at varying speeds and degrees of importance.
3. It takes place in all parts of an organisation.
4. It challenges the status quo and sets the organisation on a new path.
5. It can have positive as well as negative impacts. When viewed positively, employees accept and undertake change enthusiastically. If employee look at it in an unfavourable way, they tend to oppose it vehemently.
6. Planned change may focus on organisation's technology, products, markets, processes, people etc.
7. Planned changes are difficult to bring about, costly and time consuming.

d. Reactive change

Reactive change is defined as the change made in response to unexpected situations. Reactive change occurs when these forces to change make it necessary for a change to be implemented. For instance, the introduction of a new employee-benefit scheme is proactive as the management strongly believes that it enhances satisfaction and motivation to employees. The change (introduction of scheme) would be reactive if the benefit plan was introduced because of demands made by employees. Thus, proactive change is the change initiated by an organisation because it is identified as desirable (i.e., it is not forced on the organisation). On the other hand, reactive change is the change implemented in an organisation because it made necessary by outside forces.

Learning organisations

According to Peter Senge, instead of adapting to environmental changes, organisations have to anticipate and learn from change. Reacting to environmental changes with routine, standard responses, often produces only short-run solutions, (adaptive, single-loop learning). Instead, the focus must be on continuos experimentation and feedback; anticipating changes and discovering new ways of creating products and services (double-loop, generative learning). **Learning organisations** go beyond merely adapting to change; instead, they strive to anticipate and learn from change. **(Learning organisation :** An organisation in which everyone is engaged in identifying and solving problems, enabling the organisation to continuously experiment, improve and increase its capability).

Brian Dumaine summarised the five characteristics of a learning organisation, thus-

- People tend to put aside their old ways of doing, thinking (mental model)
- Learn to be open with others (personal mastery)
- Understand how their company really works (systems thinking)
- For a plan everyone can agree on (shared vision), and
- Then work together to achieve that vision (Team learning)

A learning organisation has both the drive and the capabilities to improve its performance continuously based on experience. It tries to add value to customers by identifying new needs and then developing innovative ways to satisfy those needs. The following table illustrates why learning organisations are gaining importance especially in the context of managing change intelligently.

11.3 Traditional vs. Learning Organisations

Function	**Traditional organisations**	**Learning organisations**
Determination of overall direction	Vision is provided by top management	There is a shared vision that can emerge from many places, but top management is responsible for ensuring that this vision exists and is nurtured
Formulation and implementation of ideas	Top management decides what is to be done, and the rest of the organisation acts on these ideas	Formulation and implementation of ideas takes place at all levels of organisation
Nature of organisational thinking	Each person is responsible for his / her own job responsibilities	Personnel understand their own jobs as well as the way, in which their own work interrelates and influences of other personnel
Conflict resolution	Conflicts are resolved through the use of power and hierarchical influence	Conflicts are resolved through collaborative learning and the integration of diverse view points of personnel through the organisations
Leadership and motivation	Leader is to establish the -- orgaisations vision provide rewards and punishments as appropriate, maintain overall control of employee activities	Leader is to - Build the shared vision Empower the personnel Inspire commitment Encourage effective decision making

The process of planned change

Any organisational change whether introduced through a new structural design or new technology or new training programme, basically attempts to make employees change their behaviour

According to Kurt Lewin, any planned change effort should be viewed as a three phase process: unfreezing, changing and refreezing. This is shown diagrammatically as follows:

1. Unfreezing

Unfreezing means that old ideas and attitudes are set aside to give place to new ideas. It refers to making people aware that the present behaviour is inappropriate, irrelevant, inadequate and hence unsuitable for changing demands of the present situation.

It involves discarding the orthodox and conventional methods and introducing dynamic behaviour,most appropriate to the situation.

2. Changing

Unlike unfreezing changing is not uprooting of the old ideas,rather the old ideas are gradually replaced by the new ideas and practices.It is not enough to sense that the current behaviour is inadequate.

During the phase of changing ,individuals learn to behave in new ways, the individuals are provided with alternatives out of which to choose the best one.

Elements of change phase

1. Compliance : Compliance occurs when the individuals are forced to change either by rewards or punishments.

2. Internalisation : It occurs when individuals are forced to encounter a situation and calls for new behaviour.

3. Identification : It occurs when individuals recognise one among various models provided in the environment that is most suitable to their personality

4. Refreezing:

Refreezing is on the job practice. The old ideas are totally discarded and new ideas are fully accepted. It is reinforced attitudes, skills and knowledge. During this phase individuals internalise the new beliefs and experiments with the new method of behaviour and sees that it effectively blends with his other behavioural attitudes.

11.4 Forces for change (internal & external)

Organisational changes do not occur spontaneously. They occur when the forces encouraging change become more powerful than those resisting change. These forces to change can be either

1. Internal forces (emanating from within an organisation)
2. External forces (Coming from outside an organisation)

1.Internal forces (emanating from within an organisation)

a. **Increased size :** Increased size is followed by major shifts in internal structure (increased specialisation, growing complexity etc). As organisations prosper and grow in size, they generate more resources. These resources help them to seize new opportunities, enter new markets, experiment with novel ideas, etc. They tend to be more flexible and open to change
b. **Performance gaps :** When there is a gap between set targets and actual results in terms of market share, profits and employee productivity - it's time to change, innovative and go ahead. If companies do not change hats and switch gears quickly, they may go off the track and reach a dead end too soon. Like success, thus, disappointing performance can be a stimulus for change.

c. **Employee needs and values :** Effective organisations have to tune their policies and procedures in line with employee needs and values. Attractive financial incentives, challenging assignments, vertical growth opportunities are all part of the the same game. If employees change their attitudes toward financial rewards and expect more freedom and autonomy at work followed by flexible schedules, organisations, too, must follow suit.

d. **Change in the chief executive :** One of the frequently cited reasons for major changes in an organisation is the change of executives at the top. No two managers have the same styles, skills or managerial philosophies. Managerial behaviour is always subjective so that a newly appointed manager might favour different organisation design, objectives procedures and policies than a predecessor. The newly appointed manager or the newcomer usually begins by examining the structure below him to see whether it corresponds to his ideas. If it is not so, he indulges in making sweeping changes. Thus, the filling of the top vacancies, where the new person comes in from outside, presents a strategic opportunity for re-examination of the entire structure and explanation of the changes to the people who are affected. The point to note here is that managerial differences cannot be overlooked, for inevitably they will influence task performance. Changes in the managerial personnel is, thus, a constant pressure for change

2. External forces (Coming from outside an organisation)

a. **Technology :** Technology is the major external pressure of change. It is perhaps the greatest factor that organisations reckon on. According to C.Handy the rate of technological change is greater today than any time in the past and, **technological changes** are responsible for changing the nature of the jobs performed at all levels in the organisation. (**Technological change :** A change that relates to the organisation's production process).
Knowledge explosion, more particularly the computer technology and automation have made a remarkable impact on the functioning of organisation in the recent times. Organisations with outdated technology are no more in the scene today. Furthermore, technological change in recent times has become increasingly diverse and complex. Its pace is stepping up, making the executives more and more concerned with the adequacy of organisation structure to meet and match the needs.

b. **Market situation :** Changing market situation is a seemingly common phenomenon. These market changes include rapidly changing goals, needs and desires of consumers, suppliers, unions and stockholders. Competition for the new products, designs, changes in quality is growing at an exponential pace. In fact, modern organisations are functioning in a highly competitive terrain. If they are to survive, they must place greater emphasis on this pressure for change also.

c. **Social and political change :** A firm's fate is also influenced by such environmental pressures as social and political changes. The relationship between government and business has been improving day by day. Further, the drive for social equality is the current issue that poses new ideas for managers which had not been previously confronted. Many new legal provisions in the corporate sectors get introduced every time, affecting the organisations. Organisational units literally have no control over these forces but, in order to survive, they have to adapt to meet changes.

