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1.1.3. PRINCIPLES OF MANAGEMENT

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MODULE - I

Introduction to Management

INTRODUCTION

'Principles of management' is a baseline management course for students of management at both postgraduate and undergraduate levels. A basic knowledge of management principles is very crucial as subsequent management courses rest on an understanding of the core concepts. Students of management, therefore, need to learn the basic concepts of management for developing application-based knowledge of the subject.

Modern organizations apply management practices to achieve their goals and objectives. The complexity of businesses has further made it imperative to apply management practices, without which organizations cannot survive their competition. Application of management theories and concepts is now required in every activity of an organization. This means that management theories and practices are applied by not only a manager but also an engineer, an accountant, or a security-in-charge of a company. It is due to this reason that the managerial role needs to be tested in the light of Henry Mintzberg's theory (1979).

Mintzberg classified managerial roles into interpersonal, informational, and decisional roles. In their *interpersonal role,* managers need to interact and communicate with the people (working both under and above them) and manage their behaviour to get the desired results. The *informational role* requires managers to collect, monitor, and disseminate information to keep their workplace updated with global changes. Managers play their *decisional role* every now and then while they manage their jobs. To perform all these roles, the study of principles of management is important for students of management as they are the future managers of organizations. It is often argued that management knowledge is inbuilt and, hence, it requires no formal study of theories and concepts. However, this statement can be refuted. It is important to understand that application-based management knowledge has its basis in the theoretical understanding of the principles of management.

A BACKDROP TO MANAGEMENT

To understand the principles of management, it is important to understand the concept of an organization and its various subsystems. An *organization* is made of a group of people with some specific goals, objectives, and activities. *Organization* is also defined as the relations among the components of a system. *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, telecommunications, 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 organization. This chapter, therefore, introduces the basics of management to lay the foundation for subsequent chapters.

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 managed 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 excellence in their work and optimize their gains.

With the Industrial Revolution and its cascading effect, significant advancements took place in technology, 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 production 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 people 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 difficult 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 management provide such basic and institutionalized knowledge to prepare individuals to take responsibility as future managers of organizations.

In this chapter, the definitions and concepts of management have been discussed and the key management thoughts have been elaborated upon with emphasis on the pioneering contributions of Frederick Winslow Taylor, Henri Fayol, Elton Mayo, Mary Parker Follet, and Max Weber.

NATURE AND PROCESS OF MANAGEMENT

The needs of people are to some extent satisfied through the economic activities of organized groups and associations. It is mainly to cater to one's own interests that people come together and accomplish goals through cooperation. However, to be more effective in this pursuit, it is essential that group efforts be properly organized, directed, and coordinated, that is, there is a need for result-oriented management. Therefore, management can be said to be as old as civilization or organized life. The systematic study of management, however, started only six to seven decades ago.

After World War II, the literature on management has grown at an unprecedented rate. This trend has been reinforced by improved research, teaching, and practices. At the same time, there are huge differences of opinion and controversies around the concepts of management. Although one can find some commonality in the way various schools of thought define 'management', these schools consider management from different perspectives. These schools range from the operational school to the mathematical school, the human behaviour school, the systems school, and the decision theory school. The many divergent views have made the task of defining management extremely difficult. Operationally, *management* can be defined as a dynamic process that helps to get things done, through and with the efforts of people. However, this definition is rather inadequate. In this competitive world, management as a process helps in optimizing scarce resources (all the inputs to achieve the intended goals and objectives of the organization).

Today, one organization is differentiated from another based on the degree of efficient management practices. Efficient management practices add to the competitive strength of organizations. The term *management* may be defined differently by different scholars, but its approaches, environment, and processes are essentially the same for organized activities. It encompasses all hierarchical levels in the organization.

DIMENSIONS OF MANAGEMENT

In the preceding section, there has already been an attempt to provide a holistic definition of management. However, to authenticate such a definition, one has to first validate it through a review of the standard definitions of management provided by scholars in the field. From this point, the definitions of management can be categorized into different approaches according to their different dimensions:

- **Productivity orientation:** Taylor and John F. Mee have pioneered this concept. Their definitions are primarily concerned with increased productivity as the basic goal of management.
- **Human-relations orientation:** This concept was pioneered by Lawrence A. Appley and Harold Koontz. Their definitions of management primarily emphasize people and the relationships among people as the focus of management..
- **Decision-making orientation:** Definitions under this category focus on decision making as the primary function of management. Ross Moore and Stanley Vance pioneered this concept.
- **Leadership orientation:** This concept views leadership as the essence of management. The proponents of this concept are Donald J. Clough and Ralph C. Davis.
- **Process orientation:** This concept views management as a process. Numerous authors including James L. Lundy, Dalton E. McFarland, Howard M. Carlisle, F. E. L. Brech, Robert L. Trewatha, M. Gene Newport, and George R. Terry are proponents of this concept.

Understanding the dimensions of management in the different definitional contexts helps to develop a holistic, all-inclusive, and all-purposive definition. Thus, *management* can now be defined as the optimization of constraining resources to achieve intended goals.

Resource is a broad term and it encompasses everything that one requires as inputs (including knowledge and information inputs). Resources are not available in abundance. There are always resource constraints. Every organization tries to achieve their charted goals and objectives through efficient management, by proper allocation of constraining resources. Goals and objectives emanate from strategic plans of organizations, which have been explained in detail in Chapter 2.

FUNCTIONS OF MANAGEMENT

The functions of management relate to those activities that help in value addition and also in achieving the goals and objectives of organizations. Production, purchasing, selling, advertising, finance, and accounting are examples of such functions. The nature of such functions varies from organization to organization, but there are certain commonalities. Fayol (1949), the founder of modem management theory, divided all the activities of an organization into six groups: (1) technical, (2) commercial. (3) financial, (4) security, (5) accounting, and (6) managerial.

Fayol distinguishes between the principles and the elements of management. *Principles* are rules and guidelines, while *elements* are functions of management. Fayol has grouped the elements into five managerial functions: (1) planning, (2) organizing, (3) commanding, (4) coordinating, and (5) controlling.

Fayol’s classification is widely accepted. Luther Gullick (1937) used the term POSDCORB for Fayol’s classification. The initial letters of the term indicate management functions, viz. planning (P), organizing (O), staffing (S), directing (D), coordinating (CO), reporting (R), and budgeting (B). Reporting is a part of the control function while budgeting is a part of both planning and controlling. William H. Newman and Charles E. Summer, Jr, (1961) classified the management process into the functions of organizing, planning, leading, and controlling. The most useful method of classifying managerial functions is to group them around the components of planning, organizing, staffing, directing, and controlling.

The given functions of management are common to all business enterprises and organizations in other fields as well, but the manner in which these are carried out will not be the same across organizations. All these functions constitute the job of a manager though the relative importance of each of them will vary from time to time. Thus, tight economic conditions might force a firm to lay more emphasis on control for the time being, while a growing concern may have to devote more time to organizational problems.

Another way of describing the functions of management is to consider them as a series of interrelated functions—planning, organizing, staffing, leading, coordinating, and controlling—constituting a process.

Planning

Planning is deciding in advance what is to be done, how it is to be done, and when it is to be done. It involves projecting the future course of action for the business as a whole and also for different sections within it. Planning is, thus, the preparatory step for taking action and helps in bridging the gap between the present and the future. Since planning is essentially choosing, it is dependent upon the availability of alternatives. It is through this process of choosing that decision making can be seen as an obvious and important aspect of planning. Thus, planning is an intellectual process and signifies the use of a rational approach to the solution of a problem. In a more concrete sense, the planning process comprises determination and laying down of objectives, policies, procedures, rules, programmes, budgets, and strategies. Management might plan for a short period and also for the long run. For improved efficiency and better results, short-range plans need to be properly coordinated with long-range plans.

Planning is a fundamental function of management and all other functions of management are greatly influenced by the planning process. The importance of planning is amply manifested by the increasing interest evinced in planning in business, government, and other organizations. Very often, the planning process is erroneously described to be the prerogative of the top management. The fact, though, is that planning permeates all levels in the organization and every manager, irrespective of their position in the management hierarchy, must plan within the limits of their authority and the decisions of their seniors.

Organizing

Organizing is the next function of management. It may be conceived of as the structuring of functions and duties to be performed by a group of people for the purpose of attaining enterprise objectives. The functions and activities of the enterprise depend upon the objectives to be accomplished and are also directed towards fulfilment of such objectives. This necessitates establishment of activity-authority relations throughout the enterprise.

More specifically, organization as a function of management involves the following steps:

Determination of the activities of the enterprise keeping in view its objectives

1. Classification of such activities into convenient groups for the purpose of division
2. Assignment of these groups of activities to individuals
3. Delegation of authority and fixing of responsibility for carrying out such assigned duties
4. Coordination of these activities and authority relations throughout the organization

Thus, division of work among people and coordination of their efforts to achieve specific objectives are the fundamental aspects of organizations. Problems of organizing arise only when group efforts are involved. Activities by one person cannot possibly be organized in the sense in which the term is used. Similarly, an organization always intends to achieve objectives and, thus, it is a means to an end and never an end in itself. For better results, it is, therefore, implied that organizations be based upon practical prudence and sound application of organizational principles.

Directing

Mere planning, organizing, and staffing are not sufficient to set tasks in motion. The management may have well-coordinated plans, properly established duties and authority relations, and able personnel, but it is through the function of *directing* that the manager is able to get the employees to accomplish their tasks. This function involves making the employees integrate their individual efforts with the interests and objectives of the enterprise. It calls for properly motivating, communicating with, and leading the subordinates. Motivation induces and inspires employees to perform better, while through competent leadership the manager is able to make the employees work with zeal and confidence. Directing the subordinates embraces three essential activities:

1. Issuing of orders and instructions
2. Guiding and counseling the subordinates in their work with a view to improving their performance
3. Supervising the work of subordinates to ensure that it conforms to plans

Control

While directing, the manager explains to subordinates the work expected of each of them and also helps them to do their respective jobs so that enterprise objectives can be achieved. Yet, even then there is no guarantee that work will always proceed according to one's plans. It is this possibility of actions deviating from the plan that necessitates constant observation of actual performance so that appropriate steps may be taken to ensure conformance. Thus, *control* involves compelling events to conform to plans. The important steps to be initiated in this direction are:

1. Measurement of accomplishment against the standard and recording of deviations
2. Analysing and probing the reasons for such deviations
3. Fixing of responsibility in terms of persons responsible for negative deviations
4. Correction of employee performance so that group goals are accomplished

From this discussion, it is evident that control is closely related to the planning job of the manager. However, it should not be viewed merely as a post-mortem of past achievements and performance. In fact, a good control system should suggest corrective measures so that negative deviations may not recur. The principle of feedback, when incorporated in the control system, can be of great use. To enforce control on the activities of the organizations, the *project evaluation and review technique* (PERT) is extensively used. PERT requires plotting the activities and then allocating time for each such activity. Using the *critical path method* (CPM), PERT helps in optimizing the time required to accomplish the tasks.

Coordination

Coordination has been advocated as a separate function of management by many authorities including Fayol. However, since coordination is all-pervasive and encompasses every function of management, it may be better understood as the essence of management than a separate management function. Poor coordination is attributed to failure to perform all of the listed management functions.

Coordination deals with harmonizing work relations and efforts at all levels for some common purpose. It may be described as the process of unifying individual efforts for the purpose of accomplishing group goals. The whole idea of coordination is to adjust, reconcile, and synchronize individual efforts, so that group efforts become more effective and common objectives are met.

Sometimes, *coordination* is confused with *cooperation* and it is thought, though erroneously, that if there is cooperation, coordination will automatically follow. While cooperation helps achieve coordination, it is by no means the sole condition for the latter to follow. One can take the example of a cricket match. Without coordinated efforts on the part of the players, it is difficult for the team to win a match. Coordination is not spontaneous. Differences in understanding, approach, timing, interest, or efforts have to be reconciled while synchronizing individual efforts.

A manager coordinates the work of their subordinates. For better results, the following guidelines are suggested:

- Coordination should be viewed as the responsibility of every manager right from the bottom to the top, and every individual should know how their job contributes towards accomplishing the objectives of their department and also the dominant goals of the enterprise. Even when a supervisor is able to accomplish the objectives of their department, they should be made to realize that their achievement is useless unless it is combined with the achievements of the other units and is contributing to the attainment of the larger objectives of the organization.

Thus, every manager should understand and appreciate the hierarchy of objectives.

- Individual efforts are more easily synchronized if coordination is achieved in the early stages of planning and policymaking. Thus, where production and marketing policies are at cross-purposes, coordination between the two groups of activities will be a serious problem.

- Coordination is better achieved through understanding of interpersonal and horizontal relationships of people rather than through vertical relationships in the organization and by issuing of orders for coordination

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- Another essential requirement is good communication. As a result of constant change in the business environment, plans and policies are frequently revised and compromises and adjustments are reached. If the required information is not communicated well in time, then unifying individual efforts for accomplishment of enterprise goals becomes difficult.

CHARACTERISTICS OF MANAGEMENT

In the context of the various definitions of management and subsequent discussions, one can enumerate certain important features of the discipline of management:

Management is organized activities: Management is essentially a group effort. Unless groups are properly organized through coordination and control, management loses its essence. Proper organizing of activities with a clear structure showing authority relationships is important for managing an organization.

Management is aligned with organizational objectives: Every organization develops clearly stated objectives. Peter F. Drucker (1954) had emphasized *management by objectives* (MBO) for achieving results in an organization. For deciding the objectives of an organization, a participative approach is followed to elicit commitment from the cross-sections of employees working in an organization. Even though MBO traditionally puts stress on deciding the objectives at the corporate or the highest level in the organization, in order to make it participative, *key result areas* (KRAs) or *key performance areas* (KPAs) are framed for individual employees of the organization. KRAs/ KPAs are individual, qualitative, and quantitative targets and are mutually decided by the manager and the subordinates. KRAs/KPAs are framed within the ambit of MBO. Aggregation of KRAs/ KPAs leads to the achievement of MBO.

Management optimizes constraining resources: Appropriate resource allocation and optimization of the resources is an important feature of management. Objectives are set keeping in view the resource constraint. A manager has to rationalize the utilization of constraining resources to achieve the best results. Let us understand this with an example. A manager has two options before him: one is to buy new technology with a huge capital investment and the other is to sub-contract or outsource the job. Capital investment will require the organization to borrow the fund required, the payback period of which is more than 10 years. On the other hand, sub-contracting will enable the organization to manage the activity once a proper vendor is identified. If the manager faces this situation, what will he do? He will obviously go for the second option. It has been seen that there are many companies who are doing very well with the second option and are even outsourcing their manufacturing activities.

Management works with and through people: An organization is not just brick and mortar, nor is it just system and structure. It consists of its people, or employees. The competitive advantage of any organization is its people. Hence, managing people successfully is the most important priority for an organization. Encyclopedia Britannica, Inc. which was more than two centuries old, collapsed because it could not manage its people to respond to change. When Microsoft's sister concern Encarta introduced a CD version of the encyclopedia in the market, Britannica could not respond with a competing product as the CD version would reduce the commission income of its sales force. Ultimately, the company had to sell its stake to another new investor at less than half of its price. This shows that management cannot succeed without taking people into confidence.

Management is decision making: One of the most important tasks of a manager is decision making. A manager has to evaluate various decisional alternatives and select the best one. Proper decision making minimizes the risk involved in decisions.

Management is a science as well as an art: Learning management is possible through a scientific process. Therefore, as a discipline, management is a science. However, effective application of management is an art. That is why managerial styles differ. A manager may be too formal with subordinates and maintain a task-oriented relationship, while another may be informal and people- oriented. Both may lead to results but long-term effectiveness is achieved only through people orientation.

Management is universal: Management encompasses everything, not merely a business organization. Even for managing a temple, a church, or a mosque, one has to apply management principles. Approaches may differ, though. Universality also implies transferability of management knowledge and skills across countries. It may be noted that there are arguments that are for and against universality. Proponents of cross-cultural management are against universality of management as they consider management to be situational. Those who subscribe to the concept of universality of management suggest that management is universal and can be found in all types of organizations.

Management is intangible: Management is not something that is tangible or visible. It is an intellectual process that facilitates the management of an organization. Information and knowledge are the key elements of management and these become the most important inputs. The entire process of management, including planning and organizing, comprises intangible inputs that add value to the organization.

Management is an interdisciplinary approach: Management is a structured approach encompassing different fields like political science, economics, sociology, psychology, mathematics, statistics, anthropology, and even engineering. Inputs from all these disciplines have strengthened management and managerial functions.

Management is a social process: As a social process, management has to be responsive to social needs. The social responsibility of an organization is now a well-developed concept that requires management to take inputs from society and give output to society. Efficient management through proper utilization of resources of society can improve the quality of life. A. Dasgupta (2009) pointed out that the activity of every enterprise must be conducted in such a manner that it can serve its own objectives as well as its social purpose. Social responsibilities of management are not always fixed. These keep on changing. To focus on the importance of social responsiveness of an enterprise, William C. Frederick, James E. Post, and Keith Davis (1992) said social responsiveness is 'the ability of a corporation to relate its operations and policies to the social environment in ways that are mutually beneficial to the company and to the society'. It is measured in terms of organizational contributions to charitable and civic projects, assisting voluntary social organizations (NGOs) in fundraising, employee involvement in civic activities, emphasis on equal-employment opportunity, extent of fair treatment of employees, fair pay and safe working conditions, safe and quality products to consumers, and pollution avoidance and control. Howard R. Bowen (1953) advocated the concept of *social audit,* defining it as 'a commitment to systematic assessment of and reporting on some meaningful, definable domain of the company's activities that have social impact'. It is categorized into two types: (1) those required by the government and (2) those that are voluntary in nature. Since organizational social responsibility and responsiveness ultimately depend on the ethical standards of managers, many organizations also try to impart training on managerial ethics and values to make managers more socially responsive.

Management is a system of authority: Management involves decision making. In any organization, the onus of decision making is ultimately on the management. Organizational structure, therefore, traditionally puts management at the top, from where authority and reporting relationships flow. Even though there are attempts to make the organization more participative through horizontal, matrix, and to some extent hybrid organizational structures, ultimately the planning and controlling functions still rest with the management.

Management is dynamic: Since an organization has to keep environmental forces in context and adapt to changes, it has to be dynamic. Without a dynamic approach, an organization may lose its competitive advantage. Using the *strength-weakness-opportunities-threat* (SWOT) model, the Boston Consulting Group (BCG) matrix, or Porter's model, an organization decides its course of action to respond to the changing requirements and frames its plans and strategies accordingly.

Management principles are relative and not absolute: The application of management principles depend on the situation. Each organization may have a situation different from that of others. Such difference may be in terms of time, place, or sociocultural factors. Therefore, principles of management should be understood in the light of the prevailing culture or situations. This can be illustrated through an example. A multinational organization wanted to apply the same principles that were applicable in their branch in the United States, in the branches in Peru and Mexico. The result was disastrous since, in comparison to the United States, the working hours and business etiquette are completely different in these countries. One of the many differences is that workers in Peru and Mexico usually get a long lunch break between their working hours, which can extend up to three hours, allowing them time to even enjoy a nap. However, they start very early in the morning to maintain the schedule of their working hours. Hence, the principles of management that were applicable in the United States could never have been successfully applied in this context.

Management is a profession: The word *profession* has a variety of meanings. It is characterized as an occupation based on specialized knowledge and skill, a theoretical structure, and a learning of science. Management as an occupation has these characteristics. On the other hand, management lacks the characteristic of a profession because it does not fulfil certain other requirements. In order to be a profession in the true sense, the field of management has to satisfy certain other characteristics, namely, the existence of an organized and systematized body of knowledge, a formal method of acquisition of knowledge, the existence of an association with professionalization, the formulation of ethical codes, and the existence of service motives. Many theorists argue that management does not satisfy all these characteristics and, hence, it is wrong to designate management as a profession. They believe that it is better to call it an emerging profession. Whatever the contention, management is increasingly gaining recognition as a profession and has, in fact, become one of the well-recognized professions in India. To substantiate this claim, there are a number of professional management bodies like All India Management Association, National Institute of Personnel Management, and Indian Society for

Training and Development, which are furthering the cause of management through regular membership services. They have come up with the idea of professional ethics, which largely focuses on service motives, taking the profession beyond the ambit of one's individual livelihood.

Management is a strategic function: Every organization has to move strategically to chart their action plan in order to sustain their competitive edge in a changing environment. It is the strategic choice of the organization to decide whether to emphasize *new-market development* or to enhance the scope for repeat buying with better *customer relationship management* (CRM).

Management: Is it a Science or an Art?

Science can be defined as a body of knowledge encompassing the systematic study of the structure and behaviour of the physical and natural world through observation and experiment. Observation and experiment, therefore, comprise the scientific method. Thus, chemistry as a science refers to a systematic body of knowledge accumulated through the application of the scientific method in a particular area. Science is systematic in the sense that certain relationships, principles, and their limitations have been discovered, tested, and established. However, it does not mean that the principles and laws so established are immutable. Discovery of new knowledge and phenomena can always change any principle, irrespective of its standing and respect. Management can be described as a science but it is an inexact science when compared to the physical sciences. Management is a theory possessing a number of principles relating to coordination, organization, decision making, and so on. It is true that one cannot have the same kind of experimentation in management as is possible in the natural sciences. It is the same case with economics, political science, military science, and a number of other sciences dealing with the complex structure of group norms and behaviour. It is, however, appropriate to emphasize that management is as yet a growing science.

The *art* of doing something implies a skill acquired through repeated efforts. In this context, management is also an art as it can only be perfected through practice. Management principles are necessary not only for the sake of knowledge alone but also for their application to real-life situations. In fact, skill in application of principles to work situations is so important to the job of an executive that some authorities regard it as the art of management. However, this does not mean that the science and the art of management are mutually exclusive; they are, instead, complementary to each other. Hence, the theory and the practice of management are mutually helpful.

Management: A Profession

The corporate form of organization that separates ownership from management, the growing complexities in managing the activities of an organization, and the development of an organized body of systematic knowledge of management are essential factors responsible for raising management to the status of a distinct profession. A*field* is normally characterized as a profession when the following features are present:

- A systematic body of knowledge
- Need for learning and proper organization
- Entry restricted on the basis of examination or education
- Dominance of the service motive over the profit motive

Except for the requirement of restricted entry, management qualifies for all other tests of a profession. It is now backed by a systematic body of knowledge. A number of management principles have been developed which need to be imbibed through proper learning and education. Besides, in a number of countries, institutes, associations, and universities are now imparting knowledge relating to management. Moreover, the social and moral climate has created new challenges for this field. The management of today must be creative rather than adaptive and be conscious of its ethical and social responsibilities towards the society. Another important development in the field of management has been that professional management consultants are growing both in terms of numbers and quality. However, as mentioned, management fails to qualify for the test of professionalism on the point of restricted entry. Although there is growing preference for properly educated and trained people for managing business enterprises, self-made managers cannot altogether be eliminated. Thus, the field of management may not strictly be a profession like the legal or the medical professions, though professional attributes are very much present in it.

Significance of Management

Management is important due to the following reasons:

- It optimizes use of scarce resources.
- It ensures effective leadership and motivation.
- It promotes harmony among industrial relations.
- It facilitates the achievement of goals.
- It facilitates change and growth.
- It enhances the quality of life.
- It improves productivity.
- It contributes to organizational competitiveness.
- It develops professionalism.

■ It contributes to organizational growth.

EVOLUTION OF MANAGEMENT

Different Approaches to Management

As mentioned in the earlier sections, management was influenced by various disciplines like sociology, economics, political science, anthropology, psychology, and even literature. Due to such multidisciplinary influences, even authors like Harold Koontz (1961) referred to management as a 'jungle'. Even then, differences exist in the classification of approaches. Although one of the ways to classify management approaches is from the analysis of John G. Hutchinson (1971), which considers the development of management from five different perspectives, the history of management can be broadly classified into three groups: (1) the classical approach, (2) the neo-classical approach, and (3) the modem approach.

The *classical approach* has conventionally implied traditionally accepted views. This approach emphasizes organizational efficiency to increase organizational success. It believes in functional interrelationships, following of certain principles based on experience, a bureaucratic structure, and a reward- punishment nexus. The classical school of thought developed in three different directions: the scientific management approach, the administrative approach, and the bureaucratic approach, which also falls under the administrative school of thought. The *bureaucratic approach* was pioneered by Weber (1920), the *scientific management approach* by Taylor (1903), and the concept of *administrative theory* by Fayol (1949).

The *neo-classical approach* emphasized human relations, the importance of the person behind the machine, individual as well as group relationships, and social aspects. This approach was pioneered by Mayo and his associates (1933). It was further extended to the *behavioural sciences approach,* pioneered by Abraham Maslow (1968, 1971), Chris Argyris (1957), Douglas McGregor (1960), and Rensis Likert (1961). The *quantitative approach* (which developed during World War II and believes in economic effectiveness to solve business problems) and the *contingency approach* (which discards the concept of universality and determines managerial decisions by considering situational factors) also form a part of the *neo-classical approach.*

Modern management thought combines concepts of the classical school with social and natural sciences. It basically emerged from systems analysis.

Even though most discussions on the evolution of management thought start with the classical approach, a brief acknowledgement of the contributions of the pre-classical theorists is useful to appreciate the process of development in management thought. A list of the contributions by pre-classical theorists has been provided in Table 1.1.

Table 1.1 Contributions of Pre-classical Theorists

Contributor	Pioneering ideas
Robert Owen (1771-1858)	He is considered to be a pioneer of the human resource management process. He advocated the necessity of concern for the welfare of workers.
Charles Babbage (1792-1871)	As an inventor and a management scientist, he built the practical mechanical calculator, which is considered to be the basis of the modern computer. He also advocated the idea of specialization of mental work and suggested the necessity of profit sharing.
Andrew Ure and Charles Duplin (1778-1857)	They emphasized the necessity of management education, which further paved the way to professionalize management functions.
Henry Robinson Towne (1844-1924)	He emphasized the significance of skills in running a business.

Reviewing the contributions of the pre-classical theorists, it is clear that their focus was more on developing some specific techniques to solve some identified problems. Due to their obvious technical background, they could not think of management as a separate field. By and large, they integrated management with their respective areas of specialization. Andrew Ure, Charles Duplin, and Henry Robinson Towne largely laid the foundation of management theory, which has ultimately shaped modem management thought.

Classical School of Thought

This school of thought is divided into two approaches—the scientific school and the administrative school. The theorists of this school laid down the foundation of managing an organization in accordance with certain principles. In Table 1.2, the contributions of each theorist have been highlighted.

Scientific management

Scientific management is a classical approach that emphasizes the scientific study of work methods to improve efficiency of workers. Among all the contributors to this school of thought, the contribution of Taylor is thought to be the most important. Regarded as the

Table 1.2 Contributions of Classical Theorists

Scientific management	
Frederick W. Taylor (1856-1915)	Development of scientific management
Frank B. and Lillian M. Gilbreth (1868-1972)	Time and motion studies
Henry L. Gantt (1861-	The Gantt chart
Administrative theory	
Henri Fayol (1841-1925)	General theory of management
Max Weber (1864-1920)	Rules of management

father of scientific management, Taylor developed specific principles for this field in 1911. He started his experiments with the concept of scientific management in 1878 at Midvale Steel Co. During his days at Midvale, he saw that employees were ‘soldiering’, that is, deliberately working at a pace slower than one’s capabilities. He concluded that workers indulged in ‘soldiering’ primarily for three reasons: (1) fear of losing their jobs if they increase their output, (2) faulty wage systems, and (3) outdated methods of working.

For eliminating this problem, Taylor developed the principles of scientific management, emphasizing five important issues:

1. Emphasize organized knowledge rather than rely on rule of thumb
2. Obtain harmony in group action
3. Achieve cooperation
4. Work for maximum output rather than restricted output
5. Develop the potential of the workers both for their self-development and organizational prosperity In essence, Taylor emphasized the following points to achieve organizational efficiency:

- Develop a scientific way of performing jobs
- Train and develop the potential of the workers to perform the job
- Establish harmonious relations between management and workers

In order to ensure that such objectives are achieved, Taylor suggested two important managerial practices: the piece-rate incentive system and time and motion study. The *piece-rate incentive system* rewards the worker who produces maximum output. Such an incentive system will motivate workers to work more to maximize their earnings. This system requires workers to perform at some pre-decided standard rate to earn their base wages. Standards are decided using time and motion study. If workers are able to produce more, then in addition to their base rate they get incentives on the number of excess units produced over and above the standard units. This serves the interest of workers as well as management—workers feel motivated to maximize their earnings, while management gets the benefit of increased productivity.

Time and motion study, as already pointed out, facilitates the determination of the standard time required for performing a job. Time study helps in the determination of time required, duly defining the art of recording, analysing, and synthesizing the time elements of each operation. *Motion study,* on the other hand, involves study of movements in doing a job in parts. It eliminates wasteful movements and retains only the necessary ones. Thus, it makes a job simple, easier, and better.

Taylor developed the time and motion study concepts in association with Frank and Lillian Gilbreth. Like Taylor, Frank Gilbreth is also known as the father of motion study. Lillian Gilbreth conducted research on motion studies. Both of them explored ways of reducing fatigue. They had classified seventeen basic hand motions including search, select, position, and hold, which they called 'therbligs' *(Gilbreth* spelled backward with 'th' treated as one letter). Their approach helps us to analyse the exact elements of a worker's hand movements. A simple modification of a brick-laying approach, following the Gilbreths' studies, helped to increase hourly output from 120 bricks to 350.

Henry Laurence Gantt also worked as a close associate of Taylor at Midvale and subsequently at Bethlehem Steel. His contributions to the scientific management school of thought are the *task and bonus system* and a chart commonly known as the Gantt chart, developed in the years 1910-1915. As per his incentive plan, workers receive their day wages even when they do not perform their complete job. On the other hand, they get a bonus when they take less than the normal standard time to complete the work. It was further recommended that there be payment of bonus to foremen as well, based on the incremental performance of workers.

The *Gantt chart* is used for production planning to compare actual and planned performances. It is a visual device for production control, indicating progress of production in terms of time rather than quantity. In fact, the programme evaluation and review technique (PERT) concept was subsequently developed based on the Gantt chart.

Some of the drawbacks of scientific management are:

■ The basic principles of scientific management revolve around operations problems and do not focus on managerial issues, essential for managing an organization. That is why it is often said that it is more focused on engineering than on management.

■ The assumptions of this theory about people in general are that they are rational and primarily driven by their desire to fulfil material gains. Only the economic and physical needs of people are emphasized, to the exclusion of their social needs.

■ This theory also ignores the human desire for job satisfaction.

Administrative theory

Administrative theory, another part of the classical school of thought, focuses on principles to coordinate the internal activities in an organization.

General theory of management: The French industrialist Fayol, through his pioneering work *General and Industrial Management* published in English in 1949, explained that satisfactory results can be achieved with scientific forecasting and proper methods of management. At the outset, Fayol classified the business operations of an organization into six activities and then outlined 14 principles of management. The six activities are:

1. **Technical:** It is concerned with production and manufacturing.
2. **Commercial:** It includes all activities related to buying, selling, and exchange.
3. **Financial:** It ensures optimal use of capital.
4. **Security:** It ensures the protection of employees and property.
5. **Accounting:** It is concerned with costs, profits and liabilities, maintaining balance sheets, and compiling statistics.
6. **Managerial:** It is a functional approach to management and is concerned with planning, organizing, commanding, coordinating, and controlling.

After detailing all these activities, Fayol primarily focused on the managerial activities and outlined 14 principles to achieve efficiency. These 14 principles are as follows:

1. **Division of labour:** If people are specialized at their work, they can perform their task better. This principle recommends grouping of people as per their area of specialization. The modem assembly- line concept is an outcome of division of labour.

2. **Authority:** Managers must have authority to get things done. Yet, formal authority alone may not help to compel obedience from subordinates; managers must have the expertise to exert personal authority.

3. **Discipline:** People working in an organization need to comply with rules and agreements that govern the organization. Without discipline, results cannot be achieved. Strong discipline and leadership are inter-connected and these can together create an environment of positive work culture.

4. **Unity of command:** Members in an organization must receive instructions from only one person. Conflict will arise when one receives orders and instructions from multiple managers. Therefore, the reporting relationship of one subordinate should be with one superior.

5. **Unity of direction:** All operations in an organization need to be directed towards one objective. Without this, achievement of goals cannot be ensured.

6. **Subordination of individual interest to the common good:** The interests of an individual employee should not take precedence over the interests of the organization as a whole.

7. **Remuneration:** It should be fair to both employees and employers.

8. **Centralization:** Centralization reduces the role of the subordinates in decision making, while decentralization enhances it. Managers should retain responsibility through centralization but at the same time give their subordinates enough authority to do their jobs properly.

9. **Hierarchy:** There should be a line of authority, illustrated in the form of an organization chart clearly showing the structure of authority from the top management to employees down the line.

10. **Order:** People and materials should be in the right place at the right time. Job allocation to people should be made in a way that suits them.

11. **Equity:** Managers should be fair to their subordinates.

12. **Stability of staff:** Employee turnover should be less to ensure efficiency of an organization.

13. **Initiative:** Subordinates should have the freedom to conceive new ideas and do their task, even though they may commit mistakes.

14. **Esprit de corps:** Team spirit should be promoted to develop a culture of unity in the organization. Use of verbal communication instead of formal written communication, wherever possible, may help in developing the team spirit in an organization.

Bureaucratic theory: The *bureaucratic theory* pioneered by Weber (1920), which falls under the administrative school of thought, emphasizes authority structures and description of an organization based on the authority relations. According to Weber, 'a bureaucracy is highly structured, formalized, and impersonal organisation'. In fact, he has advocated the necessity of a formal organization structure with set rules and regulations. The characteristics of a bureaucratic organization as described by Weber are shown in Table 1.3.

Bureaucracy is often misunderstood as being a web of red tape and too many rules. However, Weber's concept is intended to remove ambiguity, inefficiencies, and patronage.

Criticism of the classical school of thought

Behavioural theorists criticized the classical theorists on a number of grounds. First of all, management principles are not universally applicable in today's complex business situation. Some principles of Fayol are also contradictory, for example, the principle of specialization contradicts the principle of unity of command. Similarly, Weber's bureaucracy also takes away the individual's creativity and flexibility, and dissuades them from responding to a complex situation in a global environment. Further, classical theorists also ignored the important aspects of organizational behaviour. These theories do not deal with the problems of leadership, motivation, power, or informal relations. They also fail to consider the internal and external environmental forces affecting an organization. These stress the necessity of achieving productivity, more than anything else.

Neo-classical School of Thought

This school of thought, which was a transitional phase, basically emphasized human relations.

Table 1.3 Characteristics of Bureaucratic Theory

Characteristics	Description
Specialization of labour	Jobs are broken down into routine, well-defined tasks so that members of the organization know what is expected from them and they can become competent enough to do a particular subset of tasks.
Formal rules and procedures	Written rules and procedures should specify the desired behaviours from members of the organization, facilitate coordination, and ensure uniformity.
Impersonality	Rules, procedures, and sanctions should be applied uniformly regardless of individuals.
Well-defined hierarchy	Multiple levels of positions must be designed carefully keeping in mind the reporting relationships among levels. This should provide for supervision, handling of exceptions, and ability to establish accountability of
Career advancement based on merit	Selection and promotions should be based on the qualifications and performance of members.

Behavioural theories

The *behavioural school of management* emphasizes the human element in an organization, duly recognizing its importance. It puts more stress on individual attitudes and behaviours and on group processes. The major contributors to this school of thought are named in Table 1.4.

Mary Parker Follet was the pioneer of the behavioural approach to management. She recognized the significance of the human element and attributed greater significance to the functioning of groups in the workplace. According to Follet, the critical role of managers should be to bring constructive change in the organization, following the principle of ‘power with’ rather than ‘power over’. She clarified that power should not be based on hierarchical levels but should be collectively developed, fostering a cooperative concept, involving superiors and subordinates, and finally working together as a team.

Table 1.4 Major Contributors to the Behavioural School

Contributors	Contributions
Mary Parker Follet (1868-	Group influences in the workplace
Elton Mayo (1880-1949)	Effect of human motivation on productivity and output
Abraham Maslow (1808-	Relates human motivation to a hierarchy of needs
Douglas McGregor (1906-64)	Emphasizes human characteristics—theory X and theory Y—and the corresponding style of leadership

Chris Argyris (1923-present) Human and organizational development—model I and model II

Hence, the need is for more power sharing. Organizations need to become democratic to accommodate employees and managers. People will work harder when the organization recognizes the individual's motivating desires.

While Follet was the pioneer of the behavioural approach to management, it is Elton Mayo who is recognized as the father of the human relations approach. Mayo and his associates conducted their study at Western Electric's Hawthorne Plant between 1927 and 1932, to evaluate the attitudes and psychological reactions of workers in on-the-job situations. Their experiments were carried out in four phases: (1) illumination experiments, (2) relay assembly test room experiments, (3) interview phase, and (4) bank wiring observation room experiment.

Illumination experiments: These experiments took place initially between 1924 and 1927, in Hawthorne Plant of Western Electric Company and involved industrial engineers of the same company. The experiments involved manipulation of illumination for one group of workers (test group) and comparing their performance and productivity with another group for whom illumination was not manipulated (control group). In the first spell of experiment, for the test group (for whom the illumination was manipulated) performance and productivity improved. However, this did not last long. In fact, the control group's performance also rose in between with the alteration in lighting conditions for the test group, even though for the control group there was no change in the lighting conditions. With such contradictory results, researchers concluded that intensity of illumination was not related to productivity of workers. There had to be something besides illumination which influenced the performance of workers in Western Electric Company. Elton Mayo and his associates from Harvard University were involved at this point in conducting the subsequent phase of experiments.

Relay assembly test room experiments

This set of experiments was conducted under the guidance of Elton Mayo between 1927 and 1933. At this stage too, researchers were concerned about factors like working hours, working conditions, refreshments, and temperatures. To start with, the researchers selected six women employees of the relay assembly test room. Their jobs were to assemble relay (a small device) using thirty-five spare parts. Selected women employees (samples) were put in a separate room and briefed about the experiments. In the test room, a number of variables were altered, for example, increased wages and rest period, shortened workday and workweek, etc. In addition, the sample workers were given the freedom to leave their workstation without permission and were also given special attention. Productivity increased over the study period. Such results led the researchers to believe that better treatment of subordinates made them more productive. They highlighted the significance of social relations. Finally, the researchers were convinced that workers would perform better if management looked after their welfare and supervisors paid special attention to them. This condition was later labelled as the Hawthorne effect.

Interview phase: In this phase of the experiments, about 21,000 people were interviewed over three years between 1928 and 1930. The purpose of the interviews was to explore the attitudes of workers in depth. The conclusions that emerged were:

- A complaint is not necessarily an objective recital of facts; it may also reflect personal disturbance, the cause of which may be deep-rooted.
- All objects, persons, and events carry some social meaning. They relate to employees' satisfaction or dissatisfaction.
- Workers' personal situations are results of configurations of relationships, involving sentiments, desires, and interests. Such relational variables, when related to the worker's own past and present interpersonal relations, result in their personal situation.
- Workers assign meaning to their status in the organization and give value to events, objects, and specific features of their environment (hours of work, wages, etc.).
- Workers derive satisfaction or dissatisfaction from the social status of an organization. This means that they also look for social rewards, associating them with an organization.
- Workers' social demands are influenced by social experiences in groups, both inside and outside the workplace.

Bank wiring observation room experiment: This part of the Hawthorne experiments was conducted to test some of the ideas that the researchers formed during the interview phase. It was conducted between 1931 and 1932. In this experiment, there were fourteen participants (samples) including wire- men, solder men, and inspectors. There was no change in the physical working conditions. Sample workers were paid based on an incentive pay plan, relating their pay to output. They had the opportunity to earn more by increasing the output. However, as the researchers observed, the output was constant at a certain level. Analysis of the results showed that the group encourages neither too much nor too little work. They enforce 'a fair day's work' on their own. Group norms, therefore, are more important to the worker than money. The study, thus, provided some insights into informal social relations within groups.

The Hawthorne experiments, by focusing on the importance of human relations, contributed immensely to management theory.

In the behavioural school of thought, other contributors like Abraham Maslow, Douglas McGregor, and Chris Argyris also left a significant impact. While Maslow focused on the importance of human needs, which are major driving forces for human motivation, McGregor made certain assumptions about people, categorizing them under theory X and theory Y. Theory X essentially represents a negative view about people, that is, people are lazy by nature, have little ambition, dislike work, avoid responsibility, and require direction to work. Theory Y, on the contrary, assumes that people are more positive, capable of self-control, innovative and creative, and they do not inherently dislike work. These theories have been further discussed in detail in Chapter 5.

Chris Argyris's contributions to the behavioural school of thought are extremely important. His contributions comprise the maturity-immaturity theory, the integration of individual and organizational goals, and the patterns of model I and model II. According to the maturity-immaturity theory, people progress from a stage of immaturity and dependence to a state of maturity and independence. If organizations keep their employees in a dependent state, they allow them to remain immature and thereby prevent them from achieving their potential. Argyris further contended that a formal organization develops a rigid structure, compelling people to behave in an immature way. This leads to incongruence between the individual and organizational goals, hinders organizational development, leads to failure, and fosters frustration and conflict. People end up showing their aggression, regression, and suppression in various ways. Model I and model II patterns are two different assumptions. Workers in the model I type of organization are motivated by the desire to manipulate others and protect themselves from others. Workers in the model II type of organization are less manipulative and more willing to learn and take risks. Argyris, therefore, suggested that managers try to create a model II type of organization.

Likert and Drucker have also contributed significantly to this school of thought. Likert attributes low productivity and poor morale of employees to a typical job-centred supervision technique.

He has suggested some typical leadership styles to ensure better productivity and improved morale of workers. These have been discussed in detail in Chapter 6. Drucker, on the other hand, pioneered several modem management concepts in the fields of innovation, creativity, problem solving, organization design, and management by objectives (MBO). All his principles have been acknowledged and are referred to throughout this book.

Criticism of the neo-classical school of thought

Despite the brilliant contributions by the behavioural school of thought to the theories of management, it was criticized on the following grounds:

- It is believed that the procedures and analysis of the findings and the conclusions drawn thereon have little relevance. In fact, the conclusions are not supported by adequate evidence.
- The relationship between satisfaction of workers and productivity was established with simplistic assumptions, while in reality the situation is more complex due to behavioural phenomena.
- Further, all these studies failed to focus on the attitudes of workers, although attitudes play a crucial role in influencing workers' performance and productivity.

Modern Approaches

Some modem approaches have played a significant role in the evolution of management theories, such as the quantitative school, the systems theory, and the contingency theory.

- The *quantitative school of thought* emerged during World War II. During the war, managers, government officials, and scientists were brought together to help the army to effectively utilize resources. These experts, using some earlier mathematical approaches to the concepts advocated by Taylor and Gantt, solved many logistic problems in the war. Subsequent to the war, such techniques were applied by many organizations to solve their business problems. This school of thought extensively utilizes statistics, optimization models, information models, and computer simulations for decision making and economic effectiveness to solve business problems. It has various branches, such as management science, operations management, and management information systems.

    - The *management science approach* visualizes management as a logical entity, expressing management in terms of mathematical symbols, relationships, and measurement data. Also known as the *operations research approach,* it is applied in areas like capital budgeting and cash-flow management, production scheduling, product strategy development, human resource planning, and inventory management. Various mathematical tools like queuing theory, linear programming, PERT, CPM, decision theory, simulation, replacement, probability theory and sampling, time-series analysis, and index numbers are used to minimize the error in management decisions.

- The *operations management approach* is primarily concerned with production management and its related areas. In fact, it is difficult to draw a line between management science and operations management. Most of the mathematical tools mentioned earlier are used in operations management. Moreover, this approach also helps in decision making in other functional areas like finance, marketing, and human resource management.

- The *management information systems approach* focuses on designing and implementing computer-based information systems for use by management. It converts raw data into information inputs, which are subsequently used by management for decision making. Modem management information systems help in enterprise-wide decision making, integrating all functions of management. Enterprise-wide decision support systems (such as human resource information systems) are used for critical or strategically important decisions, as these provide valuable information inputs.

- An extension of the quantitative school of thought is the *systems theory approach.* This approach considers the organization as a whole because of the interdependent nature of activities, requiring the organization to interact with external environmental factors. In this competitive scenario, organizations cannot function in isolation. It has to operate in open systems, interacting with the environment. Whether it is new-product development or employee selection, the organization has to consider them as open systems, as its decisions are interrelated and interdependent with the environmental situation. *Synergy* is the phenomenon of open systems of management by which the total system is more than a simple sum of its parts. It means that if a manager effectively coordinates the efforts of related sub-systems, the result will be greater than the sum total of such independent efforts, that is, 2 + 2 will be greater than 4. The systems approach to management is also important because it helps in avoiding entropy. *Entropy* is a syndrome wherein systems and processes eventually decay. By relating the organization to the environment, following a systems approach, such a situation can be averted.

- The *contingency theory approach* discards the concept of universality in management principles and determines managerial decisions considering situational factors. The task of a manager, as per this theory, is to identify which techniques will—in a particular situation, under particular circumstances, at a particular point of time—best contribute to achieving organizational goals. The theory contends that organizational phenomena exist in a logical pattern, which managers can understand gradually by interpreting various situations. They can thereby frame their managerial styles, which vary from situation to situation.

The contingency theory and the systems theory are together classified as the *integrative school of management thought* because these two theories integrate the classical, behavioural, and quantitative theories into a framework that uses only the best of each approach in a given situation.

CONTEMPORARY SCHOOL OF MANAGEMENT THOUGHT

The *contemporary school of management thought* provides a framework of management practices based on more recent trends like globalization, theory Z concepts, McKinsey's 7-S approach, excellence models, and productivity and quality issues.

With the pervasiveness of the World Trade Organization (WTO) and the European Economic Community (EEC), everyone is now operating in a global economy. Managers are now required to think globally even to operate in domestic markets. Market shares are lost in domestic markets because of competing foreign companies. Hence, understanding management from a global perspective has now become important.

Theory Z concepts, pioneered by W. G. Ouchi and A. M. Jaeger (1978), incorporate elements of Japanese and American management culture and emphasize the need to study and adopt appropriate management practices from other countries. The underlying concept can be better understood through a reading of the information provided in Table 1.5.

Table 1.5 Different Types of Management Practices

Type A (American)	Type J (Japanese)	Type Z (Modified American)
Short-term employment	Lifetime employment	Long-term employment
Individual decision making	Consensual decision making	Consensual decision making
Individual responsibility	Collective responsibility	Individual responsibility

Rapid evaluation and promotion	Slow evaluation and promotion	Slow evaluation and promotion
Explicit, formalized control	Implicit, informal control	Implicit, informal control with explicit, formalized measures
Specialized career path	Non-specialized career path	Moderately specialized career path
Segmented concern	Holistic concern	Holistic concern, including family

McKinsey’s 7-S framework developed by T. J. Peters and R. H. Waterman (1982) identified seven independent organizational factors that need to be managed by today’s managers.

1. **Strategy:** To determine allocation of scarce resources and commit the organization to a specific course of action
2. **Structure:** To determine number of levels (in hierarchy) and authority centres 3.**Systems:** To determine organizational process, procedures, reports, and routines

4. Staff: To determine key human resource groups in the organization and describe them demographically

5. .S**tyle:** To determine the manner in which managers should behave in achieving organizational goals

6. Superordinate goals (shared vision): To determine the guiding concepts that an organization has to instill in its members

7. **Skill:** To determine the abilities of people in the organization

The 7-S framework suggests that any change in any S factor may lead to adjustment of other S factors. Meanwhile, the concept of 8S has been introduced with the addition of one more S, namely, streaming. Streaming includes those areas that either indirectly or directly influence or shape the other S factors. A graphical representation of the model is given in Figure 1.1.

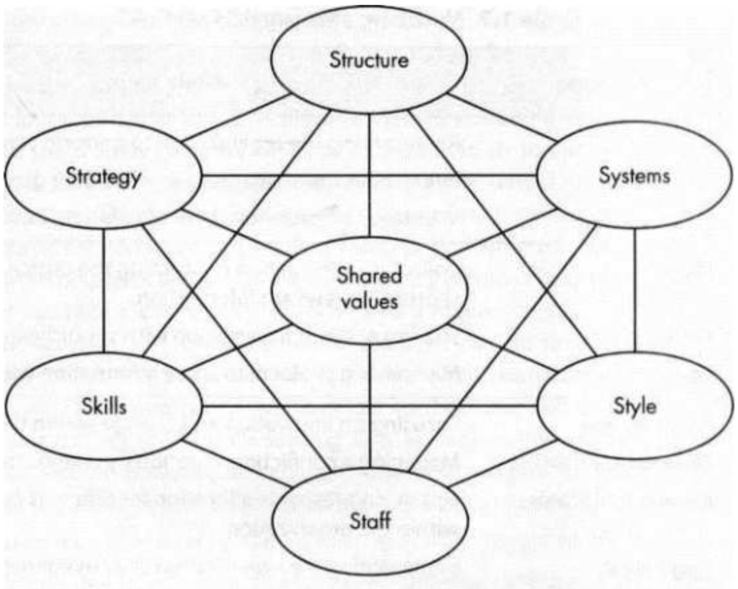


Figure 1.1 McKinsey's 7-S Model (*Source:* Mckinsey & Company)

Peters and Waterman (1982) in their pioneering work, *In Search of Excellence,* identified some common characteristics of excellent organizations. Such characteristics have now become important management principles. They have been listed in Table 1.6.

Table 1.6 Characteristics of Excellent Organizations

Management principles	Characteristics of excellent firms
A bias for action	Excellent firms make things happen.
Closeness to the customer	These firms know their customers and their needs.
Autonomy and entrepreneurship	They value these qualities in each employee.
Productivity	They achieve productivity through relationships with people based on trust.
Hands-on, value-driven management	These firms make such management mandatory.
'Sticking to the knitting', that is, staying with the business one knows best	They always work according to their strengths.
Simple form, lean staff	These firms develop cost-effective work teams.
Simultaneous loose-tight properties	They decentralize many decisions, while at the same time retaining tight overall control.

Global competition has further accentuated the need for enhancing quality and productivity. These two attributes are the basic requirements for any organization to retain competitive advantage. Hence, management practices should focus on these by developing human resources to sustain their competitive advantage.

MANAGEMENT BY OBJECTIVES

Drucker (1954) emphasized for the first time the organizational need for setting objectives to make performance more measurable. When objectives are set in a systematic manner, consciously directed towards effective and efficient achievement of organizational and individual targets, it is known as *management by objectives* (MBO). General Electric Company used the elements of MBO while reorganizing itself, introducing decentralized decision making. For most organizations, MBO is required for performance appraisal as it calls for active involvement of subordinates in setting objective standards. Moreover, MBO also acts as a motivating factor for employees because they can understand their specific objectives and assess the degree of their achievement themselves. Thus, MBO helps in managing an organization with clarity, encourages personal commitment, and creates effective controls. In a way, MBO has paved the way for participative management, involving people in framing objectives and aligning their individual goals with the organizational goals or vice versa.

MANAGERIAL ROLES

Managerial roles denote position-specific behavioural patterns of managers. Mintzberg (1979), based on his study of five organizations, identified ten roles of managers, classifying these into three broad roles, namely, interpersonal, informational, and decisional. *Interpersonal roles* are classified into figurehead, leader, and liaison roles; *informational roles* are classified into monitor, disseminator, and spokesperson roles; and *decisional roles* are classified into entrepreneur, disturbance handler, resource allocator, and negotiator roles. In Table 1.7, the nature of these managerial roles has been explained in detail.

Table 1.7 Mintzberg's Managerial Roles

Role category	Role type	Role nature
Interpersonal	Figurehead Leader Liaison	Representing the organization to perform ceremonial duties Influencing subordinates to achieve their goals and objectives Maintaining horizontal chain of communication
Informational	Monitor Disseminator Spokesperson	Collecting information concerning the organization and shortlisting relevant information Sharing relevant information with subordinates Maintaining protocol to share information with outsiders
Decisional	Entrepreneur Disturbance handler Resource allocator Negotiator	Focusing on innovation and change within the organization Managing a conflicting situation by taking corrective action Optimizing resource allocation for different competing needs within the organization Representing the organization in all major negotiations

MANAGERIAL SKILLS AND COMPETENCIES

The skills of managers have now become an important factor to address global competitiveness at the organizational level and also at the national level. However, imparting skills through training and development is not yet recognized as an important initiative to be taken at the organizational level due to the problem of quantification of benefits. *Skills* developed through training are a coordinated series of actions that serve to attain some goal or accomplish a particular task. Operationally, *skills* are defined widely as overt responses and controlled stimulation. Overt responses may be verbal, motor, or perceptual. Verbal responses typically stress on speaking (which requires memorization of words), motor responses stress on movements of limbs and body, and perceptual responses stress on understanding of sensory responses.

It takes months to acquire motor skills which further require sustained practice. Through controlled stimulations, these acquired skills can be retained, as workers are exposed to the application of skill. When a machine operator is taken through the training and learning process involving new technology, they cannot make use of their knowledge unless they put the learned skills into operation. The process of controlled stimulation, that is, the irritation of the muscles, nerves, or sensory organs is used to evoke a response to particular activities, which gradually develops the skill of the workers in the post-learning phase. Therefore, controlled stimulations are energy inputs to workers, which are expressed in units of frequency, length, time, and weight.

Technological change and skill requirements have been made a subject of investigation in enormous studies across the world. There is a general consensus that technological change alters the job but the observations differ on the aspects of nature and form. The *neo-classical economic theory* stated that technological changes require a broader variety of skills and higher average skills from workers. New forms of skill and responsibility along with technological change have been studied in continuous process industry and chemical manufacturing units, petroleum refining, metal working industries, banking operations, and many other industries that use advanced mechanization. Another school of thought advocates that technology is instrumental in fractionating and de-skilling of jobs. Redesigning of jobs subsequent to technological change separates the planning and the concept of the job in its totality from the execution aspect of work. De-skilling and skill downgrading also occur due to differential growth of high- versus low-skill occupations and industries. The focal point of this hypothesis is that technology induces differential points of growth for sectors of the economy and produces skill polarization through eventual occupational shift to skilled jobs in some industries and unskilled jobs in many others. These phenomena are especially evident in India. From the 1981

Census onwards, one finds a major occupational shift of workers from the primary sector to the secondary sector and from the secondary sector to the tertiary sector. Simultaneous structural change in occupational patterns is also evident, as the number of blue-collar workers has been drastically reduced while the number of white-collar workers has significantly increased. In contrast, another school of thought argues that de-skilling is a secondary consequence of de-industrialization, which again is prompted by technological change. One other approach, which is the mixed change or conditional position, is more a characterization of the empirical evidence than a well-developed theory.

Transformations in skill due to technological change occur along two tracks:

1. Compositional shift, that is, structural change in occupational pattern due to the creation or elimination of jobs of a given level of skill, and the sudden distribution of jobs in the sectoral economy to people

2. Changes in work content (the technical nature of work and the role relations surrounding work performance)

Internationally, the future careers will require greater education (more in the form of institutionalized knowledge) at the job-entry level and will also demand continuing education to keep pace with technological dynamism. Greater levels of technological literacy, even for lower-skill and low-paying occupations, will be in demand in the future.

Going back in history, one finds that the Indian social system had a definite inclination towards developing and maintaining different social groups in terms of certain crafts. The quality elements in a particular craft and the attendant necessary skills were the deciding factors for the purpose of ranking that craft along with others in order of importance.
Skill can be categorized as either generic or technical, or entry-level or advanced. Conventionally, *skill* can be defined as the amount of knowledge or attributes deemed vital to organizational success. There are four general types of skills:

1. **Technical:** It relates to concepts, methods, and tools specific to an organization.
2. **Supervisory:** It enables one to effectively supervise others.
3. **Interpersonal:** It enables people to communicate and interact effectively.
4. **General business:** It helps in business and support infrastructure.

Technical skills are observable, demonstrable, and testable. The other skill types are more subjective, and difficult to quantify. Any organization going for skill renewal or a skill-change exercise needs to undertake the following tasks:

- Profile the skills required by jobs
- Assess the skill levels acquired by individuals
- Conduct a gap analysis between required and acquired skill

Training should ideally occur before the skill is needed so that daily work can be reinforced with training.

Skills Inventories

A *skills inventory* is a device for pinpointing information about individuals and their suitability for different jobs. Skills inventories include the name of the employee and a listing (or inventory) of job-related skills, training, and/or experience that could prove useful in a future assignment. The purpose of skills inventories is to provide the organization with quick, accurate information on all employees in order that the management can choose the best and the most qualified person for promotion or transfer. For example, a skills inventory may consist of the following information: age, address, health, education, willingness to travel, experience in past and present jobs, and foreign languages spoken. If an overseas assignment requiring the speaking of German should suddenly become vacant, the skills inventory could quickly identify those candidates who possess the needed qualifications.

Multi-skilling

Multi-skilling is the process of training employees in specific skills that cross the traditional trade-specific or craft-specific skill sets. Thus, to develop multi-skills, employees require additional training to enable them to perform more jobs within the same job family or to do the entire job from a holistic point of view. Multi-skilling is often misconstrued to imply that it is consequent upon downsizing. However, downsizing occurs due to skill obsolescence, while multi-skilling is due to a holistic development of human potentialities. This holistic development takes place to effectively address the requirements of a changing production process (more flexible and customized), organizational systems (decentralized control), and state-of-the-art technology (numeric control, computer numeric control, direct numeric control, etc.). Multi-skilling facilitates intra-occupational and inter-occupational job mobility and thereby reinforces human resource planning (HRP).

Competencies

Competencies are sets of behaviours that encompass skills, knowledge, abilities, and attributes. Competencies need to be assessed at the organizational level as well as the individual level. Individual competencies together reinforce organizational competencies. However, there always exists the possibility of a major incongruence between individual competencies and organizational competencies. Exercises in workforce planning help to analyse such gaps and develop a competency model. A competency model is a map to display a set of competencies. It is future-oriented and helps to describe an ideal workforce. A documented competency model helps in managerial decision making since it is aligned with the vision, mission, objectives, goals, and strategies of an organization. It also helps the employees of an organization to understand the organization's functional requirements and work towards the enrichment of their skills, knowledge, abilities, and attributes. This can be independent of an organization-wide competency-enrichment exercise.

MODULE-II

Organizational Planning

INTRODUCTION

Planning is the most basic managerial function and is all-encompassing in nature. All other functions of management are largely dependent on the effectiveness of planning. For example, the control function of management becomes meaningless without planning. Through planning, organizations decide what is to be done to achieve some decided goals and by enforcing control one can ascertain whether everything is being done properly to meet the goals. Being the primary and basic managerial function, planning also guides and motivates people to achieve results. People get a sense of direction and are able to achieve their goals along with the organization's goals.

In Chapter 1, it was explained that management is a dynamic process. Since planning constitutes the core of management, it is also dynamic, that is, the plans need to be changed from time to time, keeping pace with the changing planning premises. With changes in the business environment, organizations need to change or alter the plan, to ensure that the desired results are achieved.

CONCEPT OF PLANNING

Planning involves deciding the future course of action in advance. A manager has to plan what is to be done, where, how, and by whom. Planning helps the manager to understand in advance the future activities that need to be performed to achieve the desired results for the organization as a whole and also for each department. Effective planning requires not only assessing the future, but also making adequate provision to face the future. From this perspective, planning is a rational approach to the future. Managers are, therefore, required to plan and initiate necessary actions for successful implementation of their plans.

At the organizational level, planning is done by choosing from different alternatives. Proper study of alternatives facilitates correct courses of action that are less prone to risk, based on which organizations take decisions. In fact, both planning and decision making can be considered to be an intellectual process. Through planning, managers can minimize the risk of decisional errors. Since planning is an intellectual process, managers need to be mentally prepared and consciously determine future courses of action. It requires consideration of objectives, facts, and forecasts.

It is also important to remember that planning is useful to every hierarchical level of an organization. For example, a marketing manager makes use of planning to decide the courses of action for new- market development. Similarly, a salesperson reporting to the same marketing manager needs to plan to meet the sales target. Therefore, one must not erroneously construe that planning is the prerogative of only the top management. The planning process involves choosing the best course of action from different alternatives, and it has to be implemented by all people, irrespective of their hierarchical level.

Importance of Planning

Since planning is one of the primary functions of management, it provides the framework within which organizing, staffing, directing, and controlling are undertaken. The enormous importance of planning is understood in the context of its dynamic equation with other management functions and also with the organization's objectives.

- **Planning clarifies the objectives of the organization:** In planning, the first stage is the deliberate statement of organizational and departmental objectives. The statement of objectives helps employees to visualize the organization in its entirety and see how their actions contribute to its ultimate goals. Since objectives represent end points of planning, management should be prepared to face the future and revise its plans in the light of possible changes so that goals can be accomplished more effectively.

- **Planning economizes operations:** Planning is done considering the factors of economy and efficiency in operations. As an all-pervasive function, planning improves the effectiveness of all other functions of management and also helps to secure coordinated efforts throughout the organization. Since it involves choosing, planning facilitates choice of the best method and also helps to identify alternatives expected to produce the desired results with minimum cost and risk.

- **Planning precedes control:** Control ensures that everything conforms to one's plans. Planning is, therefore, an important prerequisite for control. The management function of control seeks to check performance against a predetermined standard of projected courses of action established through the planning process, and in this process control ensures conformance to plans.

- **Planning provides for the future:** Planning, by definition, means providing for the future and deciding the course of action. Every plan, therefore, requires adequate provisioning for future contingencies. During the planning process itself, organizations need to look to the future and discover suitable alternative courses of action. Depending on the quality of prediction (making use of scientific forecasting tools), managers can have a relatively realistic idea of the future and chalk out suitable programmes of action. As a rational approach, planning provides for unexpected events and can, accordingly, enable the management to prepare against any eventual and undesirable change.

- **Planning increases the efficiency of all managerial functions:** Planning, organizing, staffing, directing, and controlling together contribute to the accomplishment of organizational, departmental, and group goals. Each function of management has its respective importance. However, since planning is the primary function and precedes all other managerial functions, effective plans can increase the efficiency of all other managerial functions.

Limitations of Planning

Even though planning is all-pervasive and a primary function of management, it is subject to certain limitations. Without proper understanding of such limitations, planning may result in futile exercises. Some limitations of planning have been listed here and awareness of these may improve the efficiency of planning.

- **Planning premises may be wrong:** The premises of planning are the basis and framework for any decision. Understanding the planning premises with absolute accuracy is not possible. There always exists some margin of error that may vitiate the plans.

- **Rapidity of change:** Every organization operates in the context of a certain internal and external environment. The environment cannot always be stable. Thus, the extent of change in the internal and external environment creates various situations of instability, making the planning job extremely difficult.

- **Time and cost constraints:** Every organization has to plan within given time and cost constraints. Such constraints stand against the efficiency of planning. In a situation of crisis, organizations may even have to take decisions on war footing, in which case planning itself becomes redundant. Non-availability of time and resources may compel the organization to settle for the most convenient business plan.

- **Planning may limit new ideas:** New ideas or innovativeness in planning may not be encouraged because of the traditional mindsets of people. If the vision and the philosophy of the organization are not progressive, it may limit the planning initiative of the management. Similarly, procedural and policy rigidities also come in the way of planning. Procedures, rules, and policies once documented are difficult to change. Such inflexibility obviously affects planning.

- **Capital investment constraint:** Capital invested in a business, in the form of both equipment and employees (investment in training), often limits the planning initiative.

Managers are quite often compelled to set their planning premises keeping in mind the capital investment, which cannot be foregone.