Thus, outside the organisation, environmental conditions are becoming less stable day by day; they are even becoming turbulent. These pressures necessitate the organisations to change and adapt, to meet the new demands and requirements. Organisations cannot afford to be rigid and inflexible in the wake of environmental pressures, they must be dynamic and viable, so that they survive.

d. **The domino effect :** Another main source of change is the change itself. Domino effect is one in which one change touches off a sequence of related and supporting changes.
For example, creation of a new department may cause the introduction of new managerial positions, changes in assignments within other departments, reallocation of tasks etc. Other departments might have to realign their structure, tasks, missions and staffing. Most of the managers fail to consider the potential domino effects. Such an oversight might lead to problems of coordination and control. Before any significant change is made, the possible consequences of that change must be evaluated and examined to see whether undesirable chain reactions occur.

11.5 Types of planned change

The next question is what can a change agent or a manager change ? The options fall into four categories : Structure, Technology, Task and people

1.Structural change : Any change in the manner in which the organisation is designed and managed. The structure focussed change efforts may include :

a. Changing the number of organisational levels
b. Altering the span of management
c. Changing from one base of departmentation to another base
d. Altering the line and staff, and functional authority relationships
e. Bringing in more rules and procedures to increase standardisation etc.

2. Redesigning tasks

Here change efforts focus on increasing the scope or diversity and depth of the job. By job scope, we mean the number of operations performed by the job holder and the frequency of the operation of the job cycle.

Example : For instance, instead of only sorting the incoming mail by department, a mail sorters job could be enlarged to include physically delivering the mail to the various departments.

Thus job enlargement extends the workers present job to include more tasks of a job. The process of upgrading, enlarging and enriching a job is called vertical job loading or job enrichment (increasing the depth of a job). Vertical job loading entails redesigning jobs to give greater responsibility, autonomy, and a sense of challenge and achievement to the job holder. To this end, change agents may modify job descriptions, introduce flexible working hours, change compensation system, bring in performance-based rewards etc.

3. Changing technology : A technology change is concerned with organisations production process how the organisation does its work. Technology-focussed changes consists of -

1. Changing problem-solving and decision-making procedures.
2. Introduction of computers to facilitate managerial planning and control
3. Converting from unit production to mass production technology
4. Introduction of sophisticated management information systems.

4. Culture / People change -
People change emphasises increasing organisational effectiveness by changing attitudes, skills, perceptions, expectations and values of organisation members. Competitive wages, performance-based bonuses, crating promotional avenues, offering training programmes are all steps intended to bring about positive changes in the attitudes of employees.

11.6 Resistance to change

Resistance to change may be individual or organisational. People resist to change for a variety of reasons : fear of losing job, obsolescence of skills, disturbs the status quo and social relationships etc.

1.Economic reasons

a. **Fear of economic loss :** Employees often feel insecure about loss of employment and economic benefits such as :
    - Fear of technological unemployment
    - Fear of reduced work hours and consequently less pay
    - Fear of demotion and thus reduced wages
    - Fear of speed up and reduced incentive wages

   Machines, computers and robots have destroyed thousands of jobs in the recent past. Employee fears in this regard, therefore, seem genuine and well-founded.

   b. Obsolescence of skills : Change may render existing employee skills and knowledge obsolete. What they have been doing for ages together might be under threat. If employees feel that they do not possess requisite skills that are currently in demand, they resist changes quite seriously.

2. Personal reasons

a. **Fear of the unknown :** Change is resisted often because of its unknown consequences. Whenever people do not know exactly what will be a change, happen they are likely to resist it with all their might.
   For example, a bank employee may resist posting to a rural branch because of the anxiety of unknown area. Female clerks in Indian banks often refuse promotions because promotion requires relocating. In all such cases, employees do not know how a change will affect them and worry about whether they will be able to meet the demands of a new procedure, technology, or location.

b. **Status quo :** People like status quo because they have adjusted to the demands of a job over a period of time. Change would render all such experience, knowledge and learning somewhat useless. When introduced, change would require people to learn new or even difficult ways of doing things. This means loss of expected rewards, convenience and comforts. This kind of emotional and turmoil forces them to embrace status quo arrangements passionately. Why to rock the boat and invite trouble ?

c. **Self-interest and ego-defensiveness :** Employees typically resist a change as they believe it will take away something of value. A proposed change in job design, structure or technology may lead to a perceived loss of power, prestige or company benefits. Many impending changes threaten the self -interests of some managers in the organisation. A change may diminish their power and influence within the company, so they fight it. Again, a sales person's suggestion to expand sales by offering seasonal discounts may be turned down by the branch manager who thinks the sales executive might steal the credit.

3. Social reasons

a. **Social displacement :** change often causes social displacement of people by breaking informal groups and friendly relationships. Employees get emotionally upset when friendships breakdown. They dislike new adjustments, new groupings and new relationships brought forward by change efforts and thus resist it vehemently.

b. **Peer pressure :** People may resist change because of peer pressure. As individuals, they may like computerisation, but refuse to accept it for the sake of the group. Any change that upsets group norms is likely to be opposed, even if it is known to have a positive impact.

4. Organisational Issues

a. **Threat to power and influence :** Some people consider change as a potential threat to their position and influence in the organisation. Novel ideas and the new use of resources can disrupt the power relationships and therefore, are often resisted at organisational level. Especially people who are occupying the top place in the organisation resist some changes because any change might threaten their existing power. That is to say people resist change on the ground that it might affect their position-power.

b. **Organisation structure :** Some organisational structures have inherent forces acting against change. In a bureaucratic structure, for example, jobs are narrowly defined, lines of authority are clearly spelt out, the information flows from top to the bottom. In such an organisation, novel, innovative ideas do not find favour and are screened out. The structural inertia favours stability and status quo rather than change and innovation.

c. **Resource Constraints :** Organisations many a time, operate under some resource constraints. If the resources with which to operate are available in abundance there will be no problem of introducing change. But the necessary financial, material and human resources may not be available to the organisation to make the needed changes.

d. **Sunk costs :** The plight of some companies is such that heavy capital is blocked in the fixed assets. If an organisation wishes to introduce change, then difficulty arises because of these sunk costs. Sunk costs are not restricted to physical things alone; further, they can be expressed in terms of people also. For instance, some members in the organisation retain their jobs by virtue of enough seniority, though they do not significantly contribute to the organisation. Unless they are motivated properly to higher performance, the payments for their services (for example, fringe benefits, salaries, and other payments) represent the sunk costs for the organisation.

11.7 Overcoming resistance to change

Some of the approaches, at the individual as well as group level, designed to reduce resistance to change are :

1. **Education and communication :** One of the easy ways to overcome resistance to change is to help employees understand the true need as well as the logic behind it. Tell them clearly as to what is going to occur and why to dispel their fears. To this end, a manager should specifically explain :
    - What the change is about
    - When is to be introduced
    - How it will be implemented
    - Why the change is required

- What is the basic purpose of change
- How the change is going to help them etc.

When employees realise the need for change and understand the logic behind it, they tend to accept it easily. However, it is a very time-consuming approach. Managers have to explain everything patiently in order to gain acceptance from employees.

2. Participation and involvement : Participation is another key concept in gaining acceptance. If people participate in what is happening, they will be more likely to go along. They get a chance to express their opinions freely, get their doubts clarified and understand the perspective of others. As a result, uncertainty is reduced; self interests and social relationships are less threatened. Involving users and potential resisters in the change process has other benefits also. It helps managers identify potential problems and understand the differences in perceptions of change among employees. After a series of discussions, any change effort that is likely to be made is going to be accepted wholeheartedly. People generally support what they help create. People who participate will be committed to implementing change. However, it is a time consuming and costly exercise.

3. Facilitation and support : Change agents can offer a range of supportive efforts to reduce resistance. Compassionate and sympathetic listening may be used to reduce employee's fears and anxieties.

Managerial support can also come in the form of special, new-skills training; job stress counselling and compensating time-off. The approach, obviously rests on the belief that people have the ability to solve their own problems with the help of a sympathetic listener. The role of the manager as a facilitator is one of understanding and perhaps, advising rather than passing judgement. This requires a somewhat permissive and friendly atmosphere.