- **Lack of control over external factors:** Some external factors may seriously impede the process of planning, for example, a sudden change in government policies, union pressure for a wage hike, war, and international policies (like WTO, EEC, or ASEAN resolutions).

Yet, despite such limitations, organizations cannot do away with planning. Every manager has to systematically plan to achieve the desired results.

COMPONENTS OF PLANNING

Having understood the meaning and context of planning, it is now important to elaborate upon the various components of planning. Planning components are usually classified as objectives, policies, procedures, programmes, budgets, and strategies.

Policy

A *policy* is a predetermined and established guideline aimed towards the attainment of accepted goals and objectives. Such guidelines help to accomplish the strategic intent through properly designed efforts. Policies should not be interpreted as strategies or tactics. A *strategy* is a proposed course of action to exert a far-reaching impact on the ability of the enterprise to attain its goals. Therefore, a strategy relates to the means.

Policies can be differentiated from objectives, programmes, and procedures. Policies relate to the fundamental framework of principles and rules that are used as reference information for decision making and provide a constant pattern of decisions and structured thought processes. *Objectives,* on the other hand, are specific goals or aims, preferably in quantitative terms, and can be considered as something that an individual or a group seeks to accomplish. Hence, an objective is something to accomplish, while a policy is a guide to accomplish it.

Again, a policy is different from a procedure, as a *procedure* defines the manner of accomplishing something. A procedure comprises the process and the method. While policies form part of a framework of general principles, a procedure necessarily indicates how to do something and directs employees towards the accomplishment of the goal. Policies are also differentiated from programmes. *Programmes* are developed on the basis of policies with a view to implementing them and, accordingly, programmes involve an additional step beyond the policies to simplify decisions. The execution of programmes leads to specific actions including practices and procedures.

Policies cover a wide variety of subjects. A comprehensive coverage of policies embraces any action or decision taken by either employees or management in relation to the working environment, the rights and responsibilities of employees and management, and the actions of both parties. Thus, one policy may be a statement of standards for employee attendance and another may be a statement of management obligations in grievance administration. One policy may explain conditions under which loans will be granted, whereas another may indicate conditions under which an employee is subjected to discharge.

Inputs for policies may be from both internal and external sources. Internally, policies are developed based on employees' suggestions or complaints, terms of reference in collective bargaining, quality circles, total quality management teams, value engineering teams, self-managed teams, etc. External sources could be compliance with legislative norms, norms of the society and community, national and global economic changes, political changes, etc. Once the organization finalizes the policy documents, subsequent changes, if any, can only be carried out with vetting from the top management. Each documented policy needs to be communicated to everyone, especially when such policies concern them either directly or indirectly. Communication of policies can be made in the form of standing orders, house journals, circulars, or documented policy manuals.

Procedures prescribe the details for carrying out policies. They spell out the specific rules and regulations, and the steps, time, place, and personnel responsible for implementing policies. Procedures also clarify what is to be done in particular circumstances. For example, to manage the grievances of employees, organizations may have a grievance-handling procedure.

Based on the inputs given earlier, one can say that policies provide a clear idea of what management and employees can expect. Policies promote consistency and fairness of action under conditions that are similar in character and eliminate any bias in employee-related decisions. In this way, policies help to avoid confusion and misunderstandings. For example, a disciplinary policy spells out minor and major violation of disciplinary norms and, accordingly, lists the disciplinary actions. To ensure the implementation of disciplinary action, one needs to follow specific steps, which are usually documented in organizations as part of the disciplinary procedure.

Guidelines for policy formulation

A number of guidelines for policy writing have been well established and are worth enumerating.

- **Purpose:** It is a statement of purpose or rationale that clarifies the need for a policy and also ensures its acceptance.

- **Semantics:** The wording should be as simple as possible, so that the intent of the policy is understood clearly. For example, a standing order cannot be written in a way that employees at the lower rungs find it difficult to understand. Also, a normative approach to policy framing requires avoidance of any expression that may malign or antagonize people.
- **Tone:** The tone of a policy document needs to exude warmth and understanding. A positive tone can also evoke quick responses from the people who are influenced by a policy.
- **Form:** Many organizations provide policy statements in the form of an outline. This approach is good for managerial reference and applications, but difficult for the employees to follow. Often, an employee's interpretation of policy documents may be wrong. Moreover, policy statements in the form of an outline are cold and distant. Policy statements articulated in the form of short paragraphs always encourage reading.
- **Clarity:** Clarity in policy statements is ensured through short sentences. It is always preferable to use a single short sentence to carry one statement. Putting multiple statements in one sentence confuses the employees, and they fail to comprehend the meaning.

Programme

A *programme* consists of the entire broad course of action governing employees at all levels (including management) in an organization. It can be thought of as a stable plan of action that continues over an extensive period of time. It is the end product of the organization's philosophy, values, concepts, principles, policies, and procedures. For example, for human resource (HR) functions of any organization, there may be programmes on recruitment and selection, grievances and discipline, benefits and compensation, etc.

Strategy

Strategy is the long-term direction and scope of an organization, matching its resources to its changing environment and in particular its markets, customers, or clients, to meet stakeholders' expectations. To achieve results and excellence in business performance, most organizations around the world take the initiative to align their strategies with their business goals and objectives. A well-developed strategy map for any organization gives a sense of direction to all cross-sections of organizational members. Linking such strategies with individual performance goals in the form of *key performance areas* (KPAs) and *key result areas* (KRAs) benefits the organization as they reap the advantage of competitiveness through the high performance level of organizational members. Strategies are put into practice through plans. Tactics are the action plans through which strategies are executed. Hence, action plans help in the various managerial functions of an organization including human resource management (HRM).
A strategy is primarily concerned with:

- The scope of an organization's activities
- Matching the activities of an organization to the environment in which it operates
- Resource implication
- Effects on operational decisions
- The values and expectations of stakeholders
- The long-term direction of the organization

Decision Making

Decision-making is an integral part of modern management. Essentially, Rational or sound decision making is taken as primary function of management. Every manager takes hundreds and hundreds of decisions subconsciously or consciously making it as the key component in the role of a manager. Decisions play important roles as they determine both organizational and managerial activities. A decision can be defined as a course of action purposely chosen from a set of alternatives to achieve organizational or managerial objectives or goals. Decision making process is continuous and indispensable component of managing any organization or business activities. Decisions are made to sustain the activities of all business activities and organizational functioning.

Decisions are made at every level of management to ensure organizational or business goals are achieved. Further, the decisions make up one of core functional values that every organization adopts and implements to ensure optimum growth and drivability in terms of services and or products offered.

The Need for Decision Making

Every organization needs to make decisions at one point or other as part of managerial process. Decisions are made in the best interest of the organization. For that matter, decisions made by the organization are to lighten the way forward. Be it strategic, business activities or HR matters, processes of making decisions is complex, involves professionals of different genre. While small organization involves all levels of managers, complex organizations largely depend on a team of professionals specially trained to make all sorts of decisions. But remember, such a body alone cannot come out with final decisions. Here, the point is, decision making process is cumulative and consultative process. The process, on the whole, bears its pros and cons and would by and large emanate results and consequences in the organizations' overall growth and prospects.

Decisions are taken to support organizational growth. The whole fabric of management, i.e. its day to day operation is rightly built on managerial decisions. Top notch companies, as evidenced by their functions, effective communication tools are utilized in addition to normal consultation process to make decisions that would have large scale implications on the company's prospects.

Discussions and consultations are two main tools that support and eventually bring out decisions. For instance to take a decision on how to embark on new business activity suggested by strategic management team must have developed through series of consultative process, which is now available with implementation team. Here we see the cumulative effect of decision taken at one point by a different body of affairs. Decision taken by strategic managers is to push new and innovative business line or initiative. At this point the decision taken by such team becomes consultative point for discussion for implementation professionals. There is lot to debate, research and finalize. Is the new proposal viable ? Is it innovative enough ? Can there be growth stimulant in the strategies proposed ? Handle-ful of such questions evolved from the decision taken by strategic group has reflective influence on the next level of managerial consultations and meetings. Let us accept, at this point of discussion, that proposals submitted by business development team would largely depend on another set of deliberations in the board room.

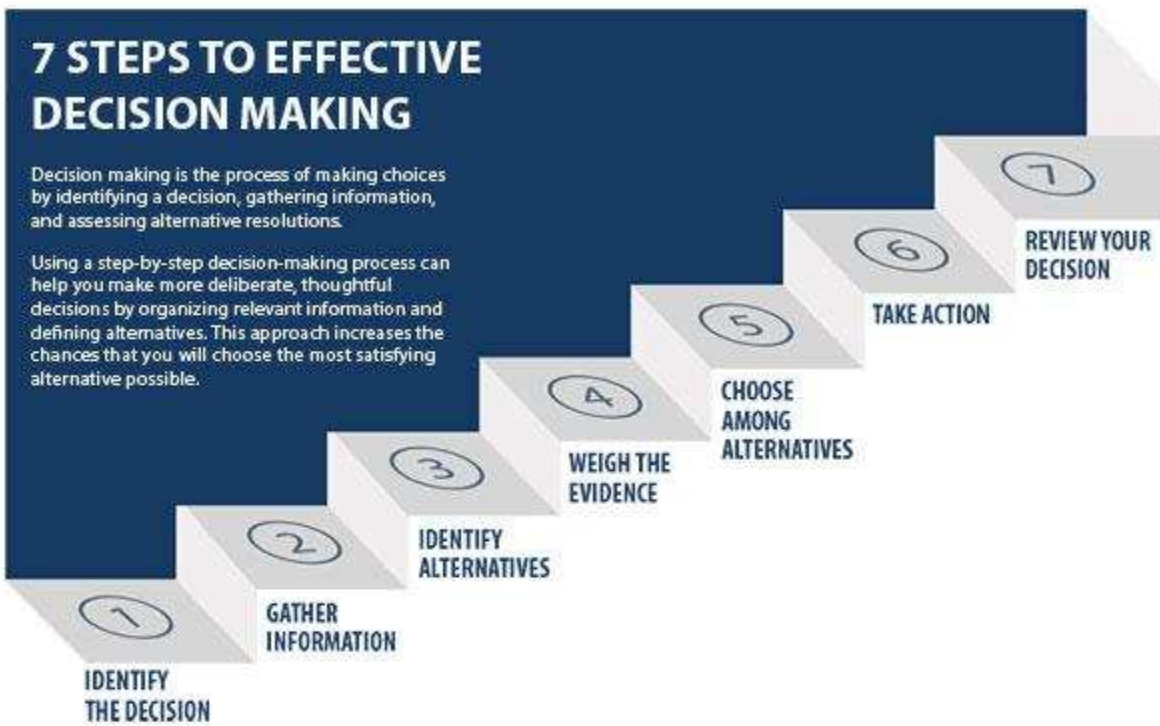
Thus, the final decision to roll out a product or service is through cumulative interim decisions taken by various internal and external parties. And also the final decision is reflective and founded on researches and consultations. Whole process is a chain affair where one decision taken at one point and at one level shall have far reaching implications in the way an organization moves forward.

As a matter of fact, capable of taking critical decisions is one of the many attributes that every manager should have, be it top level or middle or entry level. By nature a human being during his existence and by virtue of his instinct makes decisions for his survival, as social psychologists put it. By and large, managers are polished individuals to take decisions to affect others, ie the organization's existence and growth thus is annotative with human endeavor to live and succeed. Success succeeds on the decisions taken, be it by an individual or an organization.

Steps in Decision Making

Decision making is the process of making choices by identifying a decision, gathering information, and assessing alternative resolutions.

Using a step-by-step decision-making process can help you make more deliberate, thoughtful decisions by organizing relevant information and defining alternatives. This approach increases the chances that you will choose the most satisfying alternative possible.



Step 1: Identify the decision

You realize that you need to make a decision. Try to clearly define the nature of the decision you must make. This first step is very important.

Step 2: Gather relevant information

Collect some pertinent information before you make your decision: what information is needed, the best sources of information, and how to get it. This step involves both internal and external "work." Some information is internal: you'll seek it through a process of self-assessment. Other information is external: you'll find it online, in books, from other people, and from other sources.

Step 3: Identify the alternatives

As you collect information, you will probably identify several possible paths of action, or alternatives. You can also use your imagination and additional information to construct new alternatives. In this step, you will list all possible and desirable alternatives.

Step 4: Weigh the evidence

Draw on your information and emotions to imagine what it would be like if you carried out each of the alternatives to the end. Evaluate whether the need identified in Step 1 would be met or resolved through the use of each alternative. As you go through this difficult internal process, you'll begin to favor certain alternatives: those that seem to have a higher potential for reaching your goal. Finally, place the alternatives in a priority order, based upon your own value system.

Step 5: Choose among alternatives

Once you have weighed all the evidence, you are ready to select the alternative that seems to be best one for you. You may even choose a combination of alternatives. Your choice in Step 5 may very likely be the same or similar to the alternative you placed at the top of your list at the end of Step 4.

Step 6: Take action

You're now ready to take some positive action by beginning to implement the alternative you chose in Step 5.

Step 7: Review your decision & its consequences

In this final step, consider the results of your decision and evaluate whether or not it has resolved the need you identified in Step 1. If the decision has *not* met the identified need, you may want to repeat certain steps of the process to make a new decision. For example, you might want to gather more detailed or somewhat different information or explore additional alternatives.

Models of Decision Making

The decision-making process though a logical one is a difficult task. All decisions can be categorized into the following models.

(1) The Rational/Classical Model.

(2) The Administrative or Bounded Rationality Model.

(3) The Retrospective Decision-Making Model.

(4) The Vroom-Yetton-Jago Decision Model

(5) The OODA Loop Model

(6) The Recognition-Primed Decision Model

(7) The Paired Comparision Analysis Model

(8) The Ladder of Inference Model

All models are beneficial for understanding the nature of decision-making processes in enterprises or organisations. All models are based on certain assumptions on which the decisions are taken.

1. The Rational/Classical Model:

The rational model is the first attempt to know the decision-making-process. It is considered by some as the classical approach to understand the decision-making process. The classical model gave various steps in decision-making process which have been discussed earlier.

Features of Classical Model:

1. Problems are clear.
2. Objectives are clear.
3. People agree on criteria and weights.
4. All alternatives are known.
5. All consequences can be anticipated.
6. Decision makes are rational.
    i. They are not biased in recognizing problems.
    ii. They are capable of processing ail relevant information
    iii. They anticipate present and future consequences of decisions.
    iv. They search for all alternatives that maximizes the desired results.

2. Bounded Rationality Model or Administrative Man Model:

Decision-making involve the achievement of a goal. Rationality demands that the decision-maker should properly understand the alternative courses of action for reaching the goals.

He should also have full information and the ability to analyse properly various alternative courses of action in the light of goals sought. There should also be a desire to select the best solutions by selecting the alternative which will satisfy the goal achievement.

Herbert A. Simon defines rationality in terms of objective and intelligent action. It is characterised by behavioural nexus between ends and means. If appropriate means are chosen to reach desired ends the decision is rational.

Bounded Rationality model is based on the concept developed by Herbert Simon. This model does not assume individual rationality in the decision process.

Instead, it assumes that people, while they may seek the best solution, normally settle for much less, because the decisions they confront typically demand greater information, time, processing capabilities than they possess. They settle for “bounded rationality or limited rationality in decisions. This model is based on certain basic concepts.

a. Sequential Attention to alternative solution:

Normally it is the tendency for people to examine possible solution one at a time instead of identifying all possible solutions and stop searching once an acceptable (though not necessarily the best) solution is found.

b. Heuristic:

These are the assumptions that guide the search for alternatives into areas that have a high probability for yielding success.

c. Satisficing:

Herbert Simon called this “satisficing” that is picking a course of action that is satisfactory or “good enough” under the circumstances. It is the tendency for decision makers to accept the first alternative that meets their minimally acceptable requirements rather than pushing them further for an alternative that produces the best results.

Satisficing is preferred for decisions of small significance when time is the major constraint or where most of the alternatives are essentially similar.

Thus, while the rational or classic model indicates how decisions should be made (i.e. it works as a prescriptive model), it falls somewhat short concerning how decisions are actually made (i.e. as a descriptive model).

3. Retrospective decision model (implicit favourite model):

This decision--making model focuses on how decision-makers attempt to rationalise their choices after they have been made and try to justify their decisions. This model has been developed by Per Soelberg. He made an observation regarding the job choice processes of graduating business students and noted that, in many cases, the students identified implicit favorites (i.e. the alternative they wanted) very early in the recruiting and choice process. However, students continued their search for additional alternatives and quickly selected the best alternative.

The total process is designed to justify, through the guise of scientific rigor, a decision that has already been made intuitively. By this means, the individual becomes convinced that he or she is acting rationally and taking a logical, reasoned decision on an important topic.

4. The Vroom-Yetton-Jago Decision Model

At the heart of the Vroom-Yetton-Jago Decision Model is the fact that not all decisions are created equal. Some decisions are extremely important and will require input from many people, while other decisions can be made quickly as they won't have long-lasting effects on the company as a whole. Understanding this basic concept is important, because you aren't going to use the same decision-making process for all choices that you have to make. With the assistance of this model, you can customize your approach to decision making based on the situation at hand.

There are three factors which this model uses to analyze the decision that needs to be made. Those factors are listed below –

- **Decision Quality.** Simply put, this is where you think about how important it is to come up with the right decision. Sure, you always want to make the right choice, but some circumstances are more important than others in the context of business as a whole. Committing a large number of resources to each and every decision you make would be inefficient, as many decisions just are not important enough to warrant that kind of investment. Pick and choose your spots and only invest a large amount of time and energy into the decisions that are truly going to shape your organizational future.

- **Subordinate commitment.** Some decisions that you make are going to have a strong impact on your team, while others will not affect them at all. When thinking about each decision, consider how much of an affect it is going to have on your team and others within and around the organization. If you it essential that you have ‘buy in’ from the people on your team, you will be more inclined to include them in the decision-making process. If not, you may be able to make the decision on your own with very little input from others below you.

- **Time constraints.** Obviously, the timeline that you have in front of you for a given decision is going to impact the process that you can use to make your choice. If you are in no particular rush to make the decision, there will be plenty of time to include others, conduct research, and more. On the other hand, if the matter if time sensitive, you might not really have the option of going to others for help. Develop a clear timeline right up front for your decision and then chart out whether or not you are going to have time to get input from various areas.

Once you have held up the decision you need to make to the light that is offered by each of these three points, you should have a much clearer picture of the path needed to make a quality choice. Moving on, you will then decide which leadership style will be best for making this decision. You can pick from three options – autocratic, consultative, and collaborative. You can read more on the specifics of this model for more detail on these three, but their titles largely speak for themselves. By thinking about the factors that make up each decision, and the type of leadership style best-suited for the decision, this model can lead you to a wise choice in the end.

5.The OODA Loop

As an owner or manager, it is up to you to make the tough choices that steer the business in the right direction. To do so, you may wish to turn to tools such as the OODA Loop. This model is relatively simple and straightforward, but it can be highly effective. When you think about the operations of your organization in the frame of the OODA Loop, you will quickly see that you are never going to be finished making decisions. This model is a loop for a reason – it continues with no end in sight, for the life of the organization in question.

There are four stages built in to the OODA Loop. Those stages are as follows –

1. Observe
2. Orient
3. Decide
4. Act

That's it. It is a simple model, yet it says so much about how you are going to make decisions in business. Three of the four stages – observe, decide, and act – are pretty straightforward, and will be familiar to any business professional. That second stage, however, – orient – might be foreign. The idea here is that you need to orient yourself correctly with the information at hand in order to make a good choice. Allowing your personal orientation to get in the way, such as past experiences which really aren't relevant to this decision, you might not come away with the best decision.

6. The Recognition-Primed Decision Model

In business, you don't always have a lot of time to make a quality decision. While it would be great to be able to sit down in your office for a period of time to think through the various options at hand before making a choice, that simply isn't how things work in the real world. Sometimes, you have to act quickly based upon the information that you have available. When that is the case, you might want to turn to the Recognition-Primed Decision (RPD) Model for assistance.

Within this model, there are three steps that you are going to work through as you make your decision. Those steps are as follows –

1. Experiencing the situation.
2. Analyzing the situation.
3. Implementing the decision.

At the first stage, you are going to 'take in', or experience, as much as possible about the situation that needs to be solved. If you don't have all of the information available at the time, you aren't going to be able to make a clear and appropriate decision. One of the best things you can do at this stage is to listen. Listen to the people who are directly involved in the situation and will be able to tell you exactly what is going on, why it is a problem, and how they think it may be fixed.

Once you have a basic understanding of what is going on and why it is a problem, you next need to move into the analytical process to start to work toward a solution. You can ask yourself a number of different questions at this stage in order to trigger potential solutions based on past experience. For example, what about this situation is surprising, and what parts of it might you have seen coming? Is this something that has happened previously, even if in a slightly different way?

Finally, once a decision has been made, it will need to be implemented in a timely manner in order for it to be able to actually take effect. It does no good to quickly make a decision if you are then going to take your time implementing your choice – so get right down to business on putting this decision to work once you have gone through the first two steps of the model. As you are thinking about the various decisions you can make, the implementation phase is something that should always be in the back of your mind. After all, it isn't going to be an effective decision if you aren't able to implement it quickly to rectify the situation. Only those choices that are going to work in the practical application of implementation will be successful in the end.

7. **Paired Comparison Analysis**

Understanding priority is an important part of making good decisions. Even if you don't think about it consciously at the time, it makes sense – you are making your choices in most cases based on the underlying priorities that you have in mind. Of course, the priority in business is often to make money, but that isn't always the case. Or, at least, that isn't always the guiding light for the decisions you need to make. So how do you make a decision when you aren't exactly sure where your priorities lie? The Paired Comparison Analysis model is a great way to make tough choices that have many complexities to consider.

The process of using this model involves first creating a table which is going to layout all of your various options. Every option you have at hand with regard to the decision that needs to be made should be listed in the chart, both across the top and down the side. Now, you have a chart that will let you compare options directly against one another. This is where the 'paired analysis' comes into the picture. You are going to compare one option against another, and determine a winner. Repeat this process until all options have been compared against all other options.

In the end, the option which has won the most head-to-head showdowns should be considered the winner. This isn't going to be the right decision-making tool for every situation, but it can help to shed some light on a situation where there are many competing options at play.

8. The Ladder of Inference

The idea behind the Ladder of Inference is to help you avoid making poor judgments based on your past experiences, biases, or other factors. You should be aiming to set aside as much personal influence as possible in order to make choices that are simply in the best interest of the organization as a whole.

In this model, there are a total of seven 'rungs' on the ladder that is supposed to represent the common thought process that we go through while making decisions. Those rungs are as follows – listed from bottom to top as they would be seen on the ladder.

1. Reality and facts
2. Selected reality
3. Interpreted reality
4. Assumptions
5. Conclusions
6. Beliefs
7. Actions

If you think about how this theory of how we think would work in the real world, you can see how it might be dangerous when making business decisions. Specifically, your judgements can be warped as they move through the 'selected reality' and 'assumptions' stages. When you allow your own personal beliefs to interfere with the choices you are making, you might lose track of the actual facts that are sitting right in front of you.

In many ways, using the Ladder of Inference is all about tearing apart your lines of thinking in order to build them back up again on a better foundation. It is only human nature to start to make decisions quickly when faced with a new problem – even if those decisions really aren't based that deeply on facts. So, by using this model, you can effectively look for holes in your logic, only to plug those holes and then move back up the ladder again in a logical manner. You always want to be able to defend your decisions in business, and using this tool will help you to do just that in the end.

Some Common Errors in Decision-Making:

Since the importance of the right decision cannot be overestimated enough for the quality of the decisions can make the difference between success and failure. Therefore, it is imperative that all factors affecting the decision be properly looked into and fully investigated.

In addition to technical and operational factors which can be quantified and analyzed, other factors such as personal values, personality traits, psychological assessment, perception of the environment, intuitional and judgemental capabilities and emotional interference must also be understood and credited.

Some researchers have pinpointed certain areas where managerial thinking needs to be re-assessed and where some common mistakes are made. These affect the decision-making process as well as the efficiency of the decision, and must be avoided.

Some of the errors are:

a. Indecisiveness:

Decision-making is full of responsibility. The fear of its outcome can make some people timid about taking a decision. This timidity may result in taking a long time for making a decision and the opportunity may be lost. This trait is a personality trait and must be looked into seriously. The managers must be very quick in deciding.

b. Postponing the decision until the last moment:

This is a common feature which results in decision-making under pressure of time which generally eliminates the possibility of thorough analysis of the problem which is time consuming as well as the establishment and comparison of all alternatives. Many students, who postpone studying until near their final exams, usually do not do well in the exams.

Even though some managers work better under pressures, most often an adequate time period is required to look objectively at the problem and make an intelligent decision. Accordingly, a decision plan must be formulated; time limits must be set for information gathering, analysis and selection of a course of action.

c. A failure to isolate the root cause of the problem:

It is a common practice to cure the symptoms rather than the causes. For example, a headache may be on account of some deep-rooted emotional problem. A medicine for the headache would not cure the problem. It is necessary to separate the symptoms and their causes.

d. A failure to assess the reliability of informational sources:

Very often, we take it for granted that the other person's opinion is very reliable and trustworthy and we do not check for the accuracy of the information ourselves.

Many a time, the opinion of the other person is taken, so that if the decision fails to bring the desired results, the blame for the failure can be shifted to the person who had provided the information. However, this is a poor reflection on the manager's ability and integrity and the manager must be held responsible for the outcome of the decision.

e. The method for analysing the information may not be the sound one:

Since most decisions and especially the non-programmed ones have to be based upon a lot of information and factors, the procedure to identify, isolate and select the useful information must be sound and dependable. Usually, it is not operationally feasible to objectively analyse more than five or six pieces of information at a time.

Hence, a model must be built which incorporates and handles many variables in order to aid the decision makers. Also, it will be desirable to define the objectives, criteria and constraints as early in the decision-making process as possible.

This would assist in making the process more formal so that no conditions or alternatives would be overlooked. Following established procedures would eliminate the efforts of emotions which may cloud the process and rationality.

f. Do implement the decision and follow through:

Making a decision is not the end of the process, rather it is a beginning. Implementation of the decision and the results obtained are the true barometer of the quality of the decision. Duties must be assigned, deadlines must be set, evaluation process must be established and contingency plans must be prepared in advance. The decisions must be implemented whole heartedly to get the best results.

MODULE-III

Organization

INTRODUCTION

As explained in Chapter 2, planning is one of the most important steps in management. After finalizing the plan, managers need to allocate and use the resources available in the organization in the right way. Managers create appropriate conditions for the employees of the organization to work in a concerted manner to achieve the desired goals and objectives. Pulling together resources and people and making them understand the importance of cooperation to accomplish results are the functions of organizing. While planning helps in deciding what to do, organizing focuses on how to do it by properly forming groups. Behavioural scientists and sociologists view organization as comprising human relationships in group activity. In an operational sense, however, organization can be considered as consisting of division of work among people and coordination of their activities towards some common objectives. An *organization* is essentially a formal structure of people set up to achieve some defined goals. A business unit or a manufacturing unit may be termed a *business organization* or a *manufacturing organization* because these are essentially formal structures consisting of persons who strive to achieve some defined goals. An organization is imbued with certain attributes. These attributes have been listed here.

- An organization is a group of people who are organized to achieve a common purpose.
- It is an entity, a unit, or an establishment, which utilizes resources to achieve some common purpose.
- It shows a structure of relationships in an enterprise.
- It is a process that helps to relate tasks and abilities of people working in an enterprise to achieve intended goals.

CONCEPT OF ORGANIZATION

An important approach to organization is defining the terms *organization, organizing,* and *organizational structure* separately. The term *organization* is used to refer to a social group that is deliberately created and maintained to achieve some intended goals. More specifically, it is defined as a formal social group. It is also referred to as a process of determining activities that are required to achieve intended goals, creating various roles, and ensuring effective operation of the total system. *Organizing* is defined as a management process, which corroborates with the earlier definition of organization as a process of identifying, classifying, grouping, and assigning various activities with adequately defined authority relationships to achieve intended goals. *Organizational structure,* on the other hand, is the outcome of the organizing process. It is a framework of decision-making authority, that is, a system of relationships that govern the activities of the people working in the organization to achieve the intended goals.

Organizational structure helps to determine authority relationships among the members of an organization, and hence, it influences the behaviour of individuals, groups, and divisions within the organization. Among other things, the structure of an organization affects division of tasks, communication systems, decision-making patterns, and finally, the way people relate to each other. Global competition requires organizations to redefine their structure and even to relocate, taking advantage of state-of-the- art technology and communication support. With reduced trade barriers under the WTO regime, a presence in the global market is now the first priority for many organizations. Proximity to markets, 24 x 7 customer support, and economy of scale in operations are some of the factors that have led many organizations to redefine their structure. As testimony, global majors like IBM, Ford, DuPont, and Siemens are spreading their organizational structures internationally. Global competition has also accentuated organizational turbulence which has, in turn, compelled organizations to revisit their structure and the relationships between people in their organization. Use of e-commerce, knowledge and information, workplace diversity, and ethics are also prompting organizations to revisit their established processes and systems and restructure every time to remain up-to-date.

Theories of Organization

From a historical perspective, one can group the theories of organization into three major categories:

1. Classical theory
2. Neoclassical theory
3. Systems theory

The *classical school of thought* was mostly concerned with the micro aspects of organization, that is, their approaches were mostly divorced from societal issues, which in reality interact with an organization. The *neoclassical approach* is the process of relating psychological variables of people. It gives some thought to the social aspects, if not directly, at least indirectly. The *systems approach,* in particular, studies the concept of organization from a macro perspective. This approach recognizes that organization, in reality, is a dynamic process and exists only by interacting with the environment.

Principles of Organization

Due to the diversity in managerial styles, there are no universal principles of organizing. However, the following principles are widely adhered to while organizing:

- Each person should be immediately responsible to one person only and not to several superiors. Tasks *can* be performed when directions come from several superiors, but in such cases, subordinates get confused and this ultimately defeats the purpose of achieving the common goals. It is always better to organize people in such a way that there is only one superior who can give orders and to whom the subordinates are ultimately responsible.
- Authority should be granted to match responsibility. If this is not done, it often leads to a

decline in the subordinate's zeal for taking initiative.

- The span of control should be appropriate to the circumstances, so that it is neither too wide nor too narrow.
- Optimal use should be made of specialization.
- The number of levels of management should be kept as low as possible. Too many levels lead to bureaucracy and to distortion or loss of communication.
- The degree of centralization should be appropriate. Too much of centralization may lead to decisional delay as well as delay in implementation of decisions. This has a crippling effect on the organization as they fail to respond quickly to either internal or external changes.
- There should be equitable distribution of work, both in terms of variety and volume.
- Maximum use should be made of the abilities of the staff in the distribution of duties and responsibilities.
- The duties, authority, and responsibility should be defined; otherwise it may lead to 'empire building'.
- The organization should be flexible enough to accommodate change, cutting across hierarchical barriers. Too much rigidity may weaken the competitive strength of an organization.

Human Factors behind Organizing

Many modem theorists of management stress the need to look at the human factors in an organization and these are certainly as important as the formal factors. Although there is no empirical evidence to justify such views, many organizations emphasize these points. These include factors like grouping of male and female employees, grouping of employees according to age group, marital status, race, religion, etc. It is suggested that these factors be considered to the extent possible while grouping the functions of an organization. It may be difficult for a relatively small organization to implement this type of grouping. In such cases, better coordination plays a more effective role.