4. Negotiation and agreement : Sometimes management can neutralise potential or actual resistance by exchanging something of value for cooperation. It can offer rewards to those who go along with the change. It can also agree to protect those who will potentially be damaged by the change. Every attempt can be made to see that people do not lose their face in the change process. Unions and their representatives who bargain for their members should be allowed to air their opinions freely so as to have a clear picture of what they stand for. When management is able to strike a deal by offering something of value, an agreement is reached. Negotiation as a tactic works when resistance comes from a powerful source. Its costs can be quite high when the field is wide open to several contending groups. As commented by Robbins, "there is a risk that, once a change agent negotiates with one party to avoid resistance, he or she is open to the possibility of being blackmailed by other individuals in positions of power".

5. Manipulation and cooperation : Manipulation occurs when managers selectively withhold undesirable information, create false rumours, distort facts to get potential resisters accept the change. In cooperation, the change agent seeks to buy off the leaders of a resistance group by giving them a key role in the change process. This method, however, is not a form of participation because the change agent does not really want advice from those coopted. In this sense, cooptation would prove to be a non-productive, self-defeating exercise. People who feel that they have been tricked, are not being treated fairly, or are being lied to, are likely to respond negatively to a change.

Once the co opted members discover the tactics, the change agent's credibility may nose drive.

6. Coercion : In coercion, managers use formal power to force employees to change. Resistors are told to accept the change or lose rewards (threats of transfer, loss of promotions, negative recommendations) or even their jobs. This approach may not pay in the long-run because employees feel like victims, are angry at change agents and may even sabotage the changes. In critical situations where and urgent response is required, coercion works.

7. Group dynamics : Forces operating within groups can be used to overcome resistance to change. A group can be very effective in changing members' attitudes, values and behaviour, especially in those areas as are related to the purpose of the group. In a group where members share perception that change is required change can be easily implemented. The source of pressure for change lies within the group. Likewise, open communication with group members helps in resolving knotty issues amicably and implement the change smoothly.

11.8 Management of Change

In large scale industries, changes seldom occur without a bit of chaos. Change becomes orderly when it is planned and implemented in a systematic way. The process of planned change comprises the following steps :

1. Identify the need for change : First of all, the manager should identify the forces demanding change. These forces, thus may be internal or external.

a. Internal forces

-Employee turnover
-Change related role conflicts
-Any other internal changes (introduction of new department etc)

b. External forces

-Technological changes
-New marketing strategies
-New production techniques

The above forces may not demand change but some may require immediate and careful attention of management. The minor forces, therefore, must be isolated and the focus must shift to the major ones. Feedback information, control mechanics generally help in identifying where major gaps have occurred between the desired performance and the actual performance in key areas. A **Performance gap** is the difference between what the organisation wants to do and what it actually does. A careful examination of performance reports would help the manager put the finger on the problem causing trouble. (**Performance Gap :** A disparity between existing and desired performance levels)

2. Diagnose the problem

This step involves the identification of the root cause. Most organisational problems have multiple causes, seldom is there a simple and obvious cause and seldom does only one perspective need to be considered. Several techniques may be used, therefore, for diagnosis, e.g., interviews, attitude surveys, team meetings, questionnaires etc. Where the problem can be traced to a single department, the focus of diagnosis is limited to that area. If the problem has wider implications and affects a large number of departments, organisational analysis is required. Organisational analysis includes exhaustive study of organisational goals, principles, practices and performance at a macro level. After such an exhaustive analysis, the change agent would be in a position to identify the areas where modifications have to be made. It must be realised here that a change in one part may affect other parts of the organisation (as shown in the figure below through the arrows connecting the type of change). A new product may require changes in technology, and a new technology may require new people, skills or a new structure.

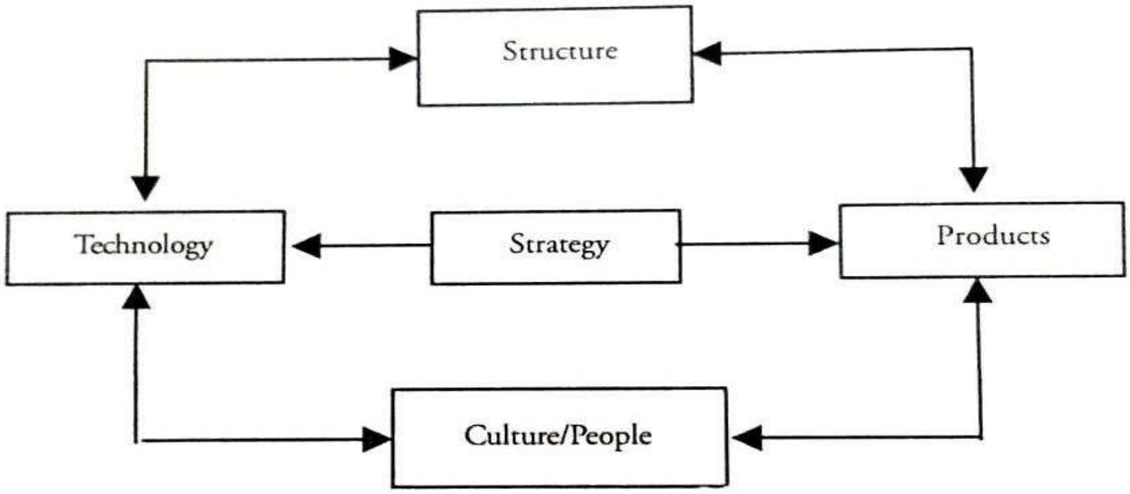


Figure: Types of Organisational Change

3. Plan the change : This is a crucial step in the management of change. It involves answering three important questions :

a. When to bring the change (timing)
b. How to bring the change (Methods) and
c. Who will introduce the change (change agent)

While introducing change, reactions from people must be carefully assessed. People affected by change must be consulted; the likely impact should be explained patiently; sufficient time to pick up new skills should be given and adequate rewards to those who follow change should be indicated. As a rule, individuals should get information that will help them answer the following change - related questions (Kotler).

- Will I loose my job ?
- Will my old skills becomes obsolete ?
- Am I capable of producing effectively under the new system ?
- Will my power and prestige decline ?
- Will I be given more responsibility than I care to assume ?
- Will I have to work longer hours ?
- Will it force me to betray or desert my old friends ?

In addition, selection of an appropriate method is essential to bring about changes in technology, products, structure, strategy or people.

Changing structure involves reorganisation of the departments, re-specification of span of control, decentralisation etc. Changing task includes job enrichment, job specification and specialisation and job redefinition or any other changes concerned with the task of employees. Changing technology involves introduction of new lines of production, installing new control systems, instituting new selection and recruitment procedures, etc. And finally, changing people comprises of training, meetings, development activities, etc.

The question as to who will bring the change involves the selection of a change agent. Who initiates necessary steps for bringing about change. These may include (Schein).

- Make clear the need for change or provide a climate in which group members feel free to identify such needs.
- Permit and encourage relevant group participation in clarifying the needed changes.
- State the objectives to be achieved by proposed changes.
- Establish the broad guidelines for achieving the objectives.
- Leave the details for implementing the proposed changes to the group in the organisation or to the personnel who will be affected by change.
- Indicate the benefits or rewards to the individuals or groups that are expected to accrue from the change.
- Materialise the benefits on rewards , ie.., keep the promises made to those who made the change.

4. Implement the change : While implementing any change programme, managers encounter three programmes :

a. Resistance
b. Power
c. Control

As explained previously, there is the problem of resistance to change. Again, change may undermine the balance of power in the organisation and disrupt the existing control system.