Important Steps in Organizing

One can enumerate the important steps in organizing as:

1. Enumeration and grouping of activities of the enterprise consistent with its objectives
2. Assignment of activities to different executives
3. Delegation of authority and placing of responsibility for carrying out the assigned duties
4. Making provision for effective coordination between employees and establishment of definite lines of supervision

Benefits of Organizing

A sound organization entails certain benefits, as explained here:

- **Facilitating management:** A properly designed organization facilitates both management and operation of the enterprise. Management work takes place with certainty and continuity only if appropriate functional groups are constituted to help managers. The grouping and arrangement of activities directly affect operating results. If the important activities are overlooked or subordinated, the results can be detrimental. Successful managers always try to develop a good structure through organizational analysis.
- **Encouraging growth:** The organizational structure is the framework within which an enterprise grows. This requires a flexible structure where changes may be incorporated. Moreover, a sound structure facilitates growth by improving efficiency levels.
- **Optimum use of technological improvement:** The advantages of new technological improvements can be best realized by having a suitable organizational structure. The use of computers is costly but it helps to process the information quickly. This requires a particular organizational structure.
- **Facilitating a humane work environment:** This point emphasizes the psychological satisfaction of all individuals working in the organization. An individual contributes their best when their satisfaction is at the highest level. The level of one's psychological satisfaction mostly depends upon one's work, one's relationships, and one's working environment. A good organizational structure is essential for creating an environment that facilitates psychological satisfaction. The organizational structure also creates provisions for training and promotional avenues of employees.
- **Stimulating creativity:** A sound organization based on specialization stimulates creative thinking and initiative by providing a well-defined area of work with provision for development of new and improved ways of working.
- **Coordination and control:** A sound organization facilitates coordination and control in the enterprise.

Types of Organizations

Organizations have been classified on the basis of various parameters. According to the different approaches, there is a closed systems and an open systems view of organization.

In the *closed systems view of organization,* the interacting elements operate without any exchange with the environment. This means that such organizations require no inputs (human, knowledge, informational, or technological) from the external environment in which it operates. The primary characteristics of such organizations are that they are perfectly deterministic and there is no exchange between the system and the external environment. However, today no organization can truly be closed and totally closed systems exist only in theory.

The *open systems view of organization* stresses on the need for flexibility and adaptability in the organizational structure and also on interdependence of the organization with its external environment. Louis E. Boone and David L. Kurtz (1992) defined *open systems* as ‘a set of elements that interact with each other and the environment and whose structure evolves over time as a result of interaction’.

Organizations can also be classified as formal and informal. A *formal organization* is a group of people working together cooperatively under authority, towards goals that mutually benefit the employees and the organization. In formal organizations, jobs are well defined with a definite measure of authority, responsibility, and accountability. An *informal organization,* on the other hand, is a network of personal and social relations that arise spontaneously as people associate with one another. It lays emphasis on people and their relationships. In contrast, formal organizations emphasize official positions in terms of authority, responsibility, and accountability. Informal organizations, therefore, may or may not support the formal goals and objectives. The manager is then required to understand and recognize the informal relationships and integrate both the forms of organization to achieve the intended goals.

SYSTEMS VIEW OF ORGANIZATIONS

From a systems perspective, the organization can be viewed as an aggregation of parts or subsystems. Such aggregation helps in achieving the overall goals and objectives of the organization. Thus, *systems* indicate various inputs, processes, outputs, and outcomes, along with the feedback that help in integrating the organization as a whole. Any change in any of the constituents of subsystems may lead to total change in the organization. Depending on the nature of activities of the organization, systems may be simple or complex. Each constituent of a system, that is, the subsystems may also vary with respect to the specific nature of activities of the organization. Subsystems can be arranged in order of hierarchies depending on their nature and utilization in the total system. For example, if an organization is engaged in social development, then its extent of service to meet the public utilities as an outcome may be the most important subsystem. In contrast, improving the bottom line or the profitability of the organization may be the most important subsystem that directs the activities of a commercial organization. Therefore, the definition of an important subsystem or the constituent of a system varies with the nature of organizational pursuit. Again, each subsystem has its own boundaries. For achieving overall excellence in organizational activities, each subsystem has to be controlled within its specific boundaries to accomplish the goals of the organization. For example, without the desired quality of inputs (a subsystem), an organization cannot achieve increased sales to get the incremental benefit of an improved bottom line, that is, the outcome (a subsystem).

Thus, from a systems perspective, one can consider the organization as a unitary whole. The systems view implies the arrangement of various subsystems, or the arrangement of the activities of an organization, to achieve the larger objectives. From this perspective, one can define a system as an arrangement of the total activities of an organization to accomplish its goals. The systems view provides a new dimension to scientifically interpret various patterns and activities of an organization, which helps in identification of problems, analysing the problems, and taking the required remedial actions to achieve the desired results.

In the systems view, because of interrelations between different subsystems, managers and executives need to coordinate various activities with due cognizance of each constituent of a system, encompassing various departments and sections. Feedback collected in the process of coordination helps in diagnosing the problems and analysing which department can initiate the corrective actions. Such organizations can also concentrate on outcome achievement, bringing the desired changes in the subsystems, designing the appropriate structures, and provoking the desired behaviours. Through this process, organizations can persuade the event to happen rather than wait for the results to accrue in due course of time.

It is clear that organizations make effective use of interrelated networks of subsystems to achieve their goals and objectives. From the systems perspective, one can conclude that an organization has the following attributes:

- The organizational system pursues organizational goals.
- The organizational system is the whole, that is, the summation of all subsystems.
- The organizational system helps in processing or transforming all the subsystems into the final result in the form of output or outcome.
- The subsystems interact with each other and are interdependent in nature.
- The organizational system is situation-specific and environment-specific.

Organizations are viewed as systems made up of subsystems—environmental inputs, resource inputs (men, machines, materials, knowledge processes, etc.)—that produce the outputs through their interactions. Like any other system, organizations also collect information on the functioning of subsystems through the feedback loop and correct any possible malfunctioning, duly adjusting with changing premises of the environment. The systems approach, therefore, facilitates the functioning of an organization in the following ways:

- The systems approach rightly assumes that an organization is a living organism and, in the process, values the dynamic character of the organization.
- The systems approach appreciates the interrelationship between the organization and the environment.
- The systems approach appreciates that the environment of conducting business changes over time, and hence, an organization must make necessary adjustments with the changing environmental premises.
- The feedback loop in the systems approach provides information inputs for enforcing managerial control and decision making.
- The systems approach helps in framing realistic business goals and objectives as it accounts for environmental considerations.
- The systems approach recognizes that every division, department, and unit of an organization is part of a subsystem, and that they are interrelated and interdependent.
- The systems approach ensures that every organization frames its structure by integrating all the subsystems.

Interrelatedness among all internal or external subsystems of an organization helps in managing the transformation of inputs to outputs. The systems approach to organization has many dimensions. In the principles of management, while the organization structure is more important, a comprehensive understanding of the organization as a system can help in framing the appropriate structure.

Organizational Structure and Systems

Organizational structure represents the various forms of interrelations and linkage among divisions, departments, functions, and employees. It prima facie illustrates the way in which each constituent and subsystem of an organization interacts. Conventionally, organizational structure demonstrates the vertical operational responsibilities of each constituent and the people associated with each such constituent, in the form of a chart. Organizational structure is proportional to the size and geographic spread of the organization. The vertical structure of an organization is in conformity with Weber's (1946) theory of bureaucracy. With the complexity of business and with the global spread of the organization in the changing economic environment of today, one can find various forms of organization structure other than the conventional vertical structure. These are flat, networked, matrix, and even virtual organizations. Every organization needs to change its structure every now and then to be able to respond to the changing environmental factors that necessitate scaling up and scaling down the operations (lean management), job compositional shift of employees and corresponding change in the reporting systems (viz. dual reporting in matrix structure or independent functioning without reporting to anyone, etc.), and workforce rightsizing (making many employees redundant). From the systems perspective, therefore, the structure of an organization represents the pattern of grouping employees and their jobs, and relating the same to the overall organization through various constituents and subsystems. Sometimes, organization structure and organization design are erroneously thought to be synonymous. While organizational structure is the mapping of organizational activities through its different constituents and subsystems, organizational design is the set of managerial decisions that help the organization to bring change in the structure.

Organization Structure

Organization structure is the pattern of relational network between different hierarchies and is characterized by the activity-authority relationship chart. *Organization chart* is a useful model of a formal structure that illustrates relationships among employees and social systems, and their interactions with all the systems of an organization. An organization chart has both mechanistic and humanistic elements. The chart should be designed in such a way that employees of the organization face minimum difficulty in executing their jobs in coordination with various departments, to achieve the goals and objectives of the organization.

As the organization structure is a means to the end of achieving business results, it should be designed in such a way that it helps the organization to accomplish predetermined goals.

Drucker's approach

Drucker (1954) suggested three aspects that can help an organization to attain its objectives:

1. Activity analysis
2. Decision analysis
3. Relation analysis

Drucker’s approaches to the structure of an organization deviate from the traditional classification of organizational activities into functional operations like marketing, finance, HR, and production in order to design the appropriate structure. Drucker suggested a more analytic study of each function to understand the elements of its activities and accordingly map their contributions to appreciate how they help in achieving the objectives of an organization. Only with such understanding is the effective structuring of an organization possible.Yet, from another perspective, one can argue that since an organization is an open system, it constantly interacts with various environmental forces to sustain itself and grow. In the process of such interactions, the organization redefines its business goals and objectives, and to accomplish the same, reframes its structure to make it more adaptable to changes.

Mintzberg's approach

Mintzberg (1981) defines *organization structure* as the way to divide employees for different tasks and achieve coordination between them. Based on his analysis, Mintzberg considers the structure of an organization as the configuration of systems and relationships of six elements. These elements interact with the total system and help to achieve the goals and objectives of the organization.

At the operating core level, employees of an organization get involved with the production and services. The strategic part, according to Mintzberg, facilitates in enforcing control. Line managers help in aligning the strategic core with the operating core. Employees at the techno-structure core extend support for designing, planning, and training of the operating core people. The support staff members, who are outside the operating core, extend support to the organization. Thus, both Mintzberg's and Drucker's approaches to the organization structure are distinctly different from traditional precepts.

Types of Organization Structures

Organization structure explains the authority relationships among employees. Through authority relationships, employees of an organization can relate with each other. In addition, the structure of the organization influences behaviour, determines the division of tasks and the pattern of decision making, and lays down the systems of communication. The structure of an organization may be either open or standardized. The ideal structure will, however, depend on the specific nature of the organization. According to Mintzberg (1981), there are five types of organization structures with different behavioural patterns:

1. **Machine bureaucracy (standardized structure):** Organizations with the structure of machine bureaucracy standardize their work systems and pursue centralized decision-making norms. Due to their typical nature, such organizations make extensive use of standard operating procedures (SOP). Internationally acclaimed large organizations like McDonald's, General Motors Company, and Ford Motor Company conform to the typicality of machine bureaucracy. For their operational convenience, such organizations polarize (maintain hierarchy) to enforce control over different stakeholders. With a rigid boundary, these organizations balance the relationship between themselves and various stakeholders. By nature, these organizations maintain secrecy, and at times exhibit an attitude that dissuades internal cooperation. A narrow-minded attitude prevents internal cooperation and discourages learning for the people. These organizations are so insular that the employees of one department do not even enter another department. Due to the typical nature of their work

systems, internal competition among the employees also increases, against the desired collaborative work systems among employees.

2. **Professional bureaucracy:** Organizations with a professional bureaucracy structure manage their operations with professional employees. Such organizations focus less on formalizations of systems and procedures, believe in allowing a high degree of functional autonomy, empower the employees, and encourage learning and competency development to build the employees' capabilities and encourage them to perform well. For collaborative work systems, these organizations also require less control of employees' activities.

3. **Adhocracy or innovative forms:** Organizations with an innovative or adhocratic structure try to develop a distinctive corporate culture. The typical behavioural syndrome of such organizations, according to Mintzbeig, is ' alliance building'. With a decentralized decision-making process, these organizations encourage open communication, healthy interpersonal relations, mutual discussions, and negotiations.

4. **Simple or entrepreneurial forms:** The entrepreneurial form of organization structure is followed: by organizations that are run by the entrepreneur. In such organizations, the entrepreneur directs all the activities and, hence, can win the quick trust of employees with flexible norms and systems, Such organizations, however, experience instability when they fail to build mutual trust.

5. **Divisional forms:** Organizations with a divisional structure manage their activities by making several autonomous divisions. Divisions may be in terms of a product or a process. However, though structurally divisions enjoy autonomy, control and decision-making power may not always be with I the divisions. When divisions are managed like independent profit centres, it may generate infighting due to conflicts of interests.

Adhocracy means purposefully cracking down a system with a purpose. It was Alvin Toffler (1970) who for the first time used this term. Later on, Mintzberg and others popularized this concept, characteristically, it is just the opposite of bureaucracy. Waterman (1990) has defined *adhocracy* as an organization that 'cut across normal bureaucratic lines to capture opportunities, solve problems, and gel results'. Obviously, due to its typical nature, such an organization is more innovative and capable of meeting any exigency. The adhocratic organization is marked by certain characteristics:

- It is more organic in nature.
- There is less emphasis on formalization of behaviour.

a Employees’ training programmes are specialization-specific.
- There is emphasis on mutual adjustment.
- There is less standardization of procedures.
- Job roles are less defined in order to facilitate job interchangeability.
- Decentralization is applied but not in every case.
- Work is allocated to a specialized team.
- Emphasis is on horizontal job specialization.
- Communication cost is high.

B The work culture is non-bureaucratic.
B Cross-functional and cross-departmental task forces are common.

Thus, organizations with an adhocracy structure, because of absence of hierarchical barriers, employees are given appropriate decision-making authority and can also work in a concerted manner to achieve the intended business results.

From the above discussion on the different forms of organization structure, it is clear that the choice of a specific form is highly dependent on specific organizational preferences and goals. Although the bureaucratic structure of organization is quite common, the bureaucratic model is not a structure—it is more appropriate to call it a design. A bureaucratic model can provide a blueprint that is descriptive in nature. In contrast, adhocracy determines the structural system, which is flexible and adaptive to any; change. Effective performance results are more evident in the adhocratic structure.

Both bureaucratic and adhocratic forms of organizations have their relative merits and demerits. Each form tackles different situations. In bureaucratic organizations, work is done systematically with structured guidelines like SOP. As a result, such organizations cannot respond to changes on a real-time basis, On the other hand, adhocratic organizations with their flexible structure can quickly respond to changes.

Due to frequent overlapping of functions and job roles, adhocratic organizations are, however, more prone to conflict and rivalry. In bureaucratic organizations, such conflict and rivalry are less because systems are more regimented and interpersonal relations are more formal. Therefore, one cannot say that either system is right or wrong. Their success or failure is more organization-specific. Organizations can achieve the intended business performance by using either form, provided it fits in with the typical nature of the organization.

Organizational Effectiveness

To understand organizational effectiveness, there is a need to first understand what effectiveness is. *Effectiveness* indicates successful achievement of long-term goals and sustainable performance of an organization. Effectiveness is measured with respect to a specific activity. It can be either a subjective or an objective measurement. For example, behavioural inputs (attitude, values, etc.) that go into performance results can be measured using subjective or qualitative tools. However, other parameters like output rate and value, profitability trend, and customers' satisfaction can be measured only by using objective or quantitative tools. Therefore, *organizational effectiveness* indicates effective achievement of organizational results with resource optimization. Organizational effectiveness in both qualitative and quantitative terms can be achieved through important performance enablers like good interpersonal skills, positive attitude, technical and managerial competencies, and small group activities. For effective performance results, therefore, organizations need to use a relevant form of organizational structure.

Developing an Organization Structure or Design

Designing a new organization structure or reorganizing an existing one calls for careful consideration of current practices and principles of the organization. While there are no formal or strict rules to determine the best organization structure, the following steps can be more effective in achieving enterprise objectives:

1. **Clearly define the objectives:** The first step is to lay down objectives in very clear terms. This will help in determining the type, stability, and basic characteristics of the organization.

2. **Identify the activities and group them into convenient classes:** The next important step involves enumeration of activities necessary to achieve the objectives, the grouping of these activities in a systematic manner, assignment of such groups of activities to personnel, and providing for their coordination. If possible, similar functions should be combined into one position.

3. **Determine the structure:** The manager has to determine the span of supervision, the types of organization, the basis of departmentation, and the pattern of authority structure.

4. **Revise the system on the basis of assessment of personnel and funds:** The last step is to assess the capacities and abilities of not only the individuals available to manage different

positions in the organization, but also other resources at the disposal of the enterprise. The ideal organization should then be adapted to function in sync with the reality of the situation.

These are the general guidelines to be followed. Each enterprise should be viewed as a separate case and developed accordingly. It is unwise to follow a particular structural form simply because that proved more effective in one instance. Local conditions, business objectives and policies, scale of operation, nature of work, and above all, the character and abilities of personnel are important factors to be considered while developing an organizational structure.

DYNAMIC ORGANIZATIONAL STRUCTURE AND DEPARTMENTATION

Organizational structure should not be static. An enterprise operates under a highly dynamic environment where the technological, social, political, and economic setting in which it operates, and the people managing the organization, are all in a continuous flux. This calls for adapting the organizational structure to changing conditions so that it can survive and grow. Accommodating changes in the organization requires that the structure be partly modified so as to adjust to changes in the attitudes, ambitions, and abilities of the people involved. Thus, there are different organizational structures based on the grouping of activities into different units. The process of grouping the activities is known as *departmentation.*

Principles of Departmentation

Different bases for grouping the concerned activities result in different methods of departmentation. While grouping, the manager must consider the advantages and disadvantages of each method of departmentation along with the basic factors involved in grouping the activities of the enterprise. Only after such evaluation should one contemplate the kind of composite departmental structure best suited to the requirements of the organization.

The basic considerations in grouping activities are:

- **Specialization:** The organizational structure should divide and group the activities of the concern in such a way that similar and allied activities are, on all occasions, put under one department. Specialization leads to more and better work with the same effort.
- **Control:** Departmentation should be such as to facilitate control.
- **Coordination:** If objectives are to be accomplished effectively, departmentation should not only facilitate control but also help in coordination.
- **Balance:** Departmentation should allow adequate attention to be paid to each of the functions

of the enterprise so that different activities are properly balanced.

- **Duplication of sections:** Departmentation should, as far as possible, avoid duplication of sections.
- **Human factor:** Departmentation should not overlook the human factor of the organization. Any possible impact of the structure upon the human factor should be given due consideration.
- **Reduction of cost:** Activities should be grouped in a manner that will best contribute to achieving enterprise objectives and reducing its cost.
- **Recognition of local conditions:** The pattern of grouping should be evolved in such a way that local conditions are given due recognition.

In addition, the following principles should also be given due consideration according to necessity, in departmentalizing activities or functions:

- Ease of direction
- Flexibility
- Optimum utilization of the workforce
- Opportunities for the application of individual talents
- Uniform and consistent policy of operation
- Functional efficiency in production, distribution, and finance
- Clear and comprehensive channels of communication
- Contribution to the survival and prosperity of the business

Process of Departmentation

The process of departmentation may be divided into the following three stages:

1. Primary departmentation, which is achieved by initial break-up of functions into basic activities
2. Intermediate departmentation, which is done by creating departments in the middle levels of the organization
3. Ultimate departmentation, which is accomplished by dividing activities into separate units at the lower levels

Based on the prevalent practices, organizational structure can be divided into four major types:

1. Functional structure
2. Divisional structure
3. Hybrid structure
4. Matrix structure

Patterns Used in Departmentation

The most common patterns are grouping by functions, products, territories, processes, customers, and time. It may be mentioned here that departmentation by numbers used to be an important method in the organization of tribes and armies.

Departmentation by functions

Departmentation by functions refers to grouping the activities of an enterprise into major functional departments. The basic functions are usually classified into production, selling, and financing. The other commonly recognized functions requiring separate groupings are buying, accounting, personnel, and research. However, these functions vary according to the organization. Departmentation by functions is the most widely used basis for grouping activities into administrative units and is found in almost every enterprise at some level or the other. An illustration of a functional organization structure has been given in Figure 3.1.

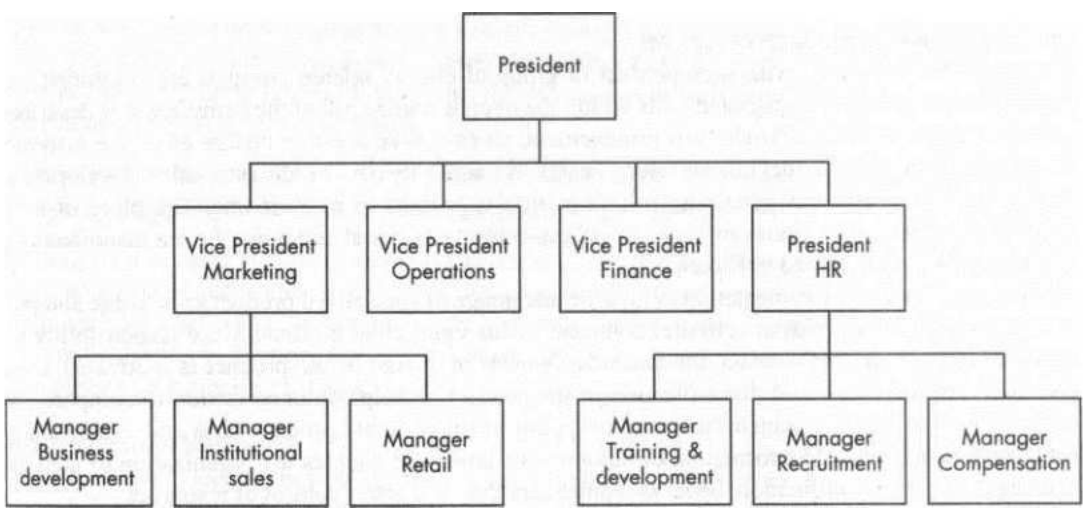


Figure 3.1 Functional Organization Structure

This is a hypothetical organization structure of a multi-product company with both institutional and retail sales.

Some of the advantages of a functional organization structure are:

■ Functional departmentation represents a natural and logical way of grouping different activities of the enterprise.

■ Such grouping ensures specialization. By concentrating on similar groups of activities, specialized knowledge and skill are acquired which can be utilized for the efficient running of the departments. This leads to economy in operations and efficiency in the use of the workforce and other resources.

■ It facilitates coordination within the function. It is easier for a manager in charge of a particular function to synchronize activities and unify efforts of personnel engaged in that particular function, than to coordinate activities pertaining to different functions.

■ Direct and adequate attention to the basic activities guarantees the availability and effective utilization of outstanding abilities.

■ Functional departmentation is a time-proved method and can easily be justified by the management.

A functional organization structure has some disadvantages as well:

■ Centralization tends to become excessive and thereby causes delay in decision making and flow of information. Any decision regarding problems covering two or more functions can only be made at the top of the organization. Moreover, in the communication process of the same to the bottom of the organization pyramid, implementation is further delayed.

■ Functional departmentation tends to make executives overtly conscious of their respective functional areas, to the extent that the business as a whole very often remains out of focus. This results in extra time being spent on emphasizing the mission of the enterprise and makes coordination between different functional areas more difficult.

■ A company that is functionally organized does not offer a good training ground for all-round development of managers. A manager supervising a particular function more often becomes an expert in handling problems of that particular function alone.

Departmentation by products or services

When activities associated with each product or group of closely related products are combined into relatively autonomous and integrated units within the overall framework of the company, it is described as *product departmentation.* Under this arrangement, an executive is put in charge of all the activities relating to a product or product line and enjoys extensive authority over production, sales, development, service, and other functions pertaining to that particular product or product line. The place or location of the product unit is irrelevant here. A process-centric divisional structure of a tea manufacturing company has been illustrated in Figure 3.2.

Product or process departmentation enjoys the advantage of specialized product knowledge and promotes coordination of different activities connected with a particular product. Since responsibility for the result of each product is fixed, the executive who is in charge of the product is motivated about expansion, improvement, and diversification of the product. It helps an organization to compare one product line with another, which facilitates dropping of unprofitable product lines and expansion of profitable product lines. The formation of autonomous units also enables the organization to gain the advantages of better coordination, better customer services, and better control of resources.

There are some disadvantages to adopting product or process departmentation. Such an arrangement can at times lead to difficulties in coordination. A manager of products who has been successful in running their

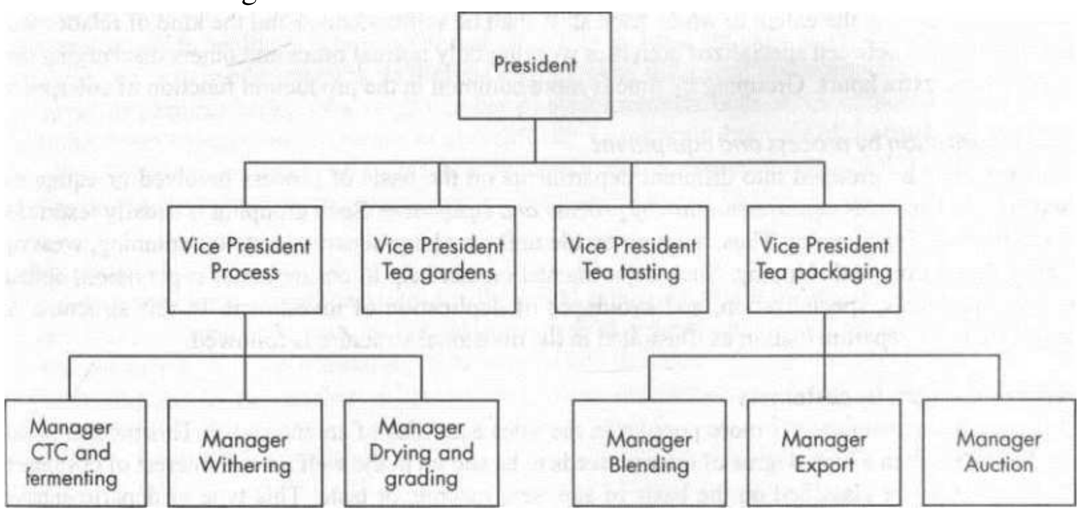


Figure 3.2 Divisional Organization Structure

Department may well be prompted to acquire more power for themselves. However, such a situation may be remedied through centralization of certain key activities and shifting major policy decisions to the top of the organization. Also, a product or process departmentation structure requires the organization to hire more persons with general managerial ability, thereby raising the managerial cost. Costs are also increased due to duplication of centralized services and staff activities. At the top management level, it can also create a problem of control due to obvious difficulty in monitoring of activities of various product departments. Apart from that, top management may not like to delegate decision-making powers to departmental heads.

Departmentation by locations or territories

When the activities of an enterprise are physically or geographically dispersed, providing it with local administration is desirable and at times required in the interest of efficiency and economy in operations. This type of organization is viewed as *territorial departmentation.* Koontz (1961) has mentioned two valid reasons favouring territorial departmentation:

1. To avoid absenteeism, that is, to make managers keep local factors in context in decision making
2. To take advantage of certain economies of localized operation

Grouping by locations signifies adaptation to local needs and facilitates prompt actions. Activities within the scope of one's area or authority can be more effectively coordinated and controlled. Such departmentation also offers opportunity to the top management to allow employees to gain experience with minimum risks to the firm. On the other hand, communication gap and delay in decision are some of the major disadvantages that may accrue.

Departmentation by time

When operations extend far beyond the normal work period of an individual, it may well be spread over certain shifts. Such grouping is frequently termed as *departmentation by time.* For enterprises engaged in continuous processes, for example, public utilities and restaurants, departmentation by time is a normal practice. Units so created on time basis perform similar operations. However, there needs to be clear guidelines regarding the extent to which each shift shall be self-contained and the kind of relationships that should exist between specialized activities working only normal times and others discharging their duties during extra hours. Grouping by time is more common in the production function of enterprises.

Departmentation by process and equipment

Activities may be grouped into different departments on the basis of process involved or equipment used. This is known as *departmentation by process and equipment.* Such grouping is usually resorted to in a manufacturing concern. Thus, a cotton textile unit may have separate units for spinning, weaving, dyeing, inspection, and shipping. Such departmentation can help to ensure better supervision, optimal use of equipment, specialization, and avoidance of duplication of investment. In this structure, the same pattern of departmentation as illustrated in the divisional structure is followed.

Departmentation by customers

Customer departmentation is more popular in the sales activities of an enterprise. This pattern is usually followed when a high degree of interest needs to be shown in the welfare and interest of customers. Customers may be classified on the basis of age, sex, income, or taste. This type of departmentation assures full attention to different customer groups. It also helps in enhancing the company's image and goodwill. Since customers are divided into identifiable groups, the pattern permits use of specialized knowledge for each such group.

Hybrid structure

The *hybrid structure* is a form of departmentation that combines both functional and divisional structures. In particular, large organizations adopt this structure to gain the advantages of both functional and divisional structures. The functional structure assures the benefits of economies of scale, in-depth expertise, and resource-utilization efficiencies, while the divisional structure brings the benefits of specialization of products, services, and markets. In India, most of the public sector units and departmental undertakings (like the Railways) follow this structure. Atypical hybrid structure of an organization is illustrated in Figure 3.3.

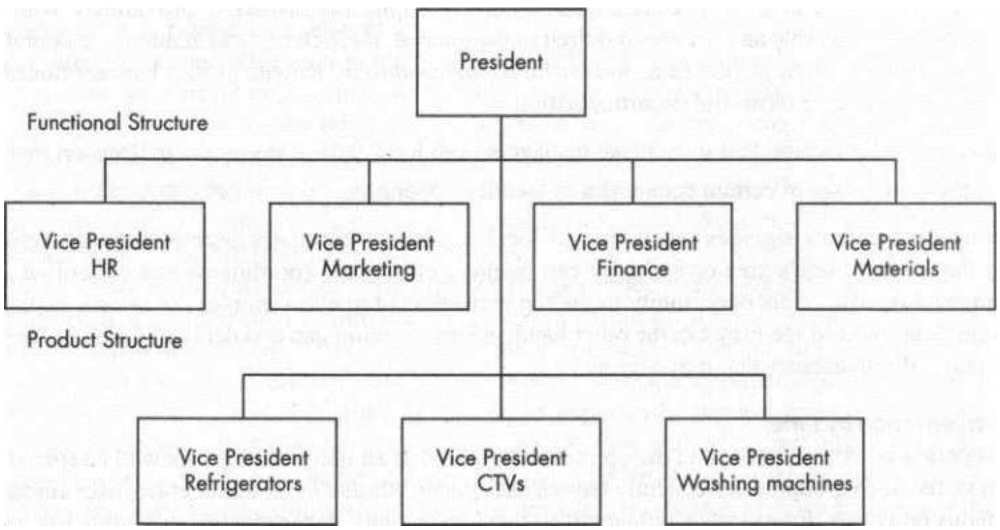


Figure 3.3 Hybrid Organization Structure

A hybrid structure brings the benefits of specialized expertise and economies of scale in prime functional areas. It facilitates adaptability and flexibility in handling diverse product or service lines, territories, and needs of customers, as well as alignment of divisional and corporate goals. However, this structure requires hiring of a large number of staff members both at the corporate level and the functional (operational) level. Control is also difficult to maintain because of a broad organizational structure. Achieving coordination between a division and a corporate functional department is time- consuming, which further creates organizational imbalance.

Matrix structure

In a *matrix structure,* a horizontal set of divisional reporting relationships is superimposed on a hierarchical functional structure. It is also known as grid organization or project or product management organization. It is a combination of functional and divisional forms of organization. Therefore, it is characterized by two chains of command: vertical and horizontal. A typical matrix structure is illustrated in Figure 3.4.

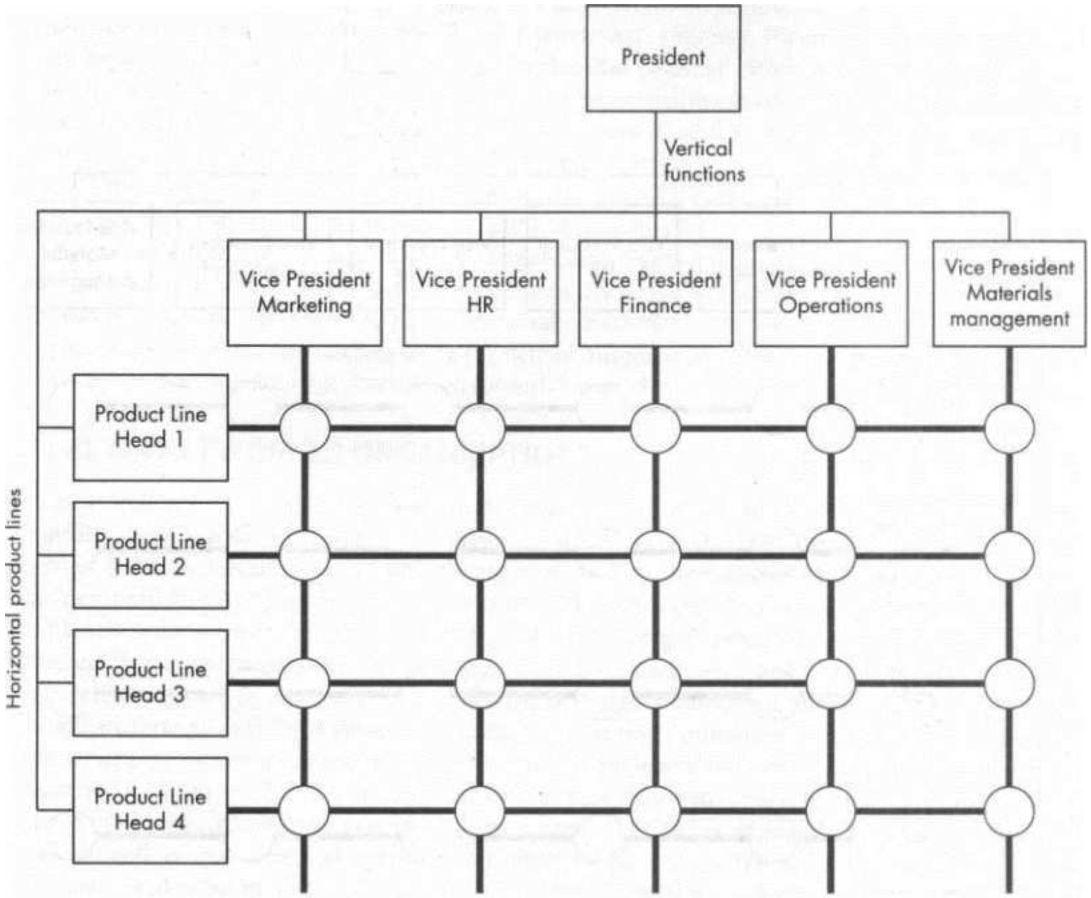
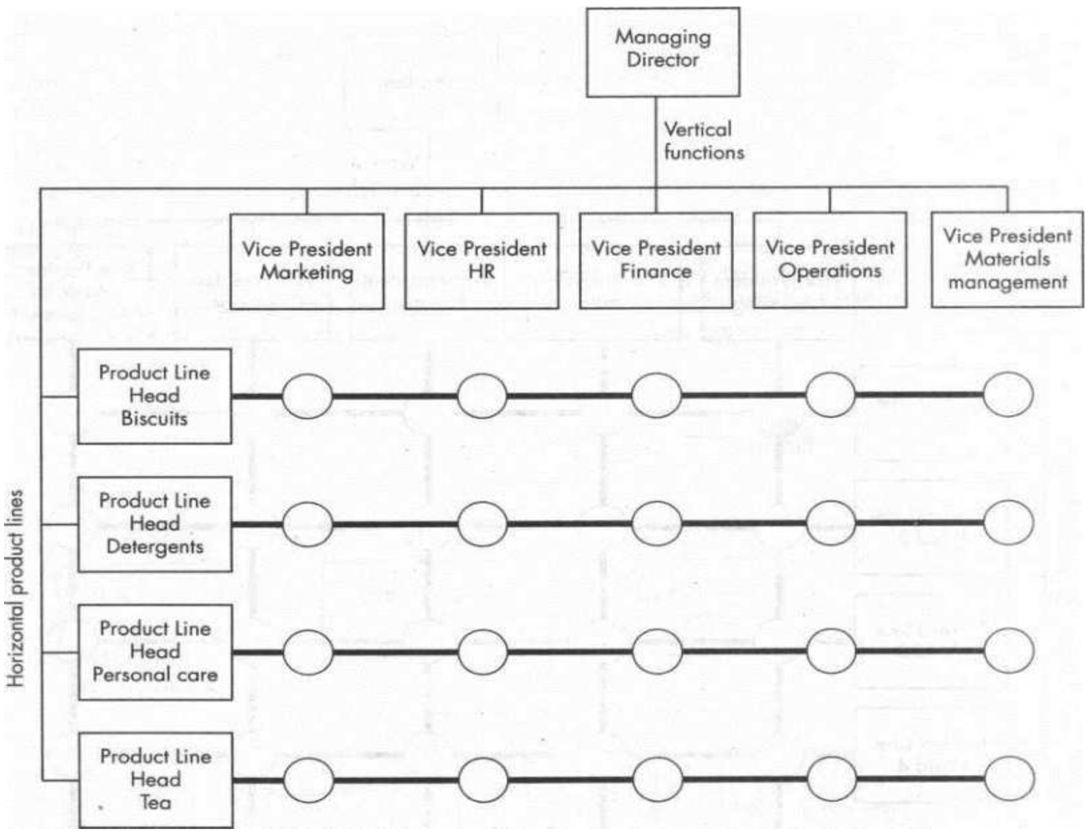


Figure 3.4 Matrix Structure

The advantages of the matrix structure include decentralized decision making, better project or product coordination, improved environment monitoring and resultant response to change, flexible utilization of the workforce and other resources (including support services). On the other hand, this structure requires high administrative costs, creates confusion about authority and responsibility, enhances interpersonal conflicts, and overemphasizes group decision making.

Despite its potential disadvantages, the matrix structure is now widely used to cope with increased environmental pressures and to develop a sound competitive strategy. Unless the whole process is efficiently managed, it is not likely to benefit an organization.

Nowadays, one also observes organizations being structured along the concept of strategic business units (SBU) or independent business units (IBU). SBUs/IBUs are set up as distinct business units to ensure that some products or product lines are promoted as independent businesses. The General Electric Company for the first time used this method of structuring. An illustration of an SBU structure has been given in Figure 3.5.



ORGANIZATION STRUCTURE IN A GLOBALIZED WORLD

Business imperatives compel organizations to operate globally. To adapt to global business requirements, organizations may adopt global, international, multi-domestic, transnational, informated, cellular, or networked structures. A *global organization structure* is not locally responsive and it does not believe in optimal sourcing; instead, it concentrates on work activities in one locale, that is, in their country of origin, and follows a centralized approach. They believe in home-base operations even though they do business globally. Strategically, this type of organization offers similar products or services worldwide, irrespective of their acceptance or otherwise in various global markets. An *international organization,* on the other hand, goes beyond home-base operations. They create separate hubs for their various product or service mixes, locating such hubs in those countries where they can get the benefit of optimal sourcing. These hubs in different countries work as 'centres of excellence' and cater to the world market. *Multi-domestic organizations* follow a decentralized, geography-based approach to customize their operations, specific to the requirements of the countries where they do business. They develop specific products and services acceptable to local markets. *Transnational organizations* blend the international and multi-domestic approaches to optimize their location advantages and also to reap the benefits of optimal sourcing. They customize their product and service mix on region basis and at the same time gain the advantages of their worldwide centres of operations. Unilever, Procter & Gamble, and NEC are good examples of this type of organization (Bartlett and Ghoshal 1998). *Informated organizations* manage information up and down the organization, making extensive use of computers and other related supports. They are low in virtualization and high in IT infusion. *Cellular organizations* are characterized by small, autonomous work groups or business units that are self-governed and that can grow, reproduce, and form relations according to their need (Miles and Snow 1984). In fact, they are different from SBUs or IBUs since they can operate more independently, even crossing the boundary of cells. *Networked organizations* develop active linkage between internal and external organizations to meet the knowledge needs. It is a mix of virtualizations and IT infusion and is active in making strategic alliances. Many organizations that survive in a diverse global environment develop a corporate culture that is a learned, shared, relatively enduring, and interdependent system of meanings that classify, code, prioritize, and justify activities both within the organization and towards external environments it has defined as relevant.

VIRTUAL OR NETWORKED ORGANIZATIONS

Information systems have radically changed the world of business and also the way people work. Traditionally, organizational structures were based on location-specific activities and face-to-face communication. With the advancement of information systems, organizations now operate in a distributive environment, with flexibility in the nature and way of work. This is the *e-organization* or *virtual organization,* which does not have a central geographical location. This organization interacts essentially through computer networks. By nature, these types of organizations outsource most of their functions because of their borderless operations and market networks. Several global consulting and high-technology businesses operate through creating a virtual organization, leveraging information systems. In a virtual organization, which may be either temporary or permanent, virtual teams and virtual projects are developed.

Rosabeth Moss Kanter (2001) mentioned the radically transformative nature of the global network— the new e-world which connects everyone with everyone else. This requires a new operating environment as well as new forms of business and organization. To survive in this era of e-revolution, organizations need to be innovative even as they shift from traditional hierarchical bureaucratic systems and structure. Kanter identified certain elements of the e-organization.

According to Kanter, there are four key elements of an effective organizational e-culture:

1. Improved strategy to come out with new products and services
2. Urge to grow through partnerships and collaborations
3. Operate as integrated communities, removing the internal barriers
4. Become talent-dependent or talent-driven

E-organizations have three important features:

1. Managing production processes—encompassing procurement, stock replenishment, payment processing, vendor control, and production control activities—through electronic links
2. Managing customer-centric activities—encompassing marketing, selling, processing of customers' orders, and extending support to customers—through electronic information systems
3. Managing internal processes—encompassing employee services, training, information sharing, and recruiting—through electronic applications

ORGANIZING AS PART OF THE TOTAL MANAGEMENT TASK

Organizing is closely related to other phases of management. This becomes obvious when one considers changes in the organization structure and the effects of such changes on other tasks of management. In fact, changes in organization structure must be matched by changes in the planning, staffing, and controlling phases of management.

Delegation of Authority

Authority delegation is the key to organization. In fact, no organization is possible without delegation because it would then imply the non-existence of subordinates in the organization and one man doing everything. While establishing the organization structure, the manager must group activities, assign them to different individuals in the organization, and delegate authority necessary for their effective and efficient functioning to achieve the mission of the enterprise. Delegation is, thus, an essential process indispensable to organization. The principle of 'span of management' also requires authority to be delegated to subordinates. When the manager delegates authority, he/she creates subordinate positions and thereby makes organization possible. While delegating authority, the manager must know the amount of authority to be delegated and its limit. No manager can delegate authority that they do not have, nor can they delegate all their authority without sacrificing their position as a manager.

Features of authority delegation

Irrespective of the level at which authority is passed on to subordinates, the delegation involves three basic features:

1. Assignment of tasks and duties that is, indicating what work subordinates must do.
2. Granting of authority, that is, the executive who is delegating authority must transfer sufficient rights or permission to the subordinates to help them accomplish the assigned tasks.
3. Creating an obligation, that is, once duties have been assigned and authority is delegated, responsibility for accomplishment of tasks is spontaneously fixed. According to Fayol, this is exaction of responsibility from the subordinates for accomplishing the assigned tasks.

Thus, duties, authority, and obligation constitute the three important ingredients of delegation. All these three aspects are interrelated and any change in one is bound to call for adjustment in the others.

Principles of delegation

Delegation of authority is made more effective by following certain important principles. These are:

Clarity of delegation Whether specific or general, written or unwritten, delegation of authority must be clear in terms of its contents, functional relations, scope, and assignments. Ambiguity leads to poor results and tends to make the delegation less effective.

Clarity of delegation also implies defining the horizontal and vertical relationships of the position of each subordinate with respect to other positions in the organization. Every subordinate must know what other position exists at their own level in the organization structure and how their position fits in the overall management hierarchy. Every manager must know who are working under them and who are in positions higher to that of their own in the organization. This helps them to seek guidance and also to provide guidance in terms of the scalar chain established in the organization.

Specific and written delegations help both the manager and the recipient of authority. Nevertheless, as one goes up the echelons of organization structure, such specific delegations become more and more difficult to frame.

The principle of clarity should not be taken to mean that authority relations between the subordinates and the seniors once established become immutable. Authority delegation should be adequately modified to conform to any change in the work.

Delegation to be consistent with expected results Before proceeding with actual delegation of authority to the subordinate, the manager should know the precise jobs to be done and the results expected of such delegation. Authority delegation should be restricted to the extent to which it can give results. This principle rests on the assumption that goals are set, plans are made, and jobs are set up to accomplish or implement them. This principle also helps in minimizing the dangers of delegating too much authority or inadequate authority.

No delegation of responsibility: The obligation to accomplish the assigned task is absolute and is not partitioned when authority is delegated to the subordinate. The chief executive even after delegation remains accountable to the board of directors for the management and supervision of the whole enterprise. If this principle is violated, three important consequences will follow:

1. If the manager is able to pass on an obligation along with delegation of authority to the subordinate, the rule of single chain of command will be violated.
2. The management at the top shall have great responsibility and yet not be accountable for the results.
3. When a manager is allowed to delegate their obligation, there will be no way of knowing who is accountable for what.

Thus, when authority is delegated, obligations are not passed down the organization; rather, new responsibilities are created at each level.

Parity of authority and responsibility: Whenever authority is delegated, responsibility steps in and it coexists with authority. A subordinate can be held accountable for the tasks assigned to them but only to the extent of authority delegated for their accomplishment. By the same rationale, a sales manager cannot be held responsible for production failures for which they were given no authority. Hence, authority and responsibility should relate to the same assignment.

The exception principle: Authority is delegated to push down the process of decision making as near the source of information and action as possible. The recipient of authority shall make proper use of it and make all the decisions falling within the scope of their authority. Only in exceptional cases where one cannot make the decision at their level should they refer it upward for consideration by the superior.

By delegating authority, the manager is not absolved of their responsibility. It is, therefore, essential that the manager devises suitable techniques of control to ensure that the authority is properly used and that results are achieved as expected.

Pooling together of the authority of two or more managers before a problem can be solved or a decision made is described as *splintered authority.*

Shared authority: Where the superior and the subordinates together come to a decision, it is known as *shared authority.*

Barriers to delegation

There are two main barriers to delegation: the attitude of the executive and the attitude of the subordinate.

Attitude of the executive: There are managers who prefer to withhold a larger part of their authority under the pretext that even after delegation they continue to remain responsible for the accomplishment of tasks assigned to them. Such an attitude is self-defeating and results in real limits to delegation.

Certain personal attitudes are important in making delegation real and effective. Every delegation must involve a degree of authority or discretion. The decision taken by a subordinate is not likely to be exactly similar to that of the delegator. Hence, a manager should be receptive to the ideas or initiatives of others. In the same way, for making delegation effective, the manager must not only be willing to push decision-making power down the levels of the organization structure but also be prepared to allow others to make mistakes. It is all the more essential that the manager trusts their subordinates.

Inability to direct well is another barrier to successful delegation by the top executives.

Attitude of the subordinate: There are real obstacles to a subordinate accepting delegation. Even when a manager is willing to delegate a part of their authority, the subordinate finds it more convenient and easy to take dictation and guidance from the higher-ups rather than to involve themselves in the creative process of decision making.

Fear of criticism may also deter the subordinate from accepting delegation. Lack of confidence is yet another serious problem. In addition, lack of necessary information and resources to do the assigned duties may make the subordinate hesitant in accepting delegation.

Decentralization

While *delegation* refers primarily to the entrustment of duties and attendant authority from one individual to another, *decentralization* applies to systematic delegation of authority in an organization-wide context. Delegation can take place from one individual to another and lead to completion of the process. However, decentralization is complete only when the fullest possible delegation is made to all or to most of the people in an organization and they are delegated with a specific kind of authority.

Thus, delegation is the process and decentralization is the result. Delegation is from person to person, whereas decentralization is usually a complete block. Delegation is a must where organization structure is present, whereas decentralization may be optional. In delegation, control lies at the top; in decentralization, control lies in the decentralized unit. An organization can delegate well without enough decentralization. However, this does not mean decentralization can be totally absent in an organization. It always exists in a large or small degree in all organizations.

From the organizational point of view, there is no such thing as absolute centralization or delegation. The existence of the former may be conceptually possible only in a one-man organization.

Delegation involves sharing of either managerial work or operating work between a manager and subordinates, whether they are managers or non-managers. In contrast, decentralization is concerned with the sharing of managerial work only between two managers.

Decentralization versus centralization

Robert Staiger (1995) has suggested that certain things should not be decentralized. These include:

- The responsibility for objective determination
- The responsibility for determination of overall comprehensive business planning and policy
- The final responsibility for business control, that is, control should be reserved at the top
- The responsibility for quality design and quality standards
- Final approval of the budget and other financial plans
- The decision on manner of raising of capital and its application
- The responsibility for deciding various capital projects like large-scale, long-term commitments for a financial project

With the emergence of a participative approach, some of Staiger's observations do not hold much value in today's competitive business environment. To ensure enhanced commitment to deliver results, for example, objectives determination nowadays is made more participative with distributed decision making, rather than being formulated as a centralized decision at the top.

Criteria for decentralization

Earnest Dale (1965) through his research has listed the following criteria for decentralization:

The number of decisions: The greater the number of decisions made down the management hierarchy, the more is the decentralization.

Importance and significance of the decision: The more important and costlier the decision made down the management hierarchy, the more is the degree of decentralization.

Effects of decisions: The more functions are affected by decisions made at the lower levels and, in turn, affect the organization structure, the greater is the degree of decentralization.

Checking of decisions: The lesser the checking required on decisions made lower down the management hierarchy, the more is the decentralization.

Decentralization is best where no change has to be made: In a relatively stable work environment, which need not get influenced by changes in the external environment, the degree of decentralization can be more.

W. Newman (1951) has explained the degree of decentralization in the following terms:

- Where there is complete reservation of authority, that is, absence of decentralization, it is a total case of centralization.
- If plans, policies, and decisions are made at the top, there will be a lesser degree of decentralization.
- Where there is full authority for operating decisions at the lower levels, with practically no reservation or limitation, then it is a high degree of decentralization but not total decentralization.
- If plans, policies, and authorities are pushed down to the lower levels, it becomes a bottom-up organization.

Need for decentralization

Despite the conflicting observations about decentralization, organizations may be required to decentralize or distribute authority in certain circumstances. According to Louis A. Allen (1958), the need for decentralization arises due to any of the following reasons:

- To reduce or ease the burden of the top executives
- To provide opportunities for greater diversification of product lines
- To pay special attention towards a particular product line or product market
- To promote development of future managerial potential for business
- To boost the morale of all organization members
- To keep pace with technological development, for example, the electronics industry where requirement for decentralization is more because it is growing rapidly

Some of the advantages of decentralization are:

- It reduces the burden of top executives.
- It motivates subordinates to take initiatives and also perform better.
- It boosts the morale of subordinates.
- It helps in development of managerial potential.
- It ensures product-line diversification.
- It ensures division of work.
- It establishes better coordination and operation.
- It ensures effective control, that is, profit-centre decentralization.

- It ensures quicker decisions; decentralization facilitates management by objective (MBO).

Some of the limitations of decentralization are:

- It entails excessive operational cost.
- There is lack of divisibility.
- Non-availability of good executives can be a constraint.
- There is potential wastage of staff service.
- It may result in difficulties in policy control—different decentralized units may have differences in policy approach.
- There may be obstacles in case of an emergency. In emergency situations, the problem could be of getting a quicker decision from the central office.
- There is a potential loss of control.

Problems in achieving decentralization

Achieving decentralization in organizations is not easy. Executives and subordinates are always at loggerheads on decentralization issues. In some organizations, subordinates allege that management adopts the decentralization option to get their part of job done through them. Conversely, some executives believe that decentralization will only add to their woes, as subordinates always need to be guided, which reduces the effective time available for other managerial work.

The main issues in implementing decentralization are:

- Executives may be unwilling to delegate, mainly in the belief that they can do everything better.
- Executives may lack the ability to direct others.
- Executives may not have confidence and faith in subordinates—the superior only gives lip service to decentralization while the subordinate does not even know what their job is. This is often because the executive fears that they might be taken out of their position. Generally, promo- tee executives belong to this category. One remedy is training the subordinate or bringing in new subordinates.
- The executive may fear a situation where the subordinate develops too much authority.
- Executives may be handicapped by temperamental aversion to taking a chance, notwithstand- ing the clarity of delegation. The greater the number of subordinates, the higher the chance of decentralization, and greater would be the likelihood of problems faced. To delegate is to take a calculated risk.

The problems in achieving decentralization can be addressed through attitudinal change. One needs to ascertain why the executives are reluctant to delegate. Sometimes, superiors give orders to subordinates and subordinates also show their reluctance to take responsibility. Such reluctance in subordinates to take responsibility can be attributed to the following reasons:

- There may be lack of faith in self and a sense of dependence, with the subordinate preferring to refer back the work to the superior.
- The fear of criticism has a crippling effect. If something goes wrong and the superior publicly criticizes the subordinate, it will have a negative effect.
- Subordinates may refuse to take up responsibility because of lack of information and resources.
- Subordinates avoid taking up responsibility due to work overload.
- Lack of positive incentive and inducement may also deter a subordinate from assuming responsibility.

The application of decentralization requires social and administrative adjustment of attitudes and behaviour patterns of the individuals involved. In a dynamic society, such adjustment is a common occurrence. This adjustment can take place keeping in view that every individual behaves differently. Even the best plan will not be achieved until and unless personal adjustments are made.

OPEN SYSTEMS APPROACH IN ORGANIZATIONS

The systems theory has unearthed the process of understanding the complex world of systems. In organizations, systems theory is applied through systems analysis. It is done through systems thinking, which helps one to study the organization, its patterns, structures, and events. Thus, systems thinking provides one with a broader perspective to identify the actual issues and their causes, acting more like a diagnostic tool, and accordingly facilitates the appropriate process of intervention to correct the organizational odds.

One can list the six systems principles in the following manner:

1. Organizational systems follow patterns of events in a cycle.
2. Each pattern of event indicates some specific phases, and at each phase, the behaviour of the organization changes.
3. Systems interpret patterns and events in their organizations.
4. Systems seek balance with the organizational environments.

5’. When systems do not interact with their environment, they become limited.

6. A circular relationship exists between the overall system and its parts.

Traditionally, an organization is viewed as a closed system. The closed systems perspective considers everything to be deterministic; hence, the organization structure should be more or less fixed, depending on the preferences of a specific organization. However, in the changing dynamics of today, the open systems approach to organization is considered superior and practical. This approach has been characterized by importation of energy, throughput, output, cycles of events, negative entropy, information input, steady or dynamic homeostasis, differentiation, integration and coordination, and equifinality. Such characteristics actually emerged from the consideration of the organization as a living system. According to Boone and Kurtz (1992), *cycle of events* is a process in an open systems organization through which it receives inputs from the environment and then transforms them and generates output. Negative entropy represents the ability of the organization to autonomously repair itself and then survive and grow by importing resources from its environment and transforming them into outputs. Organizations through steady or dynamic homeostasis maintain equilibrium over a period of time. Through differentiation, organizations develop structures and develop specialized functions. The equifinality principle of the open systems organization helps in achieving objectives through several different courses of action.

The operational research or management science approach has emerged as a separate discipline from the systems perception of organization. It is an extension of the systems analysis and systems engineering approach. *Operational research* conceptualizes the general pattern of conceiving, designing and implementing with some given specifications, optimizing resource utilization in an efficient and effective manner. In the process it also tries to reduce the negative side effects. The systems engineering approach encompasses technological, organizational, and societal systems. It follows four different stages: systems analysis, systems design, implementation, and operation. At the systems analysis stage, the organization defines the systems, identifies different subsystems, and establishes their interrelationships. At the systems design stage, the organization builds the systems model, optimizing the resources. At the implementation stage, the final design is built, keeping in view various eventualities so that it can cope with uncertainties. Finally, at the operation stage, supports are provided to continue with the designed systems, documenting the activities involved, user manuals, training, etc. Thus, both systems analysis and systems engineering provide a general way of thinking of practical situations requiring the creation of a system that achieves some predefined purpose.

The term *orchestra organization* is used in the open systems perspective because like an open systems organization, an orchestra organization, too, is a complex set of interdependent subsystems. Ai open systems organization takes inputs from the environment, processes them, and produces outputs. Efficient interactions with the environment and various subsystems determine the success of an organization. When the organization is efficient, it not only considers relationships and reciprocal influences between the organization and its environment, it even considers extending its sphere beyond the formal boundary, through an efficient boundary-spanning subsystem. *Boundary-spanning subsystems* play the buffering role to account for external organizational uncertainty. *Processes* or *throughputs* in a typical orchestra organization are specialized functions that are distinct and interdependent. Even the coordinating function is considered as throughput, as it helps in the goal of achieving the output.

In this chapter, the basic issues surrounding the organizing of activities have been discussed. The success of an organization largely depends on the way it organizes its activities. While organizing, it is necessary to follow certain basic principles and what may be applicable for one organization may not be the right fit for another. While there are many forms of organizational structures, selecting an appropriate structure for an organization largely depends on their style of managing activities and priorities. A manager has to study all facets of the organizational life before finalizing a structure. The structure sets the culture and it often creates an organizational climate. Hence, changing an existing structure requires careful study of the problems. Quite often, the changing strategies of an organization influence structure. Globalization has now intensified competition among organizations. It has also led to the emergence of various new issues like market consolidation through mergers and acquisition, addressing multicultural complexities, and corporate governance aspects. For obvious business reasons, organizations around the world now focus on achieving economies of scale by locating their manufacturing and back-office jobs in countries that offer competitive wage costs. All these now require organizations to experiment with their structure and identify the best fit. It is always desirable that an organization's structure is chosen based on a consideration of multidimensional aspects.

MODULE-IV

Directing

DIRECTING THROUGH MOTIVATION

Directing as a managerial function initiates organized action with the purpose of fulfilling organizational objectives. A manager accomplishes organizational goals and objectives by directing. Directing involves issuance of directives and guidance to subordinates. Hence, it is an interpersonal aspect of management. Through effective directing, an organization tries to create an appropriate work culture to reap the dormant potentiality and creative talents and abilities of people. Since directing inculcates beliefs, hopes, ambitions, and an interaction pattern, it requires an understanding of human nature and behaviour. The different elements of direction include issuing instructions, supervision, motivation, leadership, and communication.

Some of the characteristics of direction are:

- Direction follows the principle of the scalar chain, that is, managers at the top level direct middle- level managers, who in turn direct operations-level people, who implement the plans.
- Direction does not end by just giving instructions; it also calls for monitoring of performance of subordinates, that is, supervision.
- Direction encompasses all hierarchical levels in the organization. Every manager at their level of function needs to give direction to people to accomplish organizational goals and objectives.
- Direction is a continuous function. Once managers give direction, the process does not end. At every stage, managers need to guide, teach, motivate, and lead their subordinates.
- Direction essentially deals with the human factor.

This chapter discusses the concept of direction through motivation.

MOTIVATION IN ORGANIZATIONS

To motivate means to incite. *Motivation* creates a desire or willingness to work in the manner in which it needs to be done. This is distinct from the capacity to work. Motivation is an urge in the employee to act towards fulfilling their needs and, thereby, the needs of the organization. Various management gurus including Frederick W. Taylor, George Elton Mayo, Mary P. Follet, Henri Fayol, Abraham Maslow, Douglas McGregor, Frederick Herzberg, Chris Argyris, and David C. McClelland have contributed to the theories of motivation. The principal focus in this chapter is the behavioural aspects of motivation.

Process of Motivation

Throughout the world, motivational perceptions of employees are evolving in response to a number of key variables. The conventional motivational reinforcers, either extrinsic or intrinsic, are gradually losing importance. It is no longer possible to identify and indicate one single motivational tool commonly applicable to a cross-section of employees. Yet, one can appreciate the relative importance of one or the other tool for a particular segment of employees belonging to some homogenous organizations.

Motivational factors are perceived needs of employees and the satisfaction of these factors contributes to employees' performance and productivity. Motivation, per se, can be better defined as a process governing choices. This process arouses enthusiasm and persistence about pursuing a certain course of action and may be internal or external to the individual. The process of motivation starts with a physiological or psychological deficiency, or due to a need that activates behaviour or a drive that is aimed at a goal or an incentive. All the definitions, therefore, authenticate that motivation is a behavioural syndrome that develops when there is a perceived incongruence in employees' needs and expectations. With the widening of the perceived gap, employees feel demotivated and their level of performance and productivity may dip. Contrarily, if the gap gets reduced, employees feel motivated and put in their best efforts towards achieving organizational objectives. From the organizational point of view, the process of motivation follows certain defined steps, which as a continuum need to be periodically reviewed and adjusted accordingly. This helps to maintain the motivation of employees, which is evident from their behavioural congruence with organizational objectives.

In the first stage, it is important to identify the need deficiency of employees, if any. Need deficiency revolves around extrinsic and intrinsic needs. *Extrinsic needs* are those needs that are related to material and tangible gains. Increased pay, incentives, bonus, better medical facilities, better retirement benefits, and better canteen facilities are examples of extrinsic needs. *Intrinsic needs,* on the other hand, are related to mental satisfaction and are abstract in nature. Increased status, challenge, a sense of belonging, scope for growth and creativity, recognition, and a sense of achievement are examples of such needs. Identification of need deficiency is possible through direct observation of employees' behaviour and through a survey using a structured questionnaire. However, employees, by and large, feel sensitive about giving responses to a survey questionnaire, fearing that they will be identified and singled out for giving any response that criticizes organizational policy. Confidentiality in survey responses can be ensured through a secret opinion poll, where the questionnaire does not require any employee's identity. For better results, it is desirable to integrate survey findings with a personal interview, which can be in the form of an open discussion with employees by their respective seniors. Some organizations try to document such information from a 360 degree performance appraisal, incorporating certain items in the appraisal form itself. Existence of need deficiency can also be understood from the trend of employees' performance and using that to develop a performance index or productivity index.

In the second phase of the motivational process, organizations try to identify an appropriate strategy to close the perceived need deficiency of employees. This is known as *compensation strategy*. There are many innovative ways to close need gaps of employees without drastically impairing the budget. For example, the need for increase in pay can be ensured by reducing deferred benefits, that is, nonwage labour cost (NWLC), and including the reduced amount in the current pay of employees. This is particularly important for those organizations that employ mostly young people in an exploratory age group (less than 35 years). Similarly, linking pay and performance facilitates development of a proper compensation structure to reward and also to motivate good performers. On the other hand, any gap in fulfilling intrinsic needs can be reduced by adopting an enabling organization structure, which, among other things, fosters creativity and growth.

In the third phase of the motivational process, organizations enforce goal-directed behaviour. *Goal-directed behaviour* enhances performance and productivity of employees, which further influences the compensation strategy and other motivational reinforcers.

Likewise, the cycle continues as an ongoing process in an organization. At the end of the continuum, all needs are again re-evaluated to understand the emerging need deficiency, if any. In Figure 5.1, a model of the motivational process has been provided as a continuum.