Implementation of Change : Action steps

Problem	**Implication**	**Action steps**
Resistance	Need to motivate	1. Invite participation from people 2. Offer appropriate rewards 3. Encourage open communication. Explain why change is essential.
Control	Need to manage the transition	1. Use multiple and consistent leverage points. 2. Develop organisational arrangements for transition. 3. Build in feedback machinations.
Power	Need to shape the political domain	1. Assure the support of key groups. 2. Use leader behaviour to get support of change. 3. Use symbols and language

Regardless of which approach is used (to challenge technology, design, task or people) the ability to sustain change depends primarily on how well the organisation reinforces newly learned behaviours during and after the change effort. A combination of money, pats on the back, and stimulating job/growth opportunities help create a climate that reinforces new behaviours. Where the rewards are perceived to be fair, employees commit themselves to the 'new ways of doing things' wholeheartedly.

5. Follow-up and feedback : Management of change is incomplete without proper follow-up. Organisation must evaluate the effects of change. Objectives must be present and be compared with the performance to see the degree of success in change. End results should be operationally defined and measurements must be done both before and after the implementation of change. This enables change agent to compare the performance after the introduction of change with the one prior to it. The change agent must make sure that the change is implemented in such a fashion as to maximise the benefits to the organisation by the effective changes.

11.9 Organisation Development

The term organizational development was coined by Richard Beckhard in the mid-1950s.Organizational development is an acronym of two words i.e., organization and development.

Organization: A social unit of people that is structured and managed to meet a need or to pursue collective goals.

Development: The systematic use of scientific and technical knowledge to meet specific objectives or requirements.

Organisation Development

Organization development (OD) is a deliberately planned effort to increase an organization's relevance and viability.

Organizational development is the framework for change, and often times a manager helps to lead this change.

Meaning of Organization Development

Organization development is known as both a field of applied behavioral science focused on understanding and managing organizational change and as a field of scientific study and inquiry.

OD is a systemic learning and development strategy intended to change the basics of beliefs, attitudes, and relevance of values and structure of the current organization to better absorb disruptive technologies, market opportunities, and ensuing challenges and chaos.

Definitions of Organization Development

According to Middlemist and Hitt define "organizational development is a systematic means for planned change that involves the entire organization and is intended to increase organizational effectiveness."

Cummings and Huse define OD "A system wide application of behavioral science knowledge to the planned development and reinforcement of organizational strategies, structure, and processes for improving an organization's effectiveness."

Bennis. W define "Organizational development is a response to change, a complex educational strategy intended to change beliefs, attitudes, values, and structures of organizations so that they can better adapt to new technologies, markets, and challenges, and the dizzying rate of change itself."

Cummings and Worley define ""Organization development is a systemwide application of behavioral science knowledge to the planned development and reinforcement of organizational strategies, structures, and processes for improving an organization's effectiveness."

Objectives of Organisation Development

According to W.French, the typical OD program tries to achieve the following objectives:

- Deepen the sense of organisational purpose and align individuals with that purpose
- Strengthen interpersonal trust, communication, cooperation and support
- Encourage problem solving rather than problem-avoiding approach to organisational problems

- Develop a satisfying work experience capable of building enthusiasm
- Supplement formal authority with authority based on personal knowledge and skill
- Increase personal responsibility for planning and implementing
- Encourage personal willingness to change

Features of Organisation Development

1. **Long-range effort :** OD is not designed to solve-short term, temporary or isolated problems. It is a long-term approach meant to elevate the organisation to a higher level of functioning by improving the performance and satisfaction of organisation members. OD programmes generally cover a period of three to five years.
2. **Broad based :** OD is used broadly to describe a variety of change programmes. It essentially deals with a big picture-an organisation. It is a s sophisticated attempt to bring about a comprehensive change in the entire organisation. In other words, it is concerned not only with changes in organisational design but also with changes in organisational philosophies, skills of individuals and groups.
3. **Dynamic process** : OD includes the effort to guide and direct change as well as to cope with or adapt to imposed change. OD recognises the fact that the goals of the organisation change and hence the methods of attaining them should also change. OD is thus, a dynamic process involving a considerable investment of time and energy. IT is not merely a one-shot deal, it is rather, an ongoing, interactive progress.
4. **Planned and proactive :** The change effort is planned and proactive, rather than reactive.
5. **Systems view** : OD utilises systems thinking. It is based on open, adaptive systems concept. It recognises that organisation structure and managerial performance are mutually interdependent. The organisation is treated as an interrelated whole and no part of the organisation can be changed without affecting other parts.
6. **Research-based** : Most of the OD interventions are research-based. Change agents do not just interview the employees and introduce changes, rather, they conduct surveys, collect data, evaluate and then take decisions. OD programmes are generally conducted by a special task force and involve the utilisation of outside behavioural consultant's faculties.
7. **Goal setting and planning :** Since OD is concerned with the entire organisation, the change agent defines the goals of the group and will see to it that together they all work to achieve them. Beckhard contends that healthy organisations tend to have goal-setting at all levels.
8. **Educative strategy :** OD draws heavily from other disciplines such as psychology, sociology and anthropology. It is based on theoretical inputs from all these disciplines and the research data developed by the change agent. The primary goal is to bring about a fundamental change in an organisation's culture. "It is concerned with changing attitudes, perceptions, behaviours and expectations" (Griffin)
9. **Interventions :** OD relies on the use of interventions that aim at facilitating organisational change and enhance personal and organisational effectiveness.
10. **Change Agents :** OD efforts are initiated through a change agent. The change agent possesses sound knowledge of behavioural sciences and acts as a

catalyst in helping the organisation approach old problems in new or innovative ways.

Organisation Development values

OD change efforts place a premium on humanistic values and goals consistent with these values. OD is a way of looking at the whole human side of organisational life. The emphasis of OD on human dimensions of organisation is reflected in the following cardinal list of humanistic values :

1. Respect for people : Individuals are viewed as being responsible, conscientious, and caring. They should, therefore, be treated with dignity and respect.
2. Trust and support : The effective and healthy organisation is characterised by trust, authenticity, openness, and a supportive climate.
3. Power equalisation : Effective organisations deemphasise hierarchical authority and control.
4. Confrontation : Problems shouldn't be swept under the rug. They should be openly confronted.
5. Participation : The more the involvement by people affected by a change in the decisions surrounding that change, the more they will be committed to implementing those decisions.

Thus, OD develops a view of people in organisation, that is radically different from the traditional approaches about organisations.

Organisation Development process

Organization Development (OD) is a planned approach to improve employee and organizational effectiveness by conscious interventions in those processes and structures that have an immediate bearing on the human aspect of the organization.

A normal OD process can be phased in following manner:

1. Problem Identification
2. Data Collection
3. Diagnosis
4. Planning and Implementation
5. Evaluation and Feedback

1. **Problem identification:** The first step in OD process involves understanding and identification of the existing and potential problems in the organization. The awareness of the problem includes knowledge of the possible organizational problems of growth, human satisfaction, the usage of human resource and organizational effectiveness.
2. **Data Collection:** Having understood the exact problem in this phase, the relevant data is collected through personal interviews, observations and questionnaires.
3. **Diagnosis:** OD efforts begin with a diagnosis of the current situation. Usually, it is not limited to a single problem. Rather a number of factors like attitudes, assumptions, available resources and management practice are taken into account in this phase.

   There are four steps in organizational diagnosis –

   a) **Structural analysis:** Determines how the different parts of the organization are functioning in terms of laid down goals.
   b) **Process analysis:** Process implies the manner in which events take place in a sequence. It refers to a pattern of decision making, communication,

group dynamics and conflict management patterns within the organization to help in the process of attainment of organizational goals.

c) **Function analysis:** This includes strategic variables, performance variables, results, achievements and final outcomes.

d) **Domain analysis:** Domain refers to the area of the organization for organizational diagnosis.

4. **Planning and implementation:** After diagnosing the problem, the next phase of OD, with the OD interventions, involves the planning and implementation of the change process. OD intervention comes into picture here. Intervention is considered to be the action phase in OD processes. Intervention is a set of planned, programmed activities and techniques by which organisations and their clients collaborate in OD programmes.
5. **Evaluation and feedback:** Evaluation is helpful to know as to do what has been done, whether correctly done or not, and show whether further work is needed before proceeding to the next stage. While evaluating, the change agent carefully observes the decisions taken, and their consequences in the organisation. Any OD activity is incomplete without proper feedback. Feedback is a process of relaying evaluations to the client group by means of specific report or interaction

11.10 OD Interventions

An intervention, in OD terms, is a systematic attempt to correct an organisational deficiency uncovered through diagnosis.

"Interventions" are principal learning processes in the "action" stage of organization development. Interventions are structured activities used individually or in combination by the members of a client system to improve their social or task performance.

Interventions range from those designed to improve the effectiveness of individuals through those designed to deal with teams and groups, intergroup relations, and the total organization.

There are interventions that focus on task issues (what people do), and those that focus on process issues (how people go about doing it). Finally, interventions may be roughly classified according to which change mechanism they tend to emphasize: for example, feedback, awareness of changing cultural norms, interaction and communication, conflict, and education through either new knowledge or skill practice.

Some of the important OD Interventions

1.**Sensitivity of T-Group Training**

It is a technique for learning about one's self and others by observing and participating in a group situation.

Features of T-Group Training : (T stands for training)

- T-group is a small group of 10 to 12 persons
- A leader acts as a catalyst and provides a free and open environment for discussion
- There is no specified agenda.
- Members express ideas freely and openly.
- The focus is on behaviour rather than on duties.
- The aim is to achieve behaviour effectiveness in transactions with one's environment.

Advantages of T-group Training

- Helps participants to learn
- They develop insights into how they react to others and how others react to them
- They learn to behave more effectively in a group situation

Dis advantages of T-group Training

- This may create friction among the group members
- Members who are criticised or ridiculed may react negatively
- Instead of promoting friendliness and cooperation, may actually create frustration and resentment among the members

2. Team Building

A conscious effort by management to develop effective work groups organisation.

Features of a team

- Committed to goals they helped define.
- Support one another willingly.
- Trust and support other members.
- Offer suggestions and give feedback to other members.
- May disagree but work to resolve differences reach consensus.
- In short, teams create the potential for an organisation to generate greater outputs with no increase in inputs.

Advantages / Benefits of Team Building

- Improves the organisation's problem solving ability and decision making skills.
- Results in effective interpersonal relationships.
- Helps in understanding inter-group communication and removing the barriers.
- Provides an effective way for the group to examine interpersonal issues.
- Provides a useful platform for the employees to involve in their OD programme.
- Increases the probability of occurrence of collaborative behaviour.

Dis-advantages of Team Building

- Team building focuses only on work groups
- It fails to consider the other organisational variables such as technology and structure.
- Becomes a complicated exercise especially when new groups are formed
- Confusion arises in the roles and relationships among the group members when new members join.
- New members may often pay more attention to the tasks of the team rather than to the relationship among the other team members.

3. Survey Feedback

Survey feedback is a method of basing change efforts on the systematic collection and measurement of subordinates' attitudes through anonymous questionnaires.

Survey feedback consists of

- Collecting information from members of an organisation or work group.

- Organising the data into an understandable and useful form.
- Feeding it back to the employees who generated the data.

For survey feedback to be successful, management must ensure that -

- The questionnaire it employs must be valid and reliable.
- Employees must be willing to report their views and reactions honestly.
- The consultant conducting the programme must be skilled at interpreting the survey data.
- Top management must be willing to use the information it gathers.
- The sessions are conducted in a factual, task oriented environment.
- Each group has enough discretion to consider and act upon its findings and analysis.
- Organisational members trust each other.
- Participants do not feel deceived, manipulated or misrepresented.

Evaluation

Survey feedback, an OD technique, is appreciated on many accounts :

- It yields a great amount of information and data efficiently and quickly.
- Emphasises and promotes two-way communication in the organisation
- It can increase the influence of the lower-level managers
- It has a broad coverage and includes all the members of the organisation.
- Information it provides often serves as the basis for concrete plans to enhance organisational effectiveness.

It is flexible and can be applied to many different organisations and to many different problems.

4. Process consultation

Process consultation is a set of activities that help others perceive, understand and react constructively to current behavioural events around them.

Steps in process consultation :

a. **Initial contact :** Here the client comes into contact with the consultant and specifies the problem that cannot be solved by normal organisational procedures or resources.
b. **Define the relationship :** After identifying the specific problem areas, the consultant and the client enter into a formal contact. The formal contract spells out the services, time and the fees of the consultant. Actually, this is also a psychological contact because both parties are involved in the satisfaction of certain expectations.
c. **Select the method of work :** It involves the clear-cult understanding of where and how the consultant will perform the job. Each individual employee in the organisation is made aware of who the consultant is, so that he can help the consultant by furnishing the required information'.
d. **Collection of data and diagnosis :** The consultant invests a great deal of time in collecting the relevant information. Normally, he gathers data through

questionnaires, observation and personal interviews etc., and then makes an in-depth diagnosis of the problems.

e. **Intervention :** Various interventions by the consultant such as agenda setting, feedback, coaching, and structural suggestions are made in process consultation-approach. During this phase, the solutions designed by the consultant will be translated into action in the organisation.
f. **Reducing involvement and termination :** When the goals of OD intervention have been successfully achieved, the consultant leaves the organisation by closing the formal contract with the client.

Evaluation

Process consultation is designed to change attitudes, values, interpersonal skills, group norms and cohesiveness and other process variables. Evidence shows that it is often effective in facilitating the changes. As against this, there is also evidence stating that there is no correlation between the outcome variables such as task performance, and satisfaction of the employees and the process consultation. There is a conspicuous absence of evidence. It should, however, be noted that process consultation is seldom the sole component of organisational change programme, it is generally combined with other OD interventions.

Process consultation is, however a traditional approach to OD. An important advantage of this technique is that is focuses attention on the interpersonal and intergroup problems faced by the organisation in a direct way. The professional consultant assists the organisational members in facing the problems squarely and resolve conflicts in a dispassionate way. However, the success of this technique to a large extent, depends on the diagnostic skills of the consultant. If the consultant is lacking the requisite experience and skills, the whole exercise may be self-defeating.

Relevance of Change Management in Aviation Industry

Each of these changes compounded the need for change in the entire industry – R&D, greater product complexity, more personnel per unit produced, higher skill levels in the workforce, longer program development time, and greater need for new facilities with only single program utility because of their specialized nature. Such changes contributed to higher costs of the end products, and the demand in the 1960s and 1970s for still more advanced aerospace systems further escalated both the rate of change and the costs. In defence output, cost-together with the greater capability of the individual system-influenced a trend away from volume production and toward tailored manufacture of fewer types of weapons and fewer numbers of each type.

The air transportation industry is characterized by the effects of rapid and significant impacts from surrounding events and economic and social changes.

The negative impact on air transportation of factors such as ward, civil unrest, terrorist actions, increasing fuel prices, and epidemics has been clearly observed in several areas across the world. These events necessitate that airline management respond quickly and efficiently to study the impact of these events and take actions to alleviate their impact. To survive in business, in many situations, airlines may be forced to cut schedules, reduce fares, lay off employees, and cut salaries and benefits. For example, serious implications on passenger demand, revenue, average fare, and average yield (revenue per seat mile) for airlines in the domestic US markets were witnessed following the September 11, 2001 (9/11) terrorist attack.

Over the years, the industry's operations have become increasingly complex, with each increment of complexity heightening the industry's problems in adapting to change. Today, the industry's unique characteristics make the adaptive process extraordinarily difficult. An understanding of the difficulties is best promoted by an explanation of how the industry has been transformed in the past quarter of a century.