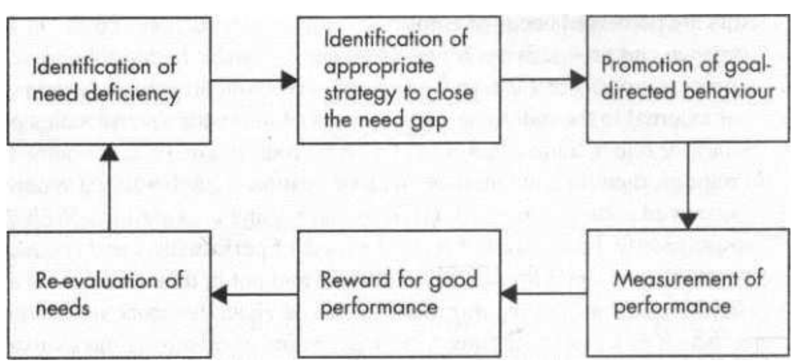


Figure 5.1 A Model of Motivation

Objectives of Motivation

Motivation enhances performance and improves productivity. Therefore, motivation fulfils the following objectives of an organization:

- **Productive use of resources:** Physical, financial, and human resources are the most important resource constructs for an organization. Proper utilization of resources is possible when people in the organization feel motivated. Motivation leads to goal-directed behaviour, which in turn facilitates productive utilization of all resources. Important measures for productive use of resources are total factor productivity indices and labour productivity indices. *Total factor productivity indices* consider the sum-total efficiency of all the factors of production, while *labour productivity indices* consider labour efficiency.
- **Increased efficiency of employees:** Motivation augments employees' willingness to work and boosts their efficiency levels. Increased efficiency also contributes to cost reduction.
- **Quality consciousness:** Thirdly, a motivated employee also becomes quality-conscious, as they behaviorally identify themselves with the organization and try to put in extra effort and care into their jobs. Motivation, therefore, strengthens the quality objectives of an organization.
- **Realization of organizational objectives and strategies:** Fourthly, by promoting goal-directed behaviour, motivated employees help to realize organizational objectives and strategies.
- **Enabling organizational structure:** Motivation promotes a friendly work culture, morale, an increased sense of responsibility, a sense of belonging, integration of individual identity with organizational identity, teamwork, participative decision making, etc. All these aspects together create an environment for creativity and growth and truly transform an organization to become an enabling force.
- **Organizational stability:** Motivation ensures organizational stability by reducing employee turnover and absenteeism.

Mechanism of Motivation

The word *motivation* is used to describe the drive that impels an employee to work. Therefore, the process starts with physiological (extrinsic) or psychological (intrinsic) needs that have to be satisfied, which activate the drive to achieve a goal. Thus, the mechanism of motivation starts with a need that activates a drive towards a goal.

At this stage, it is important to understand the basic differences between motive, motivation, and motivating. *Motives* are the reasons behind any action. On the other hand, *motivation* is the inner state that activates and directs the behaviour of individuals towards certain goals. The inner state of an individual is created out of a perceived need imbalance. The degree of imbalance decides whether it is a strong motive or a weak motive and, accordingly, the person propels themselves into action. Thus, motives create drives that energize people into action. While motive energizes action, the degree of work behaviour indicates the level of motivation. If an employee performs well, putting forth their best efforts, their motivation is considered to be high, while in the reverse scenario, it is be considered to be low. *Motivating* implies inducements to energize work behaviour. This is a managerial role since it satisfies both individual and organizational needs. Managers try to sustain a motivating environment to get work done in an effective and efficient manner. For this purpose, they need to understand the strength of motive in employees. The process of identification of need deficiency has already been explained earlier.

Significance of Motivation in Organizations

As already explained, motivation is a part of the directing function in an organization. When managers ad as a good motivator, they can influence the members of the organization to feel motivated and deliver the desired results. Motivation is, therefore, the degree to which an individual wants and chooses to engage in certain behaviours. Individual behaviour is very important in trying to understand and then influence motivation. This is because every individual has a set of needs and a different set of goals. Individuals behave differently to satisfy their needs and fulfill their goals. Organizations that are in a position to fulfill some of the needs and satisfactions that individuals seek (relationships, a sense of belonging, intellectual stimulation, mental and physical challenges, self-development, etc.) are better able to motivate them.

For organizations, motivation is important because motivated employees contribute to:

- Higher productivity (that is, they produce more for a given level of resources as compared to poorly motivated workers)
- Better quality work with less wastage
- A greater sense of urgency (things happen quicker when they need to)
- Greater engagement by giving feedback and suggestions for improvements (motivated workers take more ownership of their work)
- Greater engagement by demanding more feedback from superiors and management
- Target achievement by working at 80 to 95 per cent of their ability

THEORIES OF MOTIVATION

There are various theories of motivation. The three major proponents of motivational theories are:

1. F**rederick** W. **Taylor (1856-1**917): Taylor is known as the father of scientific management. In his work *Principles of Scientific Management* (1911), he observed that the prosperity of the management and the workforce are interdependent. People are inherently capable of hard work but they show such qualities irregularly. To harness such potential, pay and rewards (incentives) must be linked to achievement of 'optimum goals'. While good performers receive rewards and better pay, bad performers lose on this count.
2. **Elton Mayo (1880-1949):** Elton Mayo and his associates conducted a series of experiments, known as the Hawthorne experiments, from 1927 to 1932 at Hawthorne Works of Western Electric Company in Chicago in the United States. These experiments established that work satisfaction and, hence, performance do not depend on economics. They depend more on working conditions and attitudes, communication, positive management response and encouragement, working environment, etc.

3. **Abraham Maslow (1908-1970):** Abraham Maslow, through his need hierarchy theory which he first proposed in 1943 in his paper 'A Theory of Human Motivation', established that motivation of people arises from different levels of a hierarchy of needs.

The theories of motivation are most commonly classified into two groups: content theories and process theories.,

Content Theories

The content theory of motivation focuses on those internal behavioural factors that drive one's efforts. Pioneering contributions to this theory were made by Maslow, Clayton Alderfer, Herzberg, and McClelland. Here, their contributions have been discussed in brief.

Maslow's theory of hierarchy of needs

The premises of Maslow's hierarchy of needs (1943) theory can be summarized as follows:

- The wants and desires of human beings influence their behaviour. Wants and desires that are already satisfied do not act as motivators. People's motives or behaviours reflect their unsatisfied wants and desires.
- The needs of people are arranged in the order of their perceived priority or hierarchy. Perceived need factors of people vary.
- People can advance from one level of need hierarchy to another only when their preceding need factors are satisfied. For example, without satisfaction of lower-order needs like

physiological and safety needs, people cannot advance to a higher order where a sense of belongingness and other social needs matter more. The more people advance to higher-order needs, the more they display their satisfaction and motivation to work.

Maslow’s need hierarchy theory divides human needs into five distinct categories.

Physiological needs are the basic needs of human beings which are essential for survival. Such needs include food, water, air, clothing, and shelter. From the organizational point of view, such needs are met through one’s salary and basic working conditions.

Safety needs ensure protection from the economic and physical environment. People expect some reasonableness in their perceived environment to minimize the degree of uncertainty. Job security, a degree of continuity, order, structure, and predictability comprise the nature of such needs. Organizations fulfill such needs of employees by ensuring a protective work environment.

The *need for belongingness and love* arises after satisfaction of the earlier two lower-order needs. These are also known as social needs. People along this need level develop a strong sense of affiliation and become concerned with love, affection, belongingness, acceptance, and friendship. Organizations meet such needs by providing an appropriate work culture to help employees identify with the organization.

Self–actu`alization
Self–esteem
Belongingness and love
Safety
Physiological

At the *self-esteem need* level, employees look for satisfaction of their esteem or egoistic needs. Esteem needs pertain to self-respect and respect from others. Self-respect is ensured by achieving competence, confidence, personal strength, adequacy, achievement, independence, and freedom. Respect from others comes from prestige, recognition, acceptance, attention, status, reputation, and appreciation. To fulfill such needs of employees, organizations provide challenging work assignments, performance feedback, performance recognition, a participative work culture, tools of empowerment, opportunities for participation in decision making, etc.

At the *self-actualization* stage, employees desire to become what they are capable of becoming. They want to create something of their own using their talent, capacity, and potential. Organizations try to fulfill such needs of employees by nurturing an environment that fosters creativity and growth. The concept of needs helps managers understand human behaviour at work. It also accounts for interpersonal variations in human work. Another important aspect is that motivation is defined as a constantly changing force, which makes it a dynamic model.

Despite the advantages, the theory is criticized on the following counts:

- ■ The theory has no empirical support. It is not even a theory of work motivation since Maslow did not intend to relate his theory to work motivation. Maslow’s theory was, in fact, popularized by others (McGregor, etc.) as a work motivation theory.
- ■ Different needs cannot be put into strictly defined levels. In fact, a hierarchy of needs is simply a misnomer. An employee who is motivated by self-actualization may still have lower-order needs like food and shelter.
- ■ The theory is not culturally aligned. It is more aligned to western values while sidelining the East, Work is perceived differently in different cultures. Hence, motivation to work is different across countries and it also varies within a country from one work group to another. Therefore, the theory cannot be applicable to heterogeneous work groups.
- ■ Maslow’s existential philosophy is questioned on the basis that people may like to remain content with the satisfaction of their lower-order needs. They may not want to move further up the hierarchy.
- ■ It is time consuming to follow Maslow’s theory to diagnose the need deficiency of employees. Even after such a diagnosis, an organization may not be able to develop a tailor-made model for employee motivation.

Herzberg's two-factor theory or motivation-hygiene theory

Herzberg (1959), extending the work of Maslow, developed the two-factor theory of motivation. His study is based on the responses of 200 accountants and engineers drawn from eleven industries in the Pittsburgh area. With the help of critical incident methods (which require facts to be collected for subsequent analysis of causal factors of the human system), he asked the samples to respond on two aspects:

1. When did they feel particularly good about their job?
2. When did they feel exceptionally bad about their job?

Herzberg found that the samples described different types of conditions for good and bad feelings. Factors responsible for job satisfaction were quite different from factors they perceived as contributors to job dissatisfaction. Their reported good feelings were found to be associated with job experiences and job content, while their reported bad feelings were found to be associated with the peripheral aspects of a job, that is, the job context. Since the study was based on a two factor hypothesis, it is called the two-factor theory. It established that the opposite of satisfaction is not dissatisfaction and that removing dissatisfying elements from a job does not necessarily make the job satisfying. Herzberg classified the factors into two categories: (1) motivation factors and (2) hygiene or maintenance factors.

Herzberg mentioned six motivation factors: (1) recognition, (2) advancement, (3) responsibility, (4) achievement, (5) possibility of growth, and (6) job content or the work itself. While these factors contribute to creating a motivating environment, their absence does not cause dissatisfaction. Therefore, these factors are the satisfiers.

Similarly, Herzberg mentioned ten hygiene or maintenance factors: (1) company policy and administration, (2) technical supervision, (3) interpersonal relations with subordinates, (4) salary, (5) job security, (6) personal life, (7) working conditions, (8) status, (9) interpersonal relations with supervisors, and (10) interpersonal relations with peers. These factors are context factors. Their existence creates an environment for doing work. However, these factors by themselves cannot motivate people to work. According to Herzberg, their absence can dissatisfy people but their presence per se cannot satisfy people. Therefore, these factors are the dissatisfiers.

The crux of the two-factor theory of motivation, therefore, is that managers should cater to both satisfiers and dissatisfiers. Mere improvement of hygiene factors cannot guarantee a motivating environment. In Figure 5.2, the essence of Herzberg's theory has been presented with the help of a diagram.

Herzberg's theory is the first of its kind based on field research. While Maslow's work was based on clinical observations (laboratory-based findings), Herzberg did his study to understand motivation in the work environment. Herzberg's study recommends actions that managers can take to improve motivation in the work environment. His emphasis on context factors shifts the focus away from the traditional concept of money as the most potent factor of work motivation. Herzberg contributed an alternative approach to motivation by placing emphasis on job enrichment. Herzberg also gave a double dimension to the aspect of employee needs, instead of sticking to their absolute categorization into five distinct levels, as was done by Maslow.

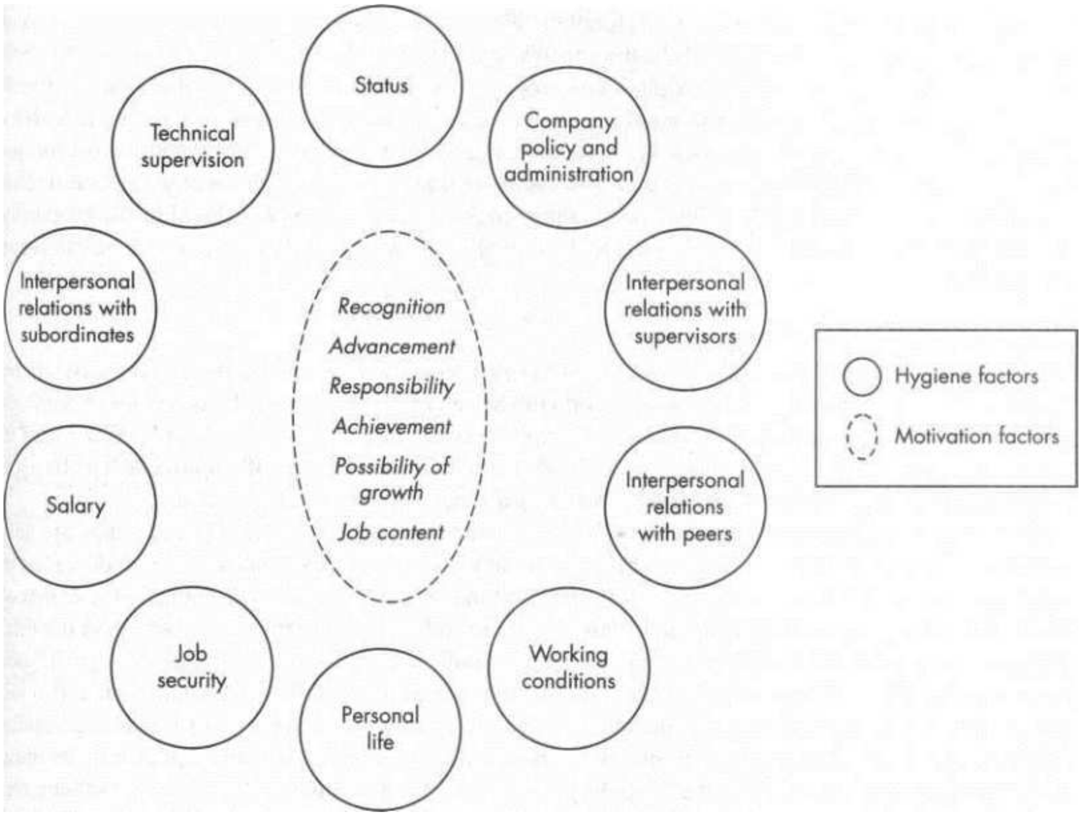


Figure 5.2 Hygiene Factors and Motivators

However, despite all the listed merits, Herzberg's theory has been subjected to the following points of criticism:

- It is limited by its methodology. When things go well, people tend to take credit for themselves. On the other hand, they attribute failure to the external environment.
- Herzberg's theory is method-bound. One cannot get similar results with other methods. The critical incidents method may cause people to recall only recent incidents or experiences. However, experiences can be inconsistent. Moreover, while narrating a critical incident, respondents may take it as an opportunity to give vent to their opinions rather than stick to narrating the reality. Thus, survey findings become more opinion-laden.
- Herzberg's theory talks more about job satisfaction than job motivation.

The theory ignores situational variables as it is not backed by adequate research in different work environments.

- Even though the theory assumes a relationship between job satisfaction and productivity, the methodology applied by Herzberg limits its focus to job satisfaction.

Comparison of Maslow's and Herzberg's models

Herzberg's framework is largely compatible with Maslow's hierarchy of needs. Maslow referred to needs or motives, while Herzberg dealt with goals and incentives that tend to satisfy those needs. The hygiene or maintenance factors of Herzberg were satisfied by the physiological, safety, and *)* belongingness needs of Maslow, while the motivation factors of Herzberg tended to be satisfied \ by the self-esteem and self-actualization needs proposed by Maslow. It is due to these complementary attributes that Herzberg's theory is often considered as an extension of Maslow's need hierarchy theory. Yet, there are also some major differences between the two theories. Maslow's need hierarchy is a sequential arrangement of needs, while Herzberg's model does not have any such hierarchical arrangement. Maslow believed that any unsatisfied need irrespective of its level in the hierarchy can be a potential motivator. On the contrary, Herzberg believed that only higher-order needs serve as motivators.

Job theory of Hackman and Oldham

Richard Hackman and Greg Oldham (1974, 1981) developed a job characteristic model based on Herzberg's two-factor theory, showing how a good job design can lead to internal motivation of employees and contribute to better job performance. The theory postulates that five job characteristics lead to three psychological states, which affect the motivation and satisfaction levels of employees. The five job characteristics are skill variety, task identity, task significance, autonomy, and feedback.

Skill variety is the extent or range of skills, abilities, and talents of employees. The more they are able to utilize their skills on the job, the greater their level of satisfaction. Hence, jobs are to be designed in a way that ensures utilization of the wide skill variety of individuals. *Task identity* signifies the extent of involvement of employees in the total job. This enables an individual to identify themselves in the total creation, which gives them a sense of pride and satisfaction. *Task significance* denotes the significance of a job on the life of others—both within and outside the organization. Positive significance of a job gives psychological satisfaction to the person who does it. *Autonomy* is the extent of freedom given for a job. The degree of autonomy depends on the extent of independence given to an employee in deciding about job scheduling, formulating the procedures, decision making without interference of others, etc. The greater the job autonomy, the greater is the job satisfaction and, therefore, the motivation. *Feedback* provides the opportunity to assess the right or wrong ways of doing a job.

The three psychological states that an individual experiences are described as follows:

1. Skill variety, task identity, and task significance provide ‘experienced meaningfulness’.
2. Autonomy provides ‘experienced responsibility’.
3. Feedback ensures ‘experienced knowledge of results’.

Once an employee experiences these three psychological states, they feel intrinsically rewarded, which results in intrinsic motivation.

Based on their study, Hackman and Oldham developed a motivating potential score (MPS) that measures the propensity of a job to become motivating. The formula is presented here:

$$\text{Motivating potential score} = \left(\text{Skills variety} + \text{Task identity} + \text{Task significance}\right) \times \text{Autonomy} \times \text{Feedback}$$

ERG theory

Alderfer (1967) of Yale University developed the ERG theory based on empirical research. He modified Maslow’s five levels of needs to three levels and labeled them as needs for existence, relatedness, and growth. The ERG theory differs from Maslow’s need hierarchy theory in the following ways:

- Instead of a five-level need hierarchy, the ERG theory considers only three need levels.
- The need hierarchy theory postulates rigid progression from one level of needs to another, while the ERG theory assumes that more than one need may be operative simultaneously. This means that employees working on their growth need may remain unsatisfied in relatedness and existence needs.
- The basic postulate of ERG theory works on a frustration-regression model. If for any reason employees are continually frustrated due to inability to satisfy their needs at one level, they intensify their desire to satisfy lower-level needs. For example, a failure to get recognition is compensated by the desire to make more money. On the other hand, Maslow suggests that people will stay at a certain need level till they are able to satisfy it.

The ERG theory is pragmatic in its approach because it considers individual differences among people. Individual differences in terms of education, family background, and culture can alter the motive strength vis-a-vis perceived need factors. The theory is more appealing, intuitive, and logical than Maslow’s need hierarchy theory. Despite such advantages, the theory does not offer any clear-cut guidelines. It just indicates that people will be motivated to behave in a particular way to satisfy one of the three sets of needs, that is, need for existence, need for relatedness, and need for growth. Moreover, the theory is yet to be backed by adequate research.

McClelland's three needs theory (achievement motivation theory)

McClelland (1977), through his study of twenty years at Harvard University, documented differences in the needs of people and narrowed them to three important areas:

1. **Achievement need (popularly known as nAch):** People in this need category have the drive to excel, that is, to achieve in relation to a set of standards. They like a challenge and they like to succeed in a competitive environment. They willingly work hard and volunteer for work that fully stretches their ability. This category of people does not get motivated by money. They feel more motivated with a sense of accomplishment and achievement.

2. **Affiliation need (popularly known as nAff):** This need emerges from the desire for friendly a_ close interpersonal relationships. Employees try to fulfill such needs through satisfying relationships with the organization, peer groups, work teams, etc. Since people in this need group try identify themselves with the organization, they prefer to foster a friendly work culture and try meet their needs through friendly relations.

3. **Power need (popularly known as nPow):** People in this need group try to gain satisfaction by controlling others. This need emerges from the desire for superiority and people in this need category look for leadership positions in organizations.

McClelland highlighted the importance of matching the individual and the job. People with a high achievement need prefer challenging job assignments, while those with a low achievement need prefer a job situation that ensures stability, security, and predictability. By manipulating the achievement nee organizations can get complex jobs accomplished by high achievers. However, McClelland's work criticized on many important counts including the ways in which a sense of achievement or other associated motives can be inculcated in an adult employee. McClelland contends that this can be taught and thus, motives related to achievement can be developed in an adult. This contention is not tenable in the literature available on psychology. Secondly, McClelland contends that needs can be changed through education and training. However, psychologists contend that needs are permanently acquired. Thirdly the thematic appreciation test (TAT) used for the study by McClelland is also subject to criticism sine interpretation of responses using TAT is subject to the researcher's bias.

Theory X and theory Y

McGregor (1957) of the Massachusetts Institute of Technology (MIT) defined *organizations* as psycho logical entities and implied that they can be characterized by one's assumptions about the things that motivate people. The basic hypothesis is that managerial decisions and actions are based on certain assumption about human nature and human behaviour. McGregor proposed two distinct views and assumptions about human behaviour: a negative view labeled theory X and a positive view labeled theory Y. Manager subscribing to the negative view (theory X) believed that employees are lazy, dislike work, dislike responsibility, and need to be coerced to get the work done. Managers subscribing to the positive view (theory Y) believed that employees like work, are creative and responsible, and can exercise self-direction. Motivational implications of McGregor's analysis can, therefore, be best analyzed in the context o' Maslow's need hierarchy theory. Theory X assumed that people can be motivated by satisfaction of lower order needs, while theory Y assumed that people can be motivated by satisfaction of higher-order needs.

The assumptions of managers subscribing to theory X and theory Y, as observed by McGregor, are Presented in Table 5.1.

Cognitive or Process Theories of Motivation

Content theories of motivation emphasize the importance of inner needs. On the contrary, cognitive models or process theories of motivation propose that people take conscious decisions about their job behaviour Therefore, to motivate, organizations must understand the ways in which an individual takes decisions an; the amount of effort they put into the job. Expectancy theory, equity theory, and performance satisfaction model are some of the important approaches used to understand cognitive or process theories of motivation.

Expectancy theory

This theory essentially emphasizes that people feel increasingly motivated if they perceive that their effort will result in successful performance and that successful performance will ensure desired results.

Table 5.1 Theory X and Theory Y	
Theory X assumptions	**Theory Y assumptions**
The average human being inherently dislikes work and will always try to avoid work.	People can exercise self-direction and self-control in achieving the objectives to which they have committed.
Due to the inherent human tendency to avoid work, people must be coerced, controlled, directed, and threatened with punishment to get work done by them.	Commitment to objective is a function of rewards associated with their achievement. People, therefore, have the capacity of using their imagination, intensity, and creativity for the solution of organizational problems.
The average human being prefers to be directed, avoids responsibility, is less ambitious, and likes security above all things.	The average human being learns (under proper conditions) not only to accept but also to seek responsibility.
For motivating employees, the organization has to enforce strict control with a stick and restrict the motivational reinforcements to those areas that fulfil their lower-order needs.	Organizations are able to only partially utilize people's potential. The potential of people needs to be developed so that they can work according to their full potential towards common objectives. By and large, they can be motivated by the satisfaction of their higher-order needs.

The expectancy theory is variously known as instrumentality theory, path-goal theory, and valence- instrumentality-expectancy (VIE) theory. It has its roots in the cognitive concepts of Kurt Lewin (1951) and Edward Tolman (1951) as well as in the choice behaviour and utility concepts of classical economic theory. It was Victor H. Vroom (1964) who finally formulated an expectancy theory as an alternative to the content models of work motivation. The theory identifies relationships among variables that affect individual behaviour in a dynamic environment. It is an attempt to understand how people determine their extent of effort for a job and how such effort gets influenced by their perceived expectation. The strength of a tendency to act in a certain way depends on the strength of expectation of the outcome that is likely to accrue upon accomplishment of the job. Hence, *motivation*—the strength of drive towards an action—is a product of the strength of one's desire (valence) and the perceived probability of getting something good with a certain action (expectancy). This relationship can be depicted in the following manner:

Valence x Expectancy = Motivation

Valence is the degree of desirability of certain outcomes. It is, therefore, the strength of an individual's preference for a particular outcome—which may be a promotion, a pay rise, recognition, etc.—after they successfully accomplish the job. Since people may have positive or negative preference for an outcome, valence may be negative or positive. Hence, valence may vary from -1 to +1.

Expectancy is the perceived possibility of a particular outcome that will follow after an action. It is, therefore, the strength of belief that an act will be followed by particular outcomes. The strength of expectations is based on past experience. People expect that the same things that have occurred in the past will happen in the future. As expectancy is an action-outcome association, it may range from zero to one. If employees perceive no possibility of an outcome from certain acts, their expectancy will be zero, while the value of expectancy will be one when they feel with certainty (from their experience of an action-outcome relationship) that they are likely to achieve something.

Vroom has used one more term between expectancy and valence, which is usefulness or instrumentality. *Instrumentality* is the belief that the first-level outcome will lead to the second-level outcome For example, one may be motivated to give performance of a superior level due to the desire to get promoted. Here, first-level outcome (superior-level performance) is seen as being instrumental to second- level outcome (promotion). Therefore, the strength of motivating a workforce to perform a certain act will depend on the sum of the products of the valences (including instrumentality) and the expectancies, which can be represented as follows:

$$\text{Motivation strength} = \sum V \times I \times E$$

It is widely held that the content theories oversimplified the complex process of work motivation. In contrast, Vroom's model highlights the importance of organization behaviour and clarifying the relationships between employees and the organization. The model also has a cognitive dimension since individuals are viewed as thinking and reasoning beings and they are not seen as simply acting for the satisfaction of their unfulfilled needs.

Despite certain unique features in Vroom's approach, his theory was criticized on account of the following aspects:

- It needs to be adequately tested in different work environments.
- Employees may not always take a conscious decision. It has been observed that they are also prone to take thoughtless decisions. Later, they may try to rationalize the action with their own logic.
- Linkages between efforts and performance and between performance and rewards may not be linear. Organizational policies may further complicate the process. For example, promotion may be awarded on the basis of seniority, educational background, etc.
- The theory is complex. In real-life situations, managers may have time and resource constraints to deal with during implementation.

Equity theory

This theory owes its origin to several contributors including Festinger, Heider, Homans, Jacques, Patchen, and Weick. However, James Stacy Adams's (1963) contribution is most widely acknowledged in this respect. The theory proposes that in a work environment, motivation is influenced by one's perception of how equitably they are treated as compared to others. The theory is also known as 'social comparison theory' or 'inequity theory'. Employees try to perceptively reduce their inequity through such comparison or by establishing a hypothetical relationship of exchange. An individual accounts for the amount of work they put in and the corresponding rewards they receive for the same, and then they compare the efforts and rewards of a similarly placed person in the organization. If equity exists, the individual feels satisfied. However, if it is a case of inequity, it propels them into action to create a condition of equity. Since inequity propels action, it is the motivator. The greater the perceived inequity, the greater is the motivation to reduce it. While doing this, individuals can make any of the following choices:

- Change or alter inputs
- Change or alter outcomes
- Distort inputs and outcomes

The equity theory is a promising theory of work motivation as well as job satisfaction. Due to this reason, it has generated extensive research. Since the theory works on the basis of perception in a process of social comparison, it is by default dynamic.

The theory is criticized on the following counts:

- It is complex and difficult in application,

■ Perceptions are difficult to measure or assess.
■ Choosing a ‘comparison other’ may not be always correct.
■ A given factor may be an input as well as an outcome.
■ The study is based on laboratory experiments rather than real-life situations in organizations.

Performance satisfaction theory

Layman W. Porter and Edward W. Lawler (1968), based on Vroom’s expectancy model, observed that performance leads to satisfaction contrary to the belief that satisfaction leads to performance. Another interesting observation made by them is that motivation (efforts), performance (accomplishment), and satisfaction are separate variables. This observation is again in contrast to the belief that motivation leads to performance, which in turn leads to satisfaction. Efforts (force or motivation) do not directly lead to performance. It is mediated by abilities, traits, and role perceptions. After performance, the rewards that follow and the way they are perceived determine the level of satisfaction. The theory is illustrated in Figure 5.4.

As illustrated in Figure 5.4, whether an individual will make an effort depends on interaction between the value of reward (Box 1) and the perceived effort-reward probability (Box 2). Effort (Box 3) is the motivation to work. Performance (Box 6) is not the direct consequence of effort. It is the product of effort (Box 3), abilities and traits (Box 4), and role perceptions (Box 5). Performance leads to certain outcomes in the form of intrinsic rewards (Box 7A) and extrinsic rewards (Box 7B). Both intrinsic and extrinsic rewards provide satisfaction (Box 9). However, such a reward-satisfaction relationship is moderated by the perceived equitability of rewards (Box 8).

Attribution theory and locus of control

Harold Kelley (1967, 1973) advocated this theory that is mainly concerned with the cognitive process by which an individual interprets behaviour attributed to certain parts of the relevant environment. Such causal relationships or attributes are interpreted by an individual due to his own behaviour or due to others’ behaviour. Fritz Heider contended that perceived internal forces (ability, efforts, and fatigue) and external forces (others’ supervision, machines, methods, climate, rules, and procedures) together determine the behaviour of an individual. Since the perceived causes are the determinants of work behaviour, and perception differs, people behave differently in a given situation. The concept of locus of control is different from the concept of attribution. While attribution theory is concerned with identifying the causes of one's own behaviour as well as others' behaviour, locus of control theory is applicable only to one's own self. Employees may perceive that their behaviour is either internally or externally controlled. Since external control factors (which influence their own behaviour) are beyond their own control, employees believe that their rewards and punishments are dependent on factors like fate, luck, or chance. On the other hand, in the case of internal control factors, they feel that they can influence their

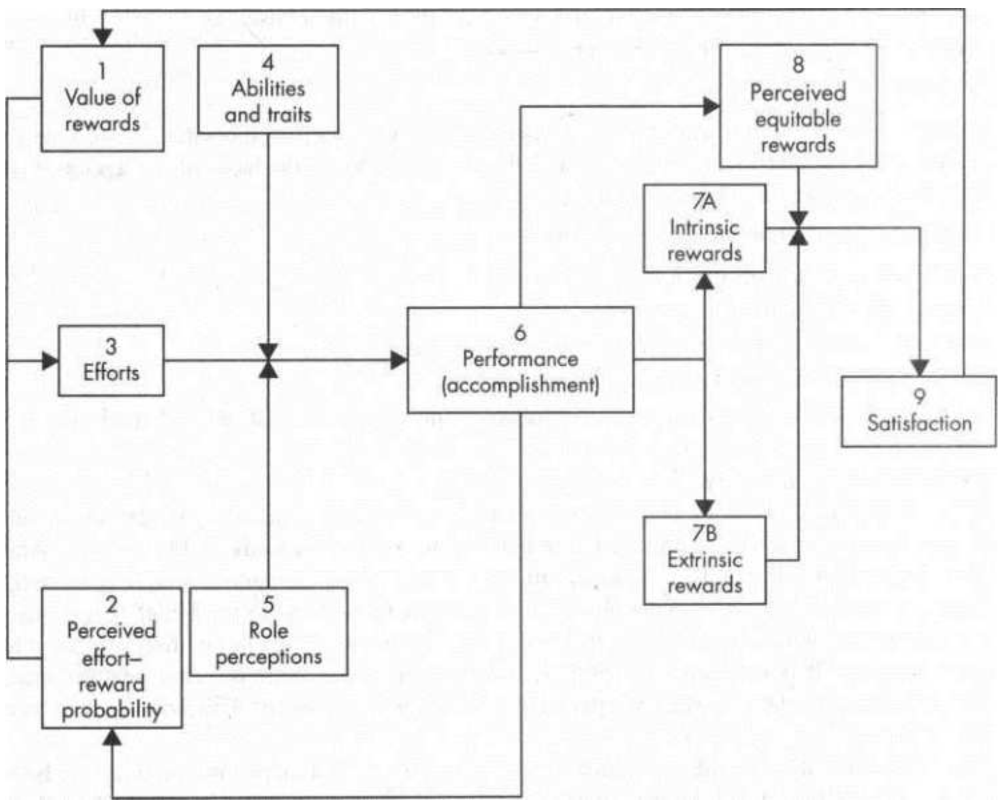


Figure 5.4 Porter and Lawler's Motivation Model (*Source:* L. W. Porter and E. E. Lawler (1968). *Managerial Attitudes and Performance,* Homewood, IL: Richard D. Irwin, Inc. Reprinted with permission.)

outcomes through their own ability, skills, or effort. Julian Rotter (1966) developed a 23-item scale for measurement of locus of control and it is known as the internal-external (I-E) scale.