Case Study - How employees react to the change in organization Quality Control Equipment

Mr. Chakreswar is the supervisor of 25 unskilled workers working in a grocery warehouse. To reduce the costs, the management has decided to install mechanized materials- handling equipment. Since the workers laced training and knowledge about productivity and cost reduction effects of this equipment, the supervisor had to struggle a lot to introduce the change by involving all of them in it. Ultimately, the new equipment was installed with the active cooperation of his workers. A few months afterwards, Mr. Chandrasekhar was asked to install sophisticated quality control equipment among a group of technical workers. Since this group consisted of educated employees, who were in a better position to understand the company's problems, he expected little opposition to the proposed change. Accordingly, he did not exert himself much before introducing the new equipment as he had done earlier in the case of unskilled workers. Contrary to his expectations, the group resisted tooth and nail to the introduction of the new system until it was given up .However, the mistake proved to be very costly to Mr. Chandrasekhar . He lost his job.

Questions

1) How do you explain the behavior of the two groups in accepting or rejecting the change contemplated by the management?
2) What should have been done by the supervisor to avoid resistance by the technical group of workers to the proposed change?

Case study - Challenges to Management during change An example of Aviation Industry

Virgin Australia, formerly known as Virgin Blue, is Australia's second biggest airline flying 30% of Australia's capacity. It started its operations in the year 2000 as a low-cost-no-frills airlines company (Virgin Australia). The company mainly catered to the low-cost passengers of the leisure market sector. Qantas, Jetstar and Tiger Australia are the main competitors of Virgin Australia, with Qantas having a monopolist reign over the corporate flyers market segment and Jetstar and Tiger giving it tough competition in the low-cost market sector. Virgin Blue renamed itself as Virgin Australia in 2011 aiming to reposition itself in the airlines market as a "new world carrier" for the business class as well as leisure travellers.

The environment in which Virgin Australia operates is extremely dynamic and unpredictable. Fluctuating fuel prices, natural calamities like cyclones, floods and earthquakes, union strikes and global economic downturn all have an impact on the airlines industry affecting it adversely. The global economic recession of 2008 saw a heavy reduction in the number of leisure travellers. With increasing domestic competition in low-fares, achieving profit is becoming difficult for the low-cost carriers. Gradual liberalization of this industry has resulted in competition from international companies as well. Qantas continues to be the biggest competitor for Virgin Australia, as it enjoys near monopoly on business travel.

As a part of “game-changing strategy” for Virgin Australia, its CEO John Borghetti has started a process of numerous changes including revamping the existing airplanes, world-class airport lounges and new uniform for the staff to attract the business travellers. These changes are aimed at capturing 20% of the business travel segment.

Making changes is not easy. There has to be proper planning regarding the investments required, funding arrangements, employee involvement and motivation, counter-movements by competitors and external environment. Many theories and models attempt to capture change management. Some popular change management models/ theories include Action Research Model, Lewin’s Three Step Change Theory, Lippitt’s Phases of Change Theory, Kotter’s Strategic Eight-Step Model and Shield’s Five Step Model. After a thorough assessment of the various models, in this report, Kotter’s eight-step model has been used for implementing the process of change management at Virgin Australia.

To sustain in the dynamic and competitive environment an organization needs to be able to cope with change. Change is a part of each industry. Airlines industry is no exception. The unpredictability of the external environment makes it even more difficult to predict change. However, change can be anticipated; and accordingly strategies should be made to cope with the change in an effective way. This report tries to understand the change cycle for Virgin Australia airlines by understanding the need for change, strategies for implementing change, challenges that the managers may face while implementing the change processes, and finally, measuring the results. The following sections describe all these elements of the change cycle for Virgin Australia, with recommendations on how the managers can deal with challenges.

Virgin Australia’s need for changes arises partly from opportunity and partly from necessity. Qantas being the sole big player in Australian business travel market, there is lots of opportunity for any company offering some choice to the corporate travellers. When John Borghetti put up a question to 300-plus executives that how many fly with Virgin Australia, only a few hands went up. This shows the kind of opportunity business travel has for Virgin Australia. When a company enters a monopoly market, it is bound to gain something.

Challenges for Managers

Going ahead with its aim of becoming a carrier for business travellers, Virgin Australia will face a lot of challenges. Some of the challenges that will be faced by the managers at Virgin Australia and some recommendations on how to deal with the challenges are described below:

Change in leadership is always bound to have effects on the employees, sometimes it is for good and sometimes not so much. John Borghatti’s becoming CEO of Virgin Airlines has had some effects on the employees as well, with a few senior and middle management level employees walking out. Moreover, the way of running things by the previous CEO were very different. The employees may not be ready to embrace the changes. For instance, John Borghetti once bumped into a man in shorts at the office, he was furious about it, the employee said that there was no dress code; and Borghetti’s reply was quite rude. In order to ensure the initiatives do not go into drain, managers have to motivate the employees, understand their problems with the change

in leadership and management styles at the company, and try to align them with the management strategy necessary for the success of the vision.
Investments are another major hurdle in front of Virgin Australia. With its financials already stretched out, if it does not invest carefully, it may face the same plight as Ansett, Compass and Impulse.
Moreover, in the process of attracting the business-class, it might lose out the leisure travellers who prefer low-cost-no-frills attitude. A balance needs to be struck. Marginal rise in prices can be accommodated.
Forming alliances with international airlines is not an easy task. Efficient communication and negotiation skills are required on the part of managers to make it possible.
A big challenge that managers may face is handling the competitors' reactions. Qantas is not going to let the transition process to be easy. It is sure to come up with counter-strategies. The managers have to deal with this efficiently. The managers also need to ensure that the time-frame assigned for various check-points are followed.

Chapter-XII
FUTURE OF HRM

12.1 Introduction

What used to be viewed by many as one of the least exciting areas of an organization is now one of the most dynamic places to work. Human Resources is evolving into more than just hiring and firing and having a huge impact on the employee experience and the future of work.

12.2 Ways of Human Resource - how it is shaping up

Here are just a few of the ways HR is evolving:

From hiring and firing to enabling, empowering, and creating experiences

It used to be that HR was just the place you went to get hired or fired, but those days are long gone. Today, HR is responsible for a wide range of employee activities, most of which center around enabling, engaging, and empowering employees. HR workers are the major players in creating employee experience, which works with an organization's culture and growth and ensures that employees feel valued and supported along every step of their workplace journey.

From the "police" of the organization to the coaches, mentors, and thought leaders

Instead of being the people within the organization who enforce the rules, HR representatives are now thought of as mentors and thought leaders. Employees used to be scared of interacting with HR employees for fear that they would get in trouble for doing something wrong, but today that mentality has shifted towards viewing HR employees as the people to go to with suggestions or feedback on how to improve employee experience and to gain insights into how to better your career.

From maintaining status quo to destroying status quo

HR was long thought of the department that kept the organization humming along and that was resistant to change. If you wanted to try something new, create a new program, or change your work schedule, it would likely get held up in HR. Now, however, HR is often responsible for obliterating the status quo to keep the organization moving forward. Instead of holding things back, HR is the driving force in building a cohesive work environment where employees are happy and growth can happen.

From not technologically advanced to relying heavily on technology

The new HR embraces technology to expand its role. Using new tools like big data and analytics, HR can better understand employees and make more strategic decisions, as opposed to the old role of using emotion and tradition to make decisions. Internal data is available on just about everything, from how employees are performing to how often they visit certain areas of the office. HR representatives use this data to find trends and create the best possible strategy and employee environment.

From not defining strategy to shaping and leading strategy

It used to be that HR just did as it was told and didn't have much impact in the overall strategy of the organization. Today, human resources employees help shape and lead strategy, especially as organizations realize the impact employee experience can have on growth and revenue. Fulfilled and happy employees play a huge role in the overall success of an organization, which means HR now helps shape and lead the overall strategy.

From no seat at the table to a key seat at the table

Today, HR is evolving into a more central role in the organization where it has a key seat at the decision-making table. Many C-level executives come from HR backgrounds and work directly with the department to make sure its needs are met. HR is more involved than ever with other departments and often has its hands in many baskets through the company.

From payroll, compensation, and benefits to employee experience

HR now does much more than just work through payroll and compensation. Instead of focusing on the basic needs of employees, it focuses on building a great experience where employees want to come to the office and do their best work. With a great corporate culture, employees show up to work for more than just the paycheck, which means HR also has to work on more than just payroll.