Goal setting theory

Edwin Locke (1968) considered two cognitive determinants of behaviour: values and intentions (goals). Emotions and desires represent the form of values and value judgments. Intentions are goals to satisfy desires or emotions (values). This results in consequences, feedback, and reinforcement. The study suggests that individuals are willing to work hard when they know what is required of them. Setting specific attainable goals is related to high-level performance.

Miscellaneous Theories on Motivation

There are certain theories that revolve around the core content or process theories. They have been briefly discussed here.

- H. A. Murray (1938) developed the manifest needs theory, which is basically a multivariate approach to the structure of needs. The basic difference between Murray's formulation and Maslow's and Alderfer's formulations is that Murray does not suggest a hierarchical order of the various types of needs. Based on several years of clinical observations at Harvard Psychological Clinic, Murray argues that the intensities of various personality-related needs, taken together, represent a central motivating force.
- R. W. White's competence motive theory (1959) (somewhat similar to the power motive theory) relates motivation to the desire of employees for mastery over their physical and social environs (Cornell study).
- S. Schachter's affiliation motivation theory (1959) relates motivation to the strong need for affiliation.
- C. Argyris's maturity-immaturity theory (1957) relates motivation to an environment that serves both the needs of the organization and the needs of the members of the organization (Yale study).
- W. F. Whyte's money motivation theory (1955) suggests that people are primarily motivated by the desire to make money. However, Whyte also suggests that monetary incentives should not be considered in isolation from other incentives that are not monetary.
- The Michigan studies by R. Likert and D. Katz (1948) emphasized that a productivity-motivated work team is really a function of a particular type of supervisory style. Since productivity has its roots in employee motivation, it can be harnessed by carefully designing an organization in which the individual develops a feeling that they are of some importance to the organization.

L. C. Megginson (1977), for the sake of convenience, has classified the leading theories of motivation into three groups:

1. **Perspective theories:** Taylor's scientific management approach, various human relations theories, McGregor's theory Y, etc., which, in effect, tell the management to motivate people.
2. **Content theories:** Maslow's hierarchy of needs theory, Herzberg's two-factor theory, and McClelland's achievement need theory, etc., which try to identify the causes of behaviour.
3. **Process theories:** Various behavioristic theories that believe in the stimulus-response

relationship, viz. motivation (for example, Skinner's behaviour modification theory) and cognitive theories (for example, Vroom's expectancy theory and Porter-Lawler's future-oriented expectancy theory) dealing with the genesis of behaviour.

Indian Studies on Motivation

This discussion will mainly focus on the relevant Indian studies that have tried to understand the underlying motive forces determining the behaviour and performance of employees. Not many empirical studies on motivation and its related aspects have been carried out in India. There are some studies on industrial workers and a few others on technical personnel, supervisors, and managers. Most studies have attempted to find out the job-satisfaction variables, which have been construed as the motivational variables. The first such study in India is by S. K. Bose (1951) on industrial workers, and this study has paved the way for other researchers to investigate into the perceived importance of job factors to workers. Most of the studies relating to industrial workers, during the period 1951-1971, have rated adequate earnings, job security, the supervisor or manager, and personal life as the main factors that determine the behaviour of employees. Some of the major Indian studies are mentioned here.

- H. C. Ganguli's study (1964) on first-line supervisors (size of sample = 44) has ranked incentives, adequate income, promotional opportunities, job security, and sympathetic treatment from superiors as the important job factors vis-a-vis motivation.

- The study by D. K. Lahiri and S. Srivastava (1967) on middle-management personnel (size o sample = 93) has ranked good organizational policies and administration, better scope for promotion, good salary, good superior-subordinate relationship, and opportunity for growth as the major determinants of satisfaction.

- The study by M. P. Sawalapurkar and others (1968) on middle-level managers (size of sample = 30) has ranked nine job factors in the following order of importance: job content, opportunity for advancement, job security, supervisor, company, working conditions, facilities, working hours, and grievance redressal.

- The study by O. Padaki and A. M. Dolke (1970) on job attitudes of supervisors (size of sample = 15) (based on Herzberg's two-factor theory) has found the major dissatisfiers to be lack of recognition unfavourable superior-subordinate relationship, lack of technically competent supervision, unfavourable organizational policies and administration, and inadequate salary.
- G. V. S. Rao's study (1970) on bank managers (size of sample = 60), which intended to test

Herzberg's two-factor theory, has found promotions, company policies, and one's salary on the dissatisfaction scale.

- L. Narain's study (1971) on public sector managers (size of sample = 1,213) has ranked eight factors in the following order of importance: feeling of worthwhile accomplishments, recognition, decision-making authority, opportunity for personnel growth and development, promotional I opportunity, prestige of the organization in the community, pay and fringe benefits, and job security. As far as need deficiencies are concerned, he has found that promotion, recognition, and personal growth and development show very high degrees of dissatisfaction, in that order.
- S. K. Bhattacharyya's study (1972) on managers (size of sample = 210) has shown lack of participation in goal setting, inadequacy of pay, inadequate job authority, and lack of opportunity to help people on the dissatisfaction scale.
- The study by D. M. Pestonjee and G. Basu (1972) on executives (size of sample = 80) has shown promotion and growth, recognition, prestige, organizational policies and administration, and autonomy as the major determinants of satisfaction.
- The study by S. Singhal and H. S. Upadhyay (1972) on supervisors (size of sample = 22) has determined opportunities for promotion, job security, working conditions, work group, opportunities for training, competent and sympathetic supervisors, adequate income, etc., as major motivational factors.
- K. G. Agarwal (1977) has sharply criticized Indian studies on work motivation, alleging that such researches suffer from a number of inconsistencies mainly because they have been carried out practically as a part of the job and were conducted for employees with the aim of helping them reduce production costs. Thus, the measures suggested by such researches have often proved to be short-term remedies and the much-discussed theories on motivation have functioned more like fads or fashions instead of being substantial and lasting points of reference. In tandem with U. Pareek (1974), Agarwal has developed a stratification model of work motivation with variables like social systems, self-status, and roles. Pareek (1974) has assumed the societal system to be a very important variable in the field of motivation as it causes or determines the behaviour of an individual in an organization.
- B. R. Sharma's study (1986) on administrators in Delhi (size of sample = 67) has found the power motive to be the main guiding force for motivation.

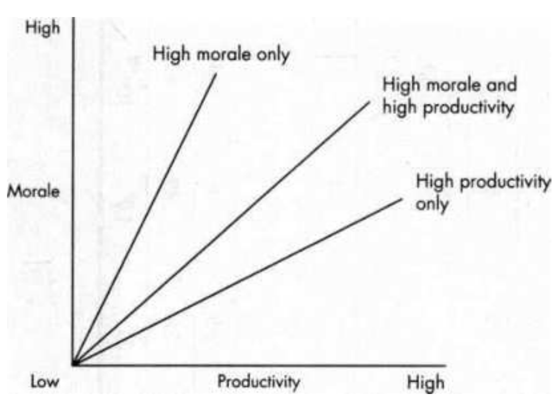
It is important to note that the major Indian studies are on supervisory and managerial personnel. Moreover, most of the studies have been carried out with a small sample, using only conventional methods like ranking and percentage calculation. Some studies have been carried out simply to authenticate Herzberg's two-factor theory, while some others are highly opinionated studies without much adherence to the norms of sampling and survey methods. In most of these cases, suitable and structured close-ended questionnaires were not administered and simple inferences after informal discussions with the samples— mostly drawn without following proper sampling procedure—were used as the premise. Another feature of most Indian studies is that they are based on the experiences of single industrial units. Representative results are difficult to obtain from a survey based on a small sample drawn from a single unit.

MOTIVATION AND MORALE

Morale is a cognitive concept encompassing feelings, attitudes, and sentiments that together contribute lo a general feeling of satisfaction in the workplace.

Like morale, motivation is also a cognitive concept but it is different from morale on certain important aspects. Motivation stimulates individuals to action to achieve desired goals. It is, therefore, a function of need and drive. It mobilizes energy, which enhances the potential for morale. Morale, on the other hand, is le individual or group attitude towards a particular subject. It is a function of freedom or restraint towards some goal. It mobilizes sentiments, which form an important part of the organizational climate. Attitude and sentiments, that is, morale, per se, affect productivity. High morale is an index of good human relations, which, among other things, reduces labour turnover, absenteeism, indiscipline, grievances, etc.

Factors that affect morale are primarily attitude and the level of job satisfaction of individual employees f From an organizational point of view, such factors can be delineated into organizational goals, leadership | style, attitude of co-workers, nature of work, work environment, and the individual employee. High morale is conventionally considered to be a contributor to high productivity, but such a correlation may not always be true. This is because high productivity may be the outcome of many other organizational initiatives that are independent of employee morale. Hence, even with low employee morale, high productivity is achievable. This can be illustrated using the model of Professor Keith Davis (1982) given in Figure 5.8.



MODULE-V

Leadership

The word *leader* first appeared in the English language in the 1300s. It stems from the root word *leden,* which means ‘to travel’ or ‘show the way’. The term *leadership* followed around five centuries later. It is usually accepted that the first scientific study on leadership was done in the United States. Fields as divergent as political science, psychology, education, history, agriculture, public administration, management, anthropology, biology, military sciences, philosophy, and sociology have all contributed to the understanding of leadership and many of them have established sub-fields in the study of leadership. In virtually every culture, the earliest literature deals with accounts of heroes and the results of their leadership. Joseph Campbell (1991), while working on various myths, finds the concept of leadership i in every culture. Leadership arises in response to a need. It essentially derives from the uncertainties and dangers built into the human condition (Lee G. Bolman and Terrence Deal 1991). Conditions that develop leadership vary from situation to situation and from one historical time to another. Due to this reason, it is difficult to generalize the term ‘leadership’. Leadership in a battlefield is different from leadership in a business organization. Leadership at the corporate level (highest level) of an organization is different from effective leadership at the shop-floor level (operation level). Hence, a universal model of leadership is unthinkable.

Leadership is the only subject on which more than 3,000 studies have so far been carried out and more than 2,000 definitions have been given by management researchers and thinkers. Even then, it is difficult to define leadership in its entirety.

In any work situation, when two or more persons come together to work for a goal, a structure or a group develops and the leadership emerges. The reasons for success and failure with regard to business, sports, or any movement can be attributed to the leadership. Hence, *leadership* can be defined as an activity that influences people to strive willingly for group objectives. It exists only in relationships and only in the imagination and perceptions of ‘followers’.

Even though there is a lot of disagreement over the meaning of leadership, it is commonly agreed upon that leadership is very important since it makes a substantial difference to organizations. It is typically a solution for most organizational problems.

LEADERSHIP

leadership is a process of influencing people to achieve intended goals in a given situation. Based on this definition, the characteristics of leadership can be listed as the following:

It is **a personal quality:** This quality makes other people follow a leader. The quality of a leader is the aggregation of their intelligence, communications skills, emotional balance, inner drive, energy, and other managerial skills (conceptual, technical, human relations, etc.). To make others follow or to exert others to do the work requires the presence of all these qualities. The degree of requirement of these qualities will, however, depend on the situation.

It **is a process of influencing others:** It is only through the process of influencing that a leader makes others work towards achieving goals. People may lack initiative or the urge to work, or they may be demotivated. Such behavioural characteristics may seriously impede the achievement of organizational objectives. A good leader, through their influence, can turn the situation around and make people work towards achieving goals.

It **regulates individual behaviour:** Individual behavioural attributes may stand in the way of achieving group goals. A leader can regulate individual behaviour through the process of influencing and make an individual submit to group norms. For example, by following the approach of 'discipline without punishment', as advocated by John Huberman (1964), a leader can correct the undisciplined behaviour of an individual and help them to become a good performer.

It is based on a relationship between leaders and followers: A leader succeeds by developing relationships with followers. They cannot flourish in a vacuum. This is the reason why leadership is also known as followership. In order to develop such a relationship, a leader has to have coincidence. A two-way relationship can be developed through effective interpersonal relationships and also through participative decision making, which is taking decisions through a group consensus.

It is a continuous process: Leadership is not a one-time exercise of influence of a leader on thee subordinates or followers. In order to be a good leader, the manager should sustain the leadership continuously.

It is situational: Leadership is exerted in situations that vary from time to time. Responding li varying situations requires different leadership approaches. One situation may require taking: lenient view, while another may require being tough. Since an organization requires the ability in respond to changes in order to remain competitive, leaders are also required to constantly change their approach. This requires leaders to develop multi-skills and multi-abilities to come out as winners.

Functions of Leadership

Leadership is a means of directing. It represents that part of executive activities by which a leader guide; and influences the behaviour of the subordinates and the group towards some specified goals by person ally working with them and understanding their feelings and problems. In recent years, management experts, psychologists, sociologists, and behavioural scientists have tried to identify the functions of leadership in varied ways and from different viewpoints. Some of the views are explained here.

Sociological view

Among the sociologists who did in-depth studies on the functions of leaders, the opinion of P. Selzinl (1984) may be considered as the most appropriate. According to him, the leadership function entail setting goals, shaping and reshaping organization, and reconciling internal and external forces. In fact it is the creative function of the leader that calls for viewing and reviewing organizational environment work accomplishment, and determining near and remote goals.

A review of the work of other sociologist's highlights that the leader is supposed to build goals am determine the policies to be fed into the social structure of the enterprise. It is the fundamental duty of: leader to ensure that the enterprise does not merely survive but grows in stature as well. Leaders should be in a position to gauge the desired changes, movements, and functions for the enterprise to steer: towards the larger goals. Another important function is to manage and mitigate internal conflict. It is hard fact that conflict is almost always imminent in big organizations due to diverse opinions, view beliefs, and values. The effectiveness of leaders lies in their endeavors to win the consent of seven groups and put them to work in accomplishing the objective and the enterprise mission.

Psychological view

According to psychologists, people will best respond in terms of output if the organization provide opportunities for them to appraise and appropriate their basic, social, and ego needs. As a matter of fact, one of the basic functions of managers and executives (leaders) is to devise the necessary motivation and system to meet the needs of employees. It should, however, be kept in mind that though the abm arrangement is sound from the viewpoint of motivation, it is not adequate to precisely specify the scope of exercise of leadership on the part of the management.

Other views

Management experts have, of late, given a lot of attention to identifying the exact function of leadership. According to their study, the leadership function can be viewed as directing, responding, and representing. Eminent scholar Leonard Sayles (1979) viewed *directing* as the primary function of leadership. In big organizations, where divergent views and a number of groups exist, it is essentially through the means of directing that all of them are unified and coordinated for a central purpose. In this regard, managers and executives have to take the required initiative with an intelligent approach and a rational attitude.

Management experts consider *responding* as the second function of leadership. It signifies responsiveness to the initiatives of subordinates. It may often be noticed that subordinates ask for guidance, assistance, advice, and help from their superiors. Moreover, subordinates want to be appreciated for the services rendered by them. The quality of leadership helps the superior to appraise the needs of their subordinates and meet them intelligently.

The other essential function of leadership is *representing*. It signifies that superiors properly and effectively represent the interests of the total group both among their peers and to the higher level in the managerial hierarchy. This aspect of subordinate thinking may be observed in cases where subordinates initiate action that is required to be accomplished by their superiors or higher-level personnel. The leadership quality enables executives to represent such group effort and get positive responses.

Effective leadership creates a congenial environment for employees not only through influence but also by responding to their problems, feelings, aspirations, and ambitions. At the same time, it enhances the image of the organization in the larger world outside. Thus, the functions of a leader can be listed as the following:

- To develop teamwork in the organization
- To act as an important change agent in the organization
- To balance the use of power
- To act as a representative of subordinates
- To be a counselor to employees
- To help employees to optimally utilize their time
- To help in achieving organizational effectiveness
- To enhance the level of motivation and morale of employees
- To inculcate human values in the organization
- To increase the level of commitment and loyalty of employees towards the organization

LEADERSHIP AND MANAGEMENT

A good leader may be a poor manager and a good manager need not be a leader. Warren Bennis and Burt Nanus (1997) suggested that 'managers do things right and leaders do the right thing'.

Yet, the terms 'manager' and 'leader' are used interchangeably. However, leadership and managership are not the same. One finds the existence of *leadership* even in unorganized groups, while *managership* exists only in organized and structured groups. A manager is more than a leader. Due to their positional role, a manager has to organize and control the activities of people towards the accomplishment of objectives.

As a manager one has to perform all the functions of management, but as a leader, one has to direct, that is, influence people to achieve goals. Therefore, leadership is a part of management and not management in its entirety. It is often said that 'all managers are leaders but all leaders are not managers.'

To stretch the debate further, one can examine the views of major contributors in this field. The main contention is that leaders and managers vary in their orientation towards goals, conceptions abo - work, interpersonal styles, and self-perceptions. W. French (1987) while distinguishing between a lead and a manager said this: 'Leaders are often dramatic and unpredictable in style. They tend to create atmosphere of change, which can even lead to chaos. They are often obsessed by their ideas, which appear as visionary and consequently excite, stimulate and drive other people to work hard to create reality out of fantasy. Managers are typically hardworking, analytical, tolerant and fair-minded. They have a strong sense of belonging to the organization, and take great pride in perpetuating and improving the status quo.'

Another view states that leadership is just one aspect of what a manager must possess. Leaders are only involved in influencing subordinates towards the achievement of organizational goals. Robe j P. Vecchio (1988) pointed out that leadership can exist on a formal or an informal basis. John Kotti I (1991) even said that leadership and management are distinctive, complementary activities necessary for success in the business environment.

Management functions include planning, organizing, staffing, directing, and controlling. In order to direct their subordinates, the manager must motivate, communicate, supervise, guide, and lead. Thus it is the directing function that propels a manager to become responsible for effectively and successful; leading their subordinates. Managing is more effective if those who manage are also the leaders. Since a part of a manager's job involves getting things done through the efforts of other people, being a skillful leader will help because leadership can substantially influence the results. Thus, leadership is an essential part of successful management, as explained in terms of the following points:

- The leader guides and directs by eliminating uncertainties as to what should be done, and thereto coordinates individual efforts in order to streamline them into one direction.
- The leader motivates people and integrates individual needs with the needs of the organization.
- The leader represents the group to the outside world and the outside world to the group. The group looks upon the leader as a source of information and satisfaction.

Hence, a leader provides direction, drive, and representation. It is, however, argued that since managers have the authority to provide incentives, reprimand, fine, deprive, or otherwise punish people in the organization, management leadership is more potential than real. Discipline and conformity can be maintained through hierarchy and fear of loss of employment.

Leadership should not be made synonymous with management. A leader need not be a good manager since managing involves more than leading, while a manager can do reasonably well even when they are not a leader. Leadership may be considered as one of the significant prerequisites tot managerial effectiveness. A list of the differences between managers and leaders has been provided in Table 6.1.

Formal and Informal Leadership

The organization structure is characterized by a hierarchy of positions that are manned by individuals in a scalar chain. Officially, every manager enjoys the power to lead and secure support of their subordinates. Managers are then leaders because they have the formal authority to direct, motivate, and lead people. This kind of leadership is known as *formal* or *managerial leadership.* Informal leaders are not delegated an authority to lead; rather, they acquire the authority to guide and lead. *Informal leadership* is spontaneous lid is a part of informal organization. If properly handled, informal organization offers a good training {round for formal leaders to develop and test their leadership skills.

Table 6.1 **Managers Versus Leaders**

Managers	**Leaders**
A manager is more than a leader.	A leader need not be a manager.
The term management is a wider term.	Leadership is a narrow term.
A manager fits in an organized structure.	A leader may also be in an informal group.

A manager exercises different functions of people to achieve group goals.	leader exercises influence on Management to achieve group goals.
The authority of a manager stems from their skills, knowledge, and abilities.	A leader earns their authority by virtue of their positional role, that is, it is delegated from the top.
A successful manager has to be a good leader.	Leaders need not be managers.

Significance of Leadership

Leadership is important to an organization. This aspect can be appreciated in terms of the following points:

It improves motivation and morale of employees: A successful leader influences the behaviour of an individual and thereby enhances the involvement of individual employees in their work. By creating confidence in employees and sustaining their enthusiasm and involvement in achieving organizational goals, the leader enhances the motivation and morale of employees. Even in a situation of crisis in an organization (for example, a bad phase in terms of profitability due to market slowdown), a leader can sustain a high level of commitment and motivation from employees, which may ultimately help the organization to turn around. That is why good leaders are considered to be *turnaround agents* in organizations.

It leads **to higher performance:** Leadership pushes the group to strive for results, that is, achieving organizational goals. With an increased level of commitment and motivation, employees perform better. Higher performance leads to increased productivity, which results in increased profitability even in a competitive market,

It **is an aid to authority:** Leadership is a process of influencing others. Mere use of authority by managers may not lead to results. When managerial authority is enriched with good leadership, employees start cooperating. Therefore, while formal exercising of authority may not result in success, authority with leadership proves to be more effective

It **determines organizational success:** In the process of unifying group efforts to achieve organizational goals, leadership enhances organizational effectiveness. A good manager alone cannot achieve this,

It helps to respond to change: Organizations need to quickly respond to changes. However, any change in technology, process, methods, and plans (including strategic plans) always encounters resistance from people working in the organization. Leadership can play a crucial role in implementing change organizations by creating an environment conducive to change. People follow leaders and they feel to emulate the examples set by leaders, and this helps to make the process of change smooth and successful.

It inculcates values in the organization: A value-based organization earns increased commitment and loyalty from employees. Since a good leader is inspirational, good leadership also successful instills human values, which shapes the attitude of employees towards work.

Principles of Leadership

The basic principles of leadership can be grouped as the following:

- **Leaders must know themselves and continuously seek self-improvement:** To know one's set one has to understand attributes like *being, knowing,* and *doing.* Seeking self-improvement mean continually strengthening such attributes, and this can be accomplished through reading, self-stud; classes, etc.
- **Leaders must be technically proficient:** As a leader, one must know their job and the job of their followers.
- **Leaders must seek responsibility and take responsibility for their actions:** A leader must guide their organization to new heights. In the process of guiding, things may go wrong at times. They must not blame others but take responsibility themselves. They must analyse the situation, take corrective action, and move on to the next action.
- **Leaders must make sound and timely decisions:** Using problem solving, decision making, planning, and various controlling tools, a leader must make sound and timely decisions.
- **Leaders must set an example:** A leader is a role model for followers. The followers must not only be told what they are expected to do, but also be able to see their leader guiding by example.
- **Leaders must know people and think about their well-being:** Leaders must know the nature of their followers and be nurturing and caring towards them.
- **Leaders must keep followers informed:** Transparency in information enhances commitment from the followers. Hence, a leader must know how to communicate and keep their followers informed
- **Leaders must develop a sense of responsibility in their followers:** Development orientation requires inculcating good character traits in followers, which will help them to carry out their professional responsibilities.
  - Leaders must ensure that tasks are understood, supervised, and accomplished: **This also**

requires transparent communication with followers.

- **Leaders must train followers as a team:** Inculcating the team spirit and culture enables a leader to accomplish goals.
- **Leaders must develop full capabilities of an organization:** By developing the team spirit, i leader develops an organization to its fullest capabilities.

Factors of Leadership

The four major factors of leadership are:

1. **Follower:** Different people require different styles of leadership. For example, a newly recruited person requires more supervision than an experienced one. Similarly, a follower with poor motivation requires a different approach than one with a high degree of motivation. Thus, the fundamental starting point is a good understanding of human nature, that is, needs, emotions, and motivation. Leaders must know and understand their followers.
2. **Leader**: One must have an honest understanding of what one is, what one knows, and what one can do. Also, it is the followers and not the leader who determine whether a leader is successful. If a follower does not trust or lacks confidence in a leader, then they will be uninspired. Hence, to be successful as a leader, one has to convince one's followers and not themselves or their superiors.
3. **Communication:** A leader leads through two-way communication. Communication need not always be verbal; it may also be non-verbal. For instance, through personal selling (their behaviour), a leader sets the example. This also communicates to followers. A leader should not ask their followers to perform anything that they would not be willing to do. What and how a leader communicates either builds or harms the relationship between a leader and their followers.
4. **Situation:** All situations are different. What one does in one situation may not always work in another situation. A leader must use their judgment to decide the best course of action and the leadership style needed for each situation. For example, one may need to confront an employee about inappropriate behaviour, but if the confrontation is too late or too early, too harsh or too weak, the results may be disastrous.

LEADERSHIP AND ENVIRONMENT

Every organization has a particular work environment that dictates to a considerable degree how its leaders respond to problems and opportunities. This environment is largely also a legacy of past leaders and sustained by its present leaders. Leaders exert influence on the environment in three ways:

l **The goals and performance standards established by them:** Successful organizations have leaders who set *high standards* and *goals* in terms of strategies, market leadership, plans, presentations, productivity, quality, and reliability.
2.**The values established by them for the organization:** *Values* reflect the concern that the organization has for its employees, customers, investors, vendors, and the surrounding community. These values define the manner in which business will be conducted and the type of business that the organization will engage in.
3.**The business and people concepts established by them:** *Concepts* define what products or services the organization will offer and the methods and processes for conducting business.

The goals, values, and concepts make up the organization's 'personality' and determine how outsiders and insiders observe the organization. This personality defines the roles, relationships, rewards, and rites that take place in the organization.

There are two distinct forces that dictate how to act within an organization:

1.**Roles**: *Roles* are the positions that are defined by a set of expectations about the behaviour of any newly recruited person. Each role has a set of tasks and responsibilities that may or may not be spelled out. Roles have a powerful effect on behaviour because one is paid for the performance of the role; there is prestige attached to a role; and there is a sense of accomplishment or challenge.

2.**Relationships:** *Relationships* are determined by tasks. Some tasks are performed alone, but most are carried out in relation to others. The tasks will determine who the role holder is required to interact with, how often, and towards what end. Also, the greater the interaction, the greater is the liking. This, in turn, leads to more frequent interaction. Human behaviour is such that it is hard to someone whom one has no contact with and, therefore, one tends to seek out those whom one likes. People tend to do what they are rewarded for, and friendship is a powerful reward. Many tasks and behaviours that are associated with a role are brought about by these relationships. Hence, new tasks and behaviours are expected of the present role holder because a strong relationship was developed in the past, either by the present role holder or by a past role holder.

Each organization also has its own distinctive culture. It is a combination of the founders, past leadership, current leadership, crises, events, history, and size. This results in rites, that is, routines, rituals, and a certain way of doing things. These rites impact individual behaviour with regard to what it takes to be in good standing (the norm) and direct the appropriate behaviour for each circumstance.

The *climate* is the feel of the organization and the individual, and shared perceptions and attitude of the organization's members. While *culture* is the deeply rooted nature of the organization that is a result of long-held formal and informal systems, rules, traditions, and customs, climate is a short-ten phenomenon created by the current leadership. Climate represents the beliefs about the 'feel of the organization' by its members. This individual perception of the 'feel of the organization' comes from what the people believe about the activities that occur in the organization.

Organizational climate is directly related to the leadership and management style of the leader, baa on the values, attributes, skills, and actions as well as the priorities of the leader. The *ethical climate* then, is the 'feel of the organization' about the activities that have ethical content or those aspects;' the work environment that constitute ethical behaviour. The ethical climate, therefore, is the awareness about whether everything is being done in the right manner or whether everyone is behaving in the way they ought to behave. The behaviour (character) of the leader is the most important factor that impact the climate.

On the other hand, culture is a long-term, complex phenomenon. Culture represents the share| expectations and self-image of the organization. It consists of the mature values that create tradition or the way things have always been done. Things are done differently in every organization. The collective vision that defines the institution is a reflection of its culture. Individual leaders cannot easily create or change culture because culture is a part of the organization. Culture influences the characteristics of the climate by its effect on the actions and thought processes of the leader. However, everything a leader does will affect the climate of the organization.

LEADERSHIP AND POWER

Power, in the case of leadership, is divided into six categories. However, each category can be linked; with another, as they are interrelated. *Expert* and *informational power* is concerned with skills, knowledge, and information wherein the holders of such abilities are able to utilize and influence others. Technicians and computer personnel can be placed in this category. *Reward* and *coercive power* involve the ability to either reward or punish persons being influenced, in order to gain compliance *Legitimate power* is power that has been confirmed by the very role structure of the group or the organization itself, and is accepted by all as correct and without dispute. The power vested in the armed forces or the police force is an example of legitimate power. *Referent power,* on the other hand involves those being influenced identifying with the leader. An example is film personalities using their image to enter the political arena.

Most leaders make use of a combination of the six types of power, depending on the leadership style used. Authoritarian leaders, for example, use a mixture of legitimate, coercive, and reward powers to dictate the policies, plans, and activities of a group. In contrast, a democratic or participative leader would use mainly referent power, involving all members of the group in the decision-making process.

Leadership Styles

The problem of a leadership style is basically concerned with deciding the extent to which a manager should be dictatorial and the extent to which they are supposed to be participative or consultative. Leadership styles can be categorized as follows:

1. Authoritarian or leader-centred or autocratic style
2. Democratic or participative or consultative or group-centred style
3. Laissez-faire style
4. Paternalistic leadership

Autocratic style of leadership

The *autocratic style of leadership* is characterized by centralization of authority and decision making and very limited participation by the subordinates of the group. The autocratic leader accomplishes results through use of authority, fear of deprivation, punishment and other coercive measures. Since it is negative in character, an authoritarian approach will succeed only in the short run and will fail to motivate subordinates for better performance in the long run. Resentment, absenteeism, and a higher turnover rate for employees are some of the common consequences of this approach. However, the autocratic style still deserves consideration because of the following reasons:

- There may be very little time for participation, particularly in a situation of crisis, i Confidential matters may not permit normal consultation.
- A leader may have more knowledge and thereby compensate for no participation by subordinates.

Democratic style of leadership

The *democratic style of leadership* allows substantial participation by members of the group in the management and decision-making processes. Subordinates are frequently consulted by the manager on wide-ranging problems and are allowed sufficient freedom to communicate with the leader and also with their fellow subordinates. The democratic style of leadership is based upon a positive assumption about human beings. It encourages a cooperative spirit and development of the skills of subordinates to make them capable of managing higher responsibilities. This style of leadership contributes substantially to the satisfaction of the subordinates.

Laissez-faire style of leadership

In the *laissez-faire style of leadership,* the leader depends largely upon the group and its members to establish their own goals and make their own decisions. The leader is passive and assumes the role of just another member of the group. Tasks are assigned in general terms. The laissez-faire approach is meant for selective application, though. If the subordinate is intelligent, highly qualified, and experienced, and desires self-fulfillment, a manager may follow this approach without much risk. This style of leadership is, therefore, confined to a small creative or development group.

A manager is not always free in the choice of leadership style in a given situation. Feelings and attitudes long cherished are difficult to change. While a democratic style of leadership may work better, in some work situations, the manager should be able to occasionally switch to the autocratic style so that people are led effectively. Generally, the choice of the style of leadership depends upon the following factors:

- Skill, personality, and values of the manager
- The expectations, aspirations, needs, and values of subordinates
- Factors such as type of structure, clarity or ambiguity in defining work and objectives, nature of tin problems, and the pressure of time
- Composition of the people in the group, for example, differences in education, interests, motives loyalty, etc.