From cost center to profit-enabling center

In many cases, the change in HR's role within an organization is due to executives realize its profit-creating potential. The old HR was often considered to be a cost center, but by driving strategy and employee experience, the new HR provides the opportunity to create profits and growth. This has helped the HR department get a larger budget because executives can see that investing in HR leads to stronger employees, a better workplace experience, and often to higher profits.

From a clearly defined workforce to a dynamic and changing workforce

The workforce is changing right alongside HR, and the department has to be ready to meet those changes. As the workforce changes, so too does HR's approach to employee experience. More employees are also working in HR to gain experience they can use in other areas, which means the department is constantly getting new points of view, which it can use to create a more cohesive work environment.

From focusing on employee inputs to focusing on employee outputs

As HR evolves, it is having more interaction with employees and playing a larger role in the day-to-day activities and responsibilities of workers. Instead of focusing on employee inputs and what it takes to get the job done, HR today is more focused on employee outputs and how it can encourage employees to do their best work possible.

From treating employees like "resources" to treating employees like water and air

Employees are now viewed as HR less as resources and more as vital parts of the organization that they can't live without. It used to be that without employees, HR wouldn't have anyone to hire or fire--employees were simply things HR needed to do its job. Now, employees are seen as more vital--they are what drives everything HR does, and they play a huge role in the department's success. What HR does now depends on what employees want and is tailored to their needs.

From performance appraisals to real-time recognition and feedback with employee check-ins

HR is now more involved in the everyday employee experience than ever before. Much of this comes from real-time employee feedback with regular check-ins instead of the old way of annual performance reviews. With more applicable feedback, HR hopes to create a dialogue with employees where they feel comfortable hearing ways to improve and are open to making suggestions of their own.

From filling gaps in jobs to unlocking human potential

In many cases, HR is now focused on making sure employees get the professional development skills they need to better their careers. Instead of simply plugging employees into positions in the organization, HR works with people to find their best skills, unlock and develop talents that might be below the surface, and shape a position in the organization that meets their skills and interests.

From a "one size fits all" model across the organization to "one size breaks all" approach

The evolving HR department no longer applies a one-size-fits-all solution to the organization and instead uses a one-size-breaks-all approach. HR now realizes that each department and employee is different and that a different approach needs to be taken to meet individual needs. This is often implemented by spending time with individual employees and departments to find how HR can best support them and drive their strategies.

From siloed from lines of business to working closely to understand business needs

HR used to work in its own corner of the office without much interaction with other departments. The result was often a siloed organization filled with red tape if other departments ever had to collaborate with HR. As things evolve, HR has begun working closely with other departments to best meet their needs. There is often a lot of overlap between HR and other departments, and open communication and good working relationships make it easier to join together for great results.

From multi-year project design and roll-outs to fast design, implementation, and iteration

The new approach helps HR quickly design and implement new programs and ideas and stay ahead of workplace trends. Technology is changing things quickly, and HR no longer has the luxury to sit back and create perfectly formulated plans. Instead, the department must act quickly to put plans into action while they are still relevant. The result is an agile department that has to stay close to employee sentiment and trends to build an environment that reflects the current needs of the organization.

From human resource job titles to people, talent, and experience titles

Many companies have moved from traditional HR titles like Chief Human Resources Officer to Chief Experience Officer or Talent Manager. New titles show the expanded scope of HR and how it is involved in many more areas of employee experience.

12.3 Technology impact on HR

Technology has revolutionised the way we access information, and thereby the way we do business. Regardless of industry, every company and every industry can now be digital — and has the potential to be global. An abundance of information makes it possible for companies to segment and personalise products and services. It also enables companies to quickly move into other new spaces of innovation.

These changes will have a deep impact on the workplace. The way workforces are structured and organised will have to change fundamentally, leading to many knock-on effects in human capital management. Thus organisations will need to rethink the way they hire, engage, develop, reward and lead their workforces.

HR can navigate this new landscape by taking advantage of the advancement in technology – most notably by utilising AI and big data to open up opportunities for strategic value creation.

There are six ways for HR to do this

1. Transformation of leadership

Traditionally, the delegation of authority in an organisation usually follows a formal hierarchical structure with clear lines of accountability. The digitalised world has however found larger success with networked organisations. Such setups often enable individuals to initiate leadership – even if sometimes without formal authority – especially where the sources of work are plentiful and work relationships are numerous. Leadership in this new world will be less about leading people and more about orchestrating the ecosystem of work.

Interestingly, this scenario was forecasted in the Global Talent 2021 study conducted by Oxford Economics and Willis Towers Watson. The paper noted that leadership will require agile thinking, digital skills, global operating skills and interpersonal and communication skills.

2. More personalised and transparent total rewards

A very important trend that we have observed is a more personalised and transparent management of total rewards. Many organisations are transforming into a job-based pay structure, and this allows employees to more easily compare pay to those offered to others.

In the past, discussing pay and benefits openly with each other was widely considered as taboo. But with the advancement of social media and digital platforms, pay and benefit details are now more available to the public. Many countries have also passed legislation that require companies to publicly disclose the details of executive pay.

Previously, 'pay for performance' meant merit increase and incentive pay based on last year's company performance, plus individual bonus based on 'performance rating'. Today, the changing business models and shifting nature of work are now challenging the individual performance definition and the role of base pay. Especially now that 'guaranteed jobs' is no longer a desirable goal for many talents today, organisations are looking to redefine what a 'career' means and to enable career security instead through career development. This will lead to more pay customisation and segmentation in the coming years.

3. Improving the employee experience by applying product design thinking

In the digital era, talent and ideas – rather than capital – have become the key factors affecting the growth of most large enterprises. Jack Ma, the chairman of Alibaba group, has said "staff first, customers second, and shareholders third". Jack Welch, the former CEO of GE, also said "the company is mainly composed of its employees, customers and products". Today's talents are looking for environments that espouse this mind-set.

Top-earning companies certainly have a financial advantage that helps secure top talents. However, as evidenced in our research, most talents are now looking at other factors beyond profit when they decide on an employer. They often look at higher goals, such as the vision to change the world, impact on environment and ethics of competition and labour.

To survive in such fierce competition for talent, the employee experience becomes paramount. Organisations can adapt product design thinking to improve the employee experience.

Design thinking approaches products and experiences from the viewpoint of the user. In an HR context, this would shift emphasis to the employee rather than focusing on the HR program or process itself. In practice, as one example, HR can use “journey maps” or other tools to lay out the crucial points in the employee life cycle, and understand what is or is not working at each stage.

4. Targeted recruitment driven by social media and cognitive assessment

Recruitment can be honed and focused through digital tools such as social media and cognitive assessment. Examples of cognitive technologies include natural language processing, predictive algorithms and self-learning.

Cognitive assessment can be applied to human resource management in many ways. For example, machine learning platforms rank the priority of open requisitions. Organisations often use tools that match candidates to jobs through a fit score based on career experiences and skills. When it comes to social media, “social listening” for an organisation’s and competitors’ publicly available reviews becomes a crucial source for reputation checks.

Applicant screening systems that use AI (already being used within large companies with high application rates) reduces the man-hours required for HR recruitment. It can also lead to the elimination of human error. AI is designed to tackle the redundancy of tasks so that HR managers can focus on higher value activities requiring human touch.

5. Leveraging people analytics to improve organisational performance

The use of people analytics and predictive talent models can enable HR to more effectively and rapidly identify, recruit, develop and retain the right talent, which can help the business to improve organisational performance. HR’s access to these insights can help organisations better identify current pain points and prioritise future analytics investments. For instance, with data analytics for recruitment, HR may find the correlation between academic background and performance, to identify and hire the right fit for the organisation. Data analytics may also help organisations to accurately identify employees who are at a high risk of leaving, and convince them to stay with more informed efforts. This could further lead to increased employee satisfaction.

6. Redefining human resource management

This is being redefined in four ways:

- HR operations are changing through the use of next generation automation tools and standardised processes. This in turn raises service levels and improves the employee experience.
- Organisations are putting people analytics at the core. Data analytics is embedded into day-to-day HR processes consistently, and its predictive power is used to drive better decision making.
- The role of business partner is being replaced entirely with a new talent value leader (TVL).
- To drive improvements in operational performance, HR is becoming more agile. Functional changes in HR operations are freeing up HR professionals

for more strategic work. This is also enabling the emergence of new roles such as workforce analytics professional, robot trainer, virtual culture architect, data, talent and AI integrator and cyber ecosystem designer.

12.4 Human Resources: Present and Future in India

According to an SHRM sponsored study conducted by the Economic Intelligence Unit (EIU) India's total labor force in 2020 is estimated to be 602 million, almost 4 times that of the US at the same time India's rapid growth has elicited a range of reactions from world economies and organizations – from cautious optimism to unequivocal conviction that this is the market to focus in the future,

What does this mean? This means that organizations have a bigger, far more challenging task in the areas of employability of this workforce. It also means shaping this huge potential into sustainable talent that organizations can hire and transform into business drivers. This by far will be the biggest challenge faced by the HR community. Their level of readiness to face this challenge is what must be developed now.

Advancing the HR Profession in India

The SHRM sponsored EIU study is titled Global firms in 2020 – The next decade of change for Organizations & workers. Most respondents shared is that they expect globalization to have the biggest impact (positive or negative) on their organization. 47% believe that economic opportunities for their organization over the next 10 years are greater in India than China.

Wherever globalization is discussed and debated one common theme does emerge the shifting talent equations. As boundaries dissolve developed markets decelerate and emerging markets rise – talent is the single most impact asset. As the world's economy shifts its business focus to developing economies like Brazil, India and China at the heart of this focus lies India with its vast workforce and demonstrated capabilities in the services sector. The talent base that is latent in India continues to increasingly attract the attention of global MNCs. This entails that the role of the Indian HR professional is undergoing a drastic shift and operates with different perspectives as compared to the past.

Increasingly it is imperative to simultaneously enable global integration and local responsiveness. This will involve managing diverse workforces (multi cultural, multi generational and gender) ensure scalability of talent, integrate multigenerational workforce prepare for evolving workplaces (multi locational, virtual) and balance multiple priorities between business performance, growth and developing social responsibility and building sustainable organizations

Society for Human Resources management

Globally as well as in India SHRM has evolved in initiatives and activities that focus on knowledge enhancement and scalability of the HR professionals to enable them to work more closely with the leadership teams as business partners.

For example, SHRM has partnered American Institute of Research to asses the state of HR education across universities. One of the key findings was that the students were concerned to find job posts as an HR, their qualification and their perceptions was that HR needs to increase its influence within organizations. This sets up the agenda for SHRM to sharpen the focus of the value that HR brings to the organizations.

One way of sharp focusing was to introduce certification as a process to ensure higher standards. One of the ways in which SHRM India provides the focus is by providing Global Certification in HR.

HR certification demonstrates mastery of the HR body of knowledge and is widely accepted as a symbol of professional achievement. It is a career long commitment that shows that as an HR professional one has mastered the core HR principle and has remained dedicated by staying current in the profession. It is an achievement that opens doors to a new level of responsibility and endless opportunities. Each level of certification proves the mastery of essential skills and knowledge in the Humans resources profession.

12.5 Future of HRM in India

1. Trends in Joint Decision Making

The largely paternalistic effort to help needy employees solve their personal problems, industrial organisation in India has moved to a joint consultative process of decision-making which influences employees.

This has been brought about by voluntary acceptance by the employers, strong trade unions and governmental legislation. The attitude of employers and the trade unions towards each other has gradually improved.

The profile of the Indian workforce is changing with education and an increasing awareness of its rights. This greater awareness of its rights will result in a greater demand for joint participation in management.

2. Greater Emphasis on Human Resource Development

The future of personnel management will be more about HRD rather than has an administrator of personnel service.

He wills advice management on the relationship between individual development and the achievement of organisation goals.

He will engage himself in planning meaningful personnel research with a view to assist the line managers regarding the current management practices.

3. Change in the Profile of Workers

Educated workforce should demand greater autonomy and discretion in the work place. The needs and aspirations of the educated have changed the sex composition of the work force.

These women workers have begun to assert themselves and resist "discrimination" against them. These factors have resulted in changing the existing personnel policies.

4. Change in Attitude: of Top Management

The scope of personnel management function depends, to a large extent, on its importance in the organisation and the attitude of the top management.

5. Increasing Role of Government

Changes in the personnel function depend to a large extent on the needs dictated by the socio-economic and legal changes in the country.

Enactment of various labour jaws has made it necessary to appoint a personnel manager who is a specialist in law to advice the management on the changing legal obligations on the part of the organisations.

6. Better Method of Performance Appraisal

Performance appraisal or merit rating is one of the oldest and more universal practices of management. It refers to all the formal procedures used in working organisations to evaluate personalities and contributions and potential of group members.

Permanent performance appraisal records of employees help the management to give up sole reliance upon personal knowledge of supervisors. Performance appraisal thus serves as a means for evaluating the effectiveness of workers.
Workers would value a closer connection between pay and performance and would certainly work harder to achieve better compensation for the work done.

7. More Importance to Motivation

Motivation concern itself with the will to work. It seeks to know the incentives for work and tries to find out the ways and means whereby their realisation can be helped and encouraged. According to M. J. Jucious, motivation is "the act of stimulating someone or oneself to get a desired course of action".
The traditional system of motivation, the "carrot and stick" policy is no longer effective, as the element of fear is not as potent as it was in the past.
Today, many positive and psychological rewards such as better wages, interesting and challenging work, and participative management act as better motivators.

8. Changing Work Ethics

A personnel manager's action often represents the position he holds or the office he occupies rather than his personal beliefs. A personnel manager being a professional should depend on certain rules of conduct and behaviour.
The decisions and actions of a professional are guided by certain ethical considerations. Therefore, personnel manager would be called upon to set up and enforce good quality standards. He should be committed to the workers, changing needs.
We can conclude on the future role of personnel management in India by using the words of S.N. Pandey who observed that -"Just as the business of finance men is to manage the finances of the organisation to get the optimum return on investment, just as it is the business of production men to utilise the various resources at their disposal in such a manner that optimum output is obtained, so is the business of personnel men to manage human resource ensuring harmony, motivation, satisfaction and commitment. "
Thus, the future trends of personnel management in Indian industries will modify the role of the personnel manager.
His functions will definitely be enlarged from traditional areas such as management of manpower planning, selection, recruitment, training, and welfare. With growing personnel needs, new dimensions will be added.

The future threats in Airport Transport Management

Although the past century witnessed the dramatic growth of air transportation important challenges cloud its future.

1. The airline industry may not be financially healthy enough to pay for commercial advances that have benefited the continuing growth of air transportation in the past. The development costs of new jetliners, even after adjusting for inflation or unprecedented, partly because the latest generation of aircraft incorporate so many interphases systems.
2. A second basic threat to the future of the airline industry is the price and availability of fuel. In 2006, fuel accounted for about 30% of the operating costs of US airlines, up sharply from a few years earlier. In 2006, fuel accounted for about 30% of the operating costs of US airlines, up sharply from a few years earlier. For air transportation, there is no easy substitute for fossil fuels in this regard. Still, the fuel efficiency of air transport has substantially improved in recent decades, as high as

70% between 1960 and 2000, and possible future reductions are expected to take place ata rate of 1 to 2% per year.

3. A third threat is terrorism and security. The rise of the airline industry was facilitated in part by the steady advance in the safety and predictability of air travel from the early post-WW I days of "Flying Coffins", Terrorism directed against civil aviation threatens the confidence of ordinary travelers in addition to impose additional security constraints taxing passengers in many ways.

The will to fly seems irrepressible, and aviation is now inextricably entwined in the fabric of 21st century everyday life across much of the world.

Note: This material is complied based on the following references

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