Paternalistic style of leadership

In the *paternalistic style of leadership,* the leader assumes their function like a father. The leader treat the followers as members of a family and guides them as the head of the family. They prefer to help the followers do their work, guide and protect them, and keep them happy while working. This type of leader tries to provide their followers with good working conditions, fringe benefits, and employee services. Followers under this style of leadership work harder to accomplish the job.

Leadership Attitudes

In order to improve a manager's ability to lead, certain attitudes need to be cultivated. These are generally identified as empathy, objectivity, and self-knowledge.

- **Empathy:** It is generally described as the ability of a person to look at things or problems from another person's point of view. It involves projecting one's self into the position of the subordinates who are being directed and led. The manager should not assume that subordinates will understand the things and problems as they themselves perceive them. People differ in their experiences, abilities, and understanding of things. Each person has their own value system and attitudes. Thus, in order to understand their feelings and problems, and lead them successfully, the manager should put themselves in the position of the subordinates.
- **Objectivity:** In the task of leading, the manager should not be guided by any preconceived notion about the attitude and behaviour of subordinates. Problems and their causes should be observed objectively and unemotionally. Thus, a manager should not be annoyed with their subordinates simply because the results are poor or change is resisted. They must observe everything as it is and analyse objectively. Only by being objective and detached in their behaviour towards members of the group can the manager assess the feelings and problems of each member of the group, and guide them properly. However, this behaviour needs to be learnt and acquired.
- **Self-awareness:** A manager may think that they are fair and objective, but subordinates may view them to be otherwise. A manager should, therefore, know how they appear to others and the effect of their attitude and behaviour on the subordinates. Self-knowledge will help the leader to improve and cultivate those habits and attitudes that produce favourable responses from the subordinates, For instance, if self-awareness helps a manager to learn that instructions are not properly understood, the manager can attempt to improve their ability to communicate.

Leadership Skill

As a leader, one has to play many roles in the organization to achieve the intended goals and objectives. What skill sets are important is difficult to define. However, from a general perspective, one can classify the degree of requirement of such skill sets as follows:

- **Human skill:** In order to enlist the cooperation of subordinates, a leader has to successfully resolve people-oriented issues rather than job-related issues. They must understand human behaviour and know people's needs, sentiments, emotions, and motivations, and their contemplated actions and reactions with regard to a particular situation. Therefore, without the human relations skill, which emphasizes understanding people, one cannot be a successful leader. Two essential human skills requirement—empathy and objectivity—have already been discussed while explaining leadership attitudes. Apart from these two skills, a good leader should also have communication, teaching, and social skills, which form a part of human skills. In order to have the ability to persuade, inform, stimulate, direct, and convince the followers, leaders should have good communication skills. Communication is transfer of information in the form of an understandable message. It helps in establishing and disseminating the goals of an enterprise, and enables the leader to create a climate in which people want to perform. Expecting the followers tc perform would not be possible unless leaders themselves successfully demonstrate how to accomplish a particular task. The teaching skill, therefore, is also an important component of human skills. Similarly, to win the confidence and loyalty of followers, leaders should also have the requisite social skills. Social skills require a leader to understand the followers and be helpful, empathetic, and friendly with them.

Conceptual skill: This skill requires viewing the organization from an overall perspective. A leader should have the ability to look at the organization as a whole. They should be able to relate various functions of the organization and perceive how changes affect these functions. Understanding of the organization, understanding of the competitors, understanding of financial status, and understanding the most important functional aspects and their interrelationships are the essential requirements of conceptual skills.

Technical skill: Technical skill involves specialized knowledge, analytical skill, and competence (competence is the aggregation of skill, knowledge, and ability) for doing a job. Apart from these, principles, procedures, and operations of a job also add to technical skill. Therefore, expecting followers to do the job without the leaders themselves possessing the requisite technical skill is not practical.

Personal skill: To have the followers give their best, leaders should also have personal skills like intelligence, emotional maturity, personal motivation, integrity, and flexibility of mind.

LEADERSHIP THEORIES AND STUDIES

There are four major categories of leadership theories, as explained here:

1. **Participative leadership theories:** The Hawthorne studies (1927-1932), Kurt Lewin (1947), and Rensis Likert (1967) discuss about participative styles of leadership, which lead to increased job satisfaction and higher performance.

2. **Contingency theories:** These theories basically argue that the right or effective leadership style varies according to the context. For example, Blake and Mouton's (1985) managerial grid has been influential in practices of organizational development.

3. **Instrumental theories:** These leadership theories put stress on task- and person-oriented behaviour— for example, participation, delegation—by the leader to gain effective performance from others.

4. **Inspirational theories:** These theories include charismatic leaders and transformational leadership. The leaders in this category appeal to values and vision, and enthuse others thereby raising their confidence and motivating them. This leadership comes from their compelling vision that draws in commitment and acceptance of change, and offers the potential for anyone to grow and develop with the vision. The words that are commonly used are trust, loyalty, devotion, commitment, inspiration, and admiration. A recent overview comes from R. J. House and B. Shamir (1993) who see it as the ability of a person to get an intense moral commitment and a strong identification from subordinates. They list a number of behaviours ranging from articulating the vision, passion and self-sacrifice to risk taking, symbolic behaviours, etc.

F. E. Fiedler (1971), one of the pioneers of the contingency school, offered a continuum ranging from task-focused to people-focused leadership. This is known as *Fiedler s contingency approach.* He argued that the most effective style depends on the quality of relationships, relative power position between the leader and the led, and the nature of the task. He also argued that the style adopted is relatively stable and a feature of a leader's personality, and can, therefore, be predicted. He distinguishes between tasks- oriented and relations-oriented leaders.

The situational leadership dimensions proposed by Paul Hersey and Kenneth H. Blanchard (2001) are linked to task and relational behaviour. *Task behaviour* focuses on defining roles and responsibilities, whereas *relational behaviour* is more about providing support to teams. The extent to which either is used depends on the person's job maturity and psychological security. The situational leadership model looks at elements around delegation, participation, selling, or telling. On the other hand, the path-goal theory looks at what leaders must do to motivate people to perform well and to get satisfaction from work. It draws on the expectancy theory of motivation and it has four leadership styles: supportive, directive, participative, and achievement-oriented.

'Good leaders are made, not born.' On the strength of one's desire and willpower, one can become an effective leader. Good leaders develop through a continuous process of self-study, education, training, and experience. Leadership influences others to accomplish a mission, task, or objective, and direct the organization in a way that makes it more effective. A leader carries this out by applying leadership attributes (belief, values, ethics, character, knowledge, and skills). Mere authority to accomplish certain tasks and objectives in the organization does not make one a leader.

According to Bernard M. Bass (1985,1990a, 1990b, 1995), there are three basic ways to explain how people become leaders. They are:

1. Some personality traits may lead people naturally into leadership roles. This is the *trait theory.*
2. A crisis or an important event may cause a person to rise to the occasion, which brings out extraordinary leadership qualities in an ordinary person. This is the *great events theory.*
3. People can choose to become leaders. People can learn leadership skills. This is the *transformational leadership theory.* It is the most widely accepted theory today.

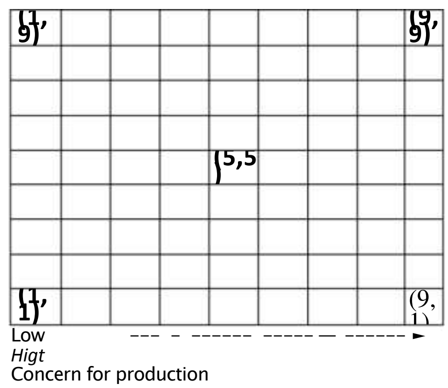
The basis of good leadership is an honourable character and selfless service to the organization. Leadership can be demonstrated in everything one does that affects the organization's objectives and the well-being of the people involved. A respected leader concentrates on what they *are* (beliefs and character), what they *know* (job, tasks, human nature), and what they *do* (implement, motivate, provide direction). People want to follow a leader because they want to be guided by those they respect and who have a clear sense of direction. To gain respect, leaders must be ethical. A sense of direction is achieved by conveying a strong vision of the future.

Managerial Grid

Robert R. Blake and Jane S. Mouton (1985) have integrated the authoritarian and democratic concepts in what is known as managerial grid. They recognized that leadership styles are not just authoritarian or democratic but are an admixture of the two philosophies, and these styles vary in nature according to the situation.

In the managerial grid, five types of leadership based on concern for production (task- oriented) and concern for people (relationship-oriented) are located in the four quadrants as shown in Figure 6.1. Theoretically, though, there are eighty one possible positions on the grid and each such position reflects one leadership style.

As depicted in Figure 6.1, concern for production is represented in the horizontal axis. Production becomes more important to the leader as their rating advances on this horizontal scale. A leader with a rating of 9 on the horizontal axis has maximum concern for production. Concern for people is illustrated on the vertical axis. People become more important to this leader as their rating of 9 on this vertical axis shows maximum concern for people.



The five leadership styles are as follows:

1. **Impoverished (low-low; 1,1):** Leader exerts minimum effort, avoids controversy and confrontation, and takes the position of an observer.
2. **Country Club (low-high; 1,9):** Leader extends the greatest attention to the needs of people with regard to satisfying relationships, which leads to a comfortable and friendly work atmosphere.
3. **Task-oriented (high-low; 9,1):** This is the authoritarian, task-oriented, low-human-relation model. Efficiency in operations results from arranging the conditions of work in such a way that human elements interfere to a minimum degree.

Figure 6.1 Managerial Grid

4. **Middle of the road (middle; 5, 5):** This type of leader compromises between high production and employee satisfaction at optimum level for ensuring effective performance by the group.
5. **Team (high-high; 9,9):** This is the style of a team leader. This leader is extremely concerned about the tasks as well as the people. They are concerned about work accomplishment by committal people and foster interdependence through a 'common stake' in the organization. They also strive for a relationship of trust and respect.

The grid approach is widely accepted in organizations since it helps managers to identify their individual leadership styles, based on which they develop a framework for the ideal leaders and develop suitable training programmes. However, the approach lacks empirical evidence.

An important extension of the managerial grid approach is W. J. Reddin's (1970) three-dimensional grid, which is also known as 3-D management. The three-dimensional axes represent task orientation, relationship orientation, and effectiveness. By adding an effectiveness dimension to task orientation and relationship orientation, Reddin tried to integrate leadership styles with the situational variables. *Task orientation* (TO) is defined as a leader's direction to followers to achieve goals. It is concerned with planning, organizing, and controlling. *Relationship orientation* (RO) is defined as the extent of personal relationships of leaders with followers. It is achieved through mutual trust and respect of followers' ideas. If the style of a leader is appropriate to a given situation, it can be called effective, and vice versa. *Effectiveness* and *ineffectiveness* are measured in terms of appropriateness of behaviour in a given situation. Four styles of leadership are to be found based on this model: (1) separated, (2) related, (3) dedicated, and (4) integrated.

The four styles of leadership represent four basic types of behaviour. A *separated leader* is concerned with correcting deviations. A *related leader* accepts others, is not bothered about time, looks to the organization as a social system, loves to work with others, and receives cooperation from others (followers) by setting examples. A *dedicated leader* dominates and is interested only in production. They do not identify with subordinates and only work through exercise of power. An *integrated leader* gets themselves and their followers involved with the organization. Such a leader emphasizes teamwork. All of these styles may be effective in one situation but cannot be used interchangeably. Table 6.2 illustrates the four styles by categorizing these into two types—a less effective style and a more effective style.

Table 6.2 Styles of Leadership

Basic style of leadership	Less effective style of leadership	More effective style of leadership
Integrated	Compromiser	Executive
Dedicated	Autocrat	Benevolent
Related	Missionary	Developer
Separated	Deserter	Bureaucrat

Four-framework Model of Leadership

In the *four-framework approach,* Bolman and Deal (1991) suggested that leaders display leadership behaviours in one of four types of frameworks: structural, human resource, political, or symbolic. The style can be either effective or ineffective depending upon the chosen behaviour in each situation.

1. **Structural framework:** In an effective situation of leadership, the leader is a social architect whose leadership style is analytic and well designed. In an ineffective situation of leadership, the leader goes into the details and reflects the behaviour of a typical bureaucrat. Structural leaders emphasize structure, strategy, environment, implementation, experimentation, and adaptation.
2. **Human resource framework:** A leader with a human resource framework acts as a catalyst. The; support and empower their followers. They believe in people and also communicate the message accordingly. By sharing information, they enhance participation of their followers and involve them in decision making. In contrast, a leader with a small HR framework acts as a pushover, abdicates, and is even called a fraud.
3. **Political framework:** An effective leader with this framework is an advocate, and their leadership style works through coalition and team building. An ineffective leader, on the other hand, is a hustler and their style is manipulation. Political leaders clarify what they want and what they can get; they assess the distribution of power and interests; they build

linkages to other stakeholders; and they use persuasion first, then negotiation, and coercion only if necessary.

4. **Symbolic framework:** In an effective situation of leadership, the leader is a prophet whose leadership style is inspiration. In an ineffective situation of leadership, the leader is a fanatic or a fool, whose leadership style is 'smoke and mirrors', that is, an illusion. Symbolic leaders view organizations as a stage or theatre to play certain roles and give impressions; they use symbols to capture attention; they try to frame experience by providing plausible interpretations of experiences; and they discover and communicate a vision.

This model suggests that leaders can be placed in one of the four categories. There are times when one approach is appropriate and times when it is not. In any case, any one of these approaches alone is inadequate. Therefore, one should be conscious of all four approaches and not rely on just one approach. For example, during a major organizational change, a structural leadership style may be more effective than a visionary leadership style; during a period when strong growth is needed, the visionary approach may be better. Based on the various studies conducted on leadership, the related theories can be grouped into four types: (1) trait theory of leadership, (2) behavioural theory of leadership, (3) situational theory of leadership, and (4) great man theory of leadership

Trait Theory of Leadership

The trait theory seeks to determine the personal characteristics of effective leaders. It points out that personal traits or personal characteristics make a person an effective or successful leader. Charles Bird (1940) examined twenty lists of traits attributed to leaders in various surveys and found that none of the traits appeared on all the lists. Leaders are attributed with a wide variety of traits ranging all the way from neatness to nobility. They are presumed to display better judgement and engage themselves in social activities. The study of the lives of successful leaders reveals that they possessed many of these traits. According to the trait theory, persons who possess the following traits or personal characteristics can become successful leaders:

Good personality: Physical characteristics and the level of maturity determine the personality of an individual. The success of a leader to a great extent depends on their personality.

Intellectual ability: The level of intelligence of a leader should be higher than that of the followers. Intellectual ability enables a leader to analyse the situation accurately and take a decision accordingly.

Initiative: A leader should have the initiative to undertake activities on time.

Imagination: A leader must be able to visualize trends and adopt the right course of action to achieve the desired result.

Maturity: A leader should have emotional maturity and a balanced temperament. Maturity is reflected through behavioural tolerance.

Desire to accept responsibility: Accepting responsibility for one's actions (irrespective of the results) creates a positive impression in the minds of the followers.

Self-confidence: A leader's self-confidence will motivate the followers and boost their morale.

Flexibility and adaptability: A leader should have an open mind to accept others' viewpoints. This will foster innovation and creativity in the organization.

Objectivity and fairness: In dealing with followers, a leader should be objective and fair. This trait requires a leader to be honest, fair, impartial, and unbiased, and to be a person of integrity,

Consideration: By being considerate to followers, a leader ensures their cooperation in all endeavors.

One of the major limitations of the trait theory is that it assumes leadership to be an inborn quality. This is not always correct. The quality of leadership can be developed through training. One can emerge as a leader also through successful handling of a crisis situation. This happened in the case of Russi Mody when, on 1 May 1967 at the Jamshedpur plant of Tata Iron and Steel Company, he successfully pacified the militant workmen beating up executives and supervisors in what was an outburst of their grievances.

A particular trait or some traits may help a leader to successfully manage a situation but they may fail in other situations. It is also difficult to find a leader with all the listed traits. There is no quantitative tool to measure a trait or traits. Absence or presence of traits can only be understood when a situation occurs and a leader manages the situation. The list of personal traits is only indicative and not exhaustive. Moreover, personal traits are only a small part of leadership. In order to be a successful leader, one must also have other qualities. Hence, measuring leadership quality only on personal traits may be wrong.

Behavioural Theory of Leadership

According to this theory, a particular behaviour of a leader provides greater satisfaction to 11 followers. Such behavioural attributes enable followers to recognize a leader. This theory is based on the premise that a leader plays a role using their conceptual, human, and technical skills, which influence the behaviour of followers. Behaviour is not a trait; it sets a particular role pattern. For example one leader may have a nurturing parent behaviour, which empathizes with the problems of follower and even cajoles them when they fail to deliver. Another leader may have a critical parent behaviour which depicts a critical nature in dealing with such situations. Such a leader never appreciates, but only reprimands.

The behavioural theory cannot justify why a particular leadership behaviour is effective in one case but fails in another. For example, the nurturing parent behaviour may be effective in stopping recurrence of failure on the part of subordinates in one case, but it may not work in another case where followers I take advantage of such behaviour and repeat the same action. The critical parent behaviour could h | better in the second situation. This theory also does not recognize the traits of leaders.

Situational Theory of Leadership

This theory views leadership as emerging from situations. It gives importance to the way in which a leader performs in a given situation. A follower tends to follow a leader who is capable of fulfilling their I aspirations in a particular situation. The leader duly recognizes the need of the situation and performs accordingly. Hence, such a leader's style may differ from situation to situation. The example of Russi Mody is again appropriate here—he emerged as a leader because of his proactive way of dealing with militant workmen.

A major limitation of this theory is that it emphasizes the leadership of a person in a given situation, It does not state anything on leadership across situations. Since the situation changes, the same style in all situations may not guarantee success. A suitable example here is of trade union leaders. Followers may reject the leadership of a trade union leader who fail to meet their expectations in a different situation.

Great Man Theory of Leadership

This theory emphasizes that leaders are born and not made. Hence, great leaders are natural leaders. It is partly true that some leadership qualities cannot be acquired even through training, notably qualities like a commanding personality, charm, courage, intelligence, persuasiveness, and aggressiveness. In a way, this theory states that leadership qualities are inborn and, hence, all people cannot become leaders. This theory is not scientific and also has no empirical basis. In many cases, it can be proved that this theory is absurd. It also does not explain who the leaders are, how they emerge as leaders, and how they behave and emerge as achievers.

MODULE-VI

Control

INTRODUCTION

The first *feedback control* concepts and control systems emerged from the regulator used in Jail Watt's steam engine in 1775. Hence, the term *control* primarily originated from industrial applications. With the broader use of automatic control systems in the later 1920s, and their subsequent theoretical treatment in 1932, the extent and ramifications of the term *control* has encompassed the manager discipline as well. In the case of industrial applications, the digital computer and microprocessor of the 1960s increased the capabilities of the process of control. Today, many industries allocate at least 10 per cent of their capital investment towards instrumentation and control. In many manufacturing processes instrumentation and control systems become the major determinants of the ultimate quality of the end products.

In management, the functions of planning, organizing, and directing set the pace, while co ensures that results are achieved in line with the goals and objectives decided by the manager. Like planning, controlling is also a never-ending process of management. Through periodic intervention, management ensures that the activities of an organization conform to plans. Therefore, plan and controlling are intimately related. Like planning, controlling also has the same characteristic unity, continuity, flexibility, and pervasiveness. By comparing actual results with the plans, management enforces control to accomplish the goals. Through the process of control, management can understand the possible difficulties in achieving results as per plan and accordingly conduct periodic reviews to keep pace with the changing requirements. The planning process can be made participative in order to increase the commitment of employees down the hierarchy, but controlling can never be delegated. Based on periodic reviews, the management suggests remedial action, alteration of plans, change in the structure of the organization or in the staffing process, or even change in the process and style of direction. All of these things are a part of the process of control. In fact, control completes the total sequence of the managerial process. Some authors distinguish between the terms *control* and *controlling*. While *control* involves keeping the organizational activities and functions on the right track and duly aligning them with plans, *controlling* is defined as the process of control. The process of control means the ways in which managers enforce control by developing performance standards, comparing ongoing performance, and taking corrective steps. In this book, the terms *control* and *controlling* have been used interchangeably.

A *control system* is a device or a set of devices to manage, command, direct, or regulate the behaviour of other devices or systems. *Management control systems* (MCS) gather and use information to evaluate the performance of organizational resources, including human, physical, and financial. Such control systems influence the behaviour of the organizational resources to implement organizational strategies. R. Anthony and V. Govindarajan (2007) defined management control as the process by which managers influence other members of the organization to implement strategies. Hence, as a tool it steers the organization to achieve its strategic objectives. MCS encompasses organizational structure, human resource management, and the organization's culture. According to J. Maciariello and C. Kirby (1994), a management control system is concerned with coordination, resource allocation, motivation, and performance measurement.

Control is an essential function of management in every organization. The management process is incomplete and sometimes useless without the control function. The control function is concerned with ensuring that the planning, organizing, staffing, and leading functions result in the attainment of organizational objectives. In other words, control is a tool that helps organizations to measure and compare their actual progress with regard to the established plan.

The term *control* has different meanings in different contexts. In the management context, *control* refers to the evaluation of performance and the implementation of corrective actions to accomplish organizational objectives. Some people confuse control with supervision. *Supervision* is a part of control which helps identify deviations from the established standards of performance.

CONTROL

Control, as a basic function in managing an enterprise, is concerned with the task of ensuring that what is performed is kept within prescribed management channels to achieve organizational objectives. In business organizations, such control has an important role as it is a means of telling the employee what they are expected to do. Moreover, in an organization, maintaining discipline is a process of control. It is widely believed that control has the primary function of keeping an organization working efficiently and effectively, in tandem with this belief, it is suggested that an organization employ a workforce that can be brought under control. Control is the phase of the managerial process concerned with maintaining organizational activity within allowable limits. It is the management action to adjust operation of the organization to its predetermined standards. As a result, control may be instituted to set new goals, formulate new plans, change the organizational structure, improve staffing, and bring in major techniques of directing. The means of control available to management are many and varied. These include policies, procedures, organizational charts, forecasts, budgets, schedules, reports, audits, and almost any other administrative device that helps to define the work of employees.

Control can be defined as the efforts of the people that are controlled. Efforts can be broken down into three areas:

Input —* Process —> Output

Therefore, *control* can be comprehensively defined as a function of management that involves measuring and correcting the subordinates' performance of activities so as to ensure that the organizational plans and objectives are achieved. Control also means to know the extent to which actions in accordance with plans and issued instructions, to report and analyse errors and deviations, and initiate adequate corrective actions.

Control is always dependent on other functions of management. A manager cannot measure whether their subordinates are operating in the desired way unless they have a plan. Further, without organizational structure, one cannot ascertain who should make evaluations and who should take correct actions. In the absence of effective direction, a manager cannot signify the impact of corrective action on actual performance. Thus, different phases of the management process need to be effectively linked together. All these functions of management greatly facilitate the control process.

Characteristics of Control

The function of control has the following characteristics:

- Control and planning are closely related. In fact, the terms *planning* and *control* are used inter changeably in the nomenclature of departments that carry out production planning, scheduling and routing. It emphasizes that there is a plan that directs the behaviour and activities in an organization. Control measures these activities and suggests corrective action to remove deviations, if any. Thus, control implies the existence of certain goals and standards. These goals and standards are provided by the planning process. Control is the result of particular plans, goals, and policies. Since one can control future happenings and not the past, it is a forward-looking concept. However, in the process of control, the past performance is used as a reference point because no one can measure the outcome of a happening that has not yet occurred. Based on such analysis, managers suggest corrective actions for the future period.
- Control is both an executive process and a system of an organization. As an executive process, control is a process that modulates the operation of other processes so that a particular goal is achieved. Each manager has to perform a control function in the organization. According to the level of to manager in the organization hierarchy, the nature, scope, and limit of the control function are set Administrative control constitutes the most comprehensive control. All other types of control art] subsumed under it.
- Control is a continuous process. Although this function enables the manager to exercise

control at the point of action, it follows a definite pattern and timetable, month after month and year after year on a continuous basis.

- Control is a coordinated, integrated system. This emphasizes that even if data is collected for one purpose, all data should be reconciled with each other. In a sense, a control system is a single system but it is more accurate to think of it as a set of interlocking subsystems.
- Control is neither the beginning of the management process nor is it the end function. It is present through every stage of the management process.
- Control is a dynamic process.
- Control is exercised at all levels of management.
- Control is identified with individuals.
- Control does not necessarily mean curtailment of the rights of subordinate managers and individuals
- Control is not similar to interference. In fact, control implies *control by facts* rather than *control by means,* and it also implies correlation of many controls in place of superimposed control.

Prerequisites of a Good Control System

Two prerequisites must exist before a manager can devise or maintain a system of control:

1. **Control requires planning:** A control technique must be based upon clear and integrated plans. In a way, control is the reverse side of planning. The plans formulated by management become the standards by which desired actions are measured. Hence, a plan is the foremost requirement of control.

2. **Control requires organizational structure:** The goals, objectives, and strategies of an organization require each and every person to contribute to their accomplishment and to share responsibilities. Accepting one's responsibilities and accounting for them can be imposed at all levels of management and the points of deviation can be easily located. Hence, control vouches for the necessity of a suitable organizational structure.

Essential Features of a Good Control System

A good control system is an important prerequisite for organizational success. This is applicable to HR control systems as well. Some of the essential features of a good control system are listed as follows:

- Control must reflect the nature and needs of the activity.

- Control should be so designed that an activity, its implementation procedures, and its very purpose become apparent. The control system should be adequate enough to enable one to understand the need of the activity, its implementation, and its achievement.
- Control should report deviations promptly.
- Effective control systems detect deviations before they actually occur. Managers should be provided with information as soon as possible to prevent failures.
- Control should be objective. Evaluation of the performance of a subordinate should not be a matter of subjective determination, that is, control should be definite and objective. A subordinate will respond favorably to objective standards and impartial appraisal of their work performance.
- Ideal control is instantaneous, self-correcting, and forward-looking. Managerial control is not exactly similar to mechanical or electronic control. Normally, there exists a time lag between recording and reporting the deviations and the corrective actions to become operative. A manager should, therefore, structure the control system in such a way that deviations are predicted well in time and corrective actions initiated before substantial deviations occur. This type of control is *forward-looking control.*
- If it becomes necessary to revise the plans in order to accomplish objectives, the control system must have the scope to adapt itself to new developments. The basic idea is that control should remain workable under dynamic business conditions including the failure of the control system itself. Flexible plans tend to make the control system adaptable to new situations. This is known as *flexible control.*
- Control is exercised through managerial positions and, as such, they should reflect the organization pattern. Each managerial position should be provided with adequate authority to exercise self-control and take corrective actions. The flow of control information should be consistent with the prevailing organization structure. This type of control is *organizationally suitable control.*
- A control system should be economical in the sense that the cost of its installation and maintenance is justified by its benefits. An elaborate control system may sometimes have to be discarded because

  Cost and benefit considerations do not warrant its installation. Thus, a small company can hardly afford the extensive system of control practiced by large companies.
- *Strategic point control* points out exceptions at critical points. All deviations are not of equal importance and do not require the same amount of attention. It is, thus, one of the essential requirements of an effective control system to highlight the critical or limiting points that deserve close management attention for appraisal and adjustments. Thus, an efficient control system discriminates between important and unimportant factors and thereby makes the system more effective and less costly.

- Control specialists often recommend sophisticated and advanced techniques of control to prove their expertise, and tend to overlook the question of their being understandable to managers in the organization. There are also cases where employees lack sufficient motivation to learn the new system. In either case, control loses its effectiveness. Thus, while launching a system of control, management should ensure that it is properly understood by everyone who has to manage it. Mathematical formulae, complex break-even charts, and detailed statistical summaries, though useful, may fail as effective control devices if their meaning is not properly communicated to the executives who have to use them.
- An effective control system should indicate deviations and suggest corrective actions promptly and on time. Mere recording of deviations and errors and taking responsibility to fix them are not sufficient unless these are followed by suitable actions to prevent the recurrence of such deviations and errors,
- The modem control system is worker-focused rather than work- or job-oriented. If any corrective action is called for, the persons accountable for the results are to be located for initiating remedial actions. *Worker-focused control* is generally associated with higher productivity.
- A manager responsible for control needs a continuous flow of information relating to actual performance so that deviations are promptly corrected and in time. Information that flows back to the manager for this purpose is nothing but feedback. Thus, this is *feedback control.* Feed-forward information flows back from the manager to the performers. Information may be informal or formal feedback. Informal feedback is through personal contact, informal discussion, and personal observation. Financial statements, reports, statistical analysis, and other written communications are examples of formal feedback. In every organization, information is circulated formally as well as informally.
- Control should be motivating; it should not be coercive.
- A control system should motivate both the controller and the controlled. The design of a control system should be such that it aims at motivating people by fulfilling their needs.
- There should be a degree of managerial self-control.

Types of Control

The control function is broken down into three types according to the stages at which they are applied:

1. **Preliminary control:** *Preliminary control* (or *feed-forward control)* is exercised during planning and the assignment of resources. Preliminary control ensures that human resources meet the job requirements, materials meet acceptable levels of quality and are available at the proper time and place, equipments are on hand when needed, and financial resources are

available in the right amount and at the right time.

2. **Monitoring:** *Monitoring* (or *concurrent control)* examines actual ongoing operations to ensure that objectives are being met. The principal means by which concurrent control is implemented is through the directing or supervisory activities of managers. Through on-the-spot observation, managers determine whether the work is proceeding in the manner defined by policies and procedures. The delegation of authority provides managers the power to use financial and non-financial incentives to achieve concurrent control. The standards guiding ongoing activity are derived from job descriptions and from policies established by the planning function.

3. **Evaluation:** *Evaluation* (or *feedback control)* focuses on end results. The corrective action is directed at either improving the process of resource acquisition or modifying future operations. This type of control examines historical results to guide future actions. The methods employed in corrective action include cost-benefit analysis, audit, quality control, performance evaluation, and impact assessment.

In Table 7.1, the three types of control as implemented in the different stages of production have been presented.

The types of control can also be demarcated as strategic control, tactical control, and operational control, which are explained in detail in the succeeding sections.

Strategic control

Strategies are selected and implemented over time. However, since strategies are forward-looking and designed to accomplish the objectives in the future, it is necessary to enforce control. To establish *strategic control,* it is important to allow time between initial implementation and achievement of intended results, steer the organization through different stages of activities, and then correct the actions and directions of the organization based on certain developments in the external environment and in the internal situation of the organization.

Table 7.1 Types of Control

Stage of production	Type of control	Process of enforcing control
Inputs: ■ Capital ■ Labour ■ Raw materials ■ Market information	Feed-forward control	By monitoring inputs in conformity with the standards before they are used in the process of transformation
Transformation process: ■ Planning ■ Organizing ■ Staffing ■ Leading ■ Controlling	Concurrent control	By monitoring and regulating stage-wise activities that form a part of the transformation process to ensure that activities conform to the prescribed organizational standards
Outputs: ■ Goods ■ Services ■ Profits ■ Waste materials/scrap appraisals	**Feedback control**	**By checking the final outputs—goods or services—to understand the degree of conformance to standards and goals**

Organizations enforce strategic control through premise control, implementation control, strategic surveillance, and special alert control. *Premise control* systematically and continuously check whether or not the premises set during the planning and implementation process are still valid. For example, a bank may adopt an aggressive marketing strategy to achieve 15 per cent annual growl, establishing a planning premise that not more than 10 per cent would be their non-performing assets. Therefore, premise control should ensure monitoring of the non-performing assets at branch level on a regular basis. *Implementation control* assesses whether the overall strategy results relate with the incremental steps and actions. For example, an internationally known fast food centre decided to maintain a 3:1 company-franchise ratio of ownership as part of their expansion strategy, to ensure control over quality of foods, rates, etc. However, growth of competition in this business later forced them to reverse the ratio to accelerate their ability to open new locations. *Strategic surveillance* monitors a broad range of internal and external events that are likely to threaten the course of the company's strategy. For example, IBM, in marketing their large and expensive mainframe computer, also targeted libraries worldwide in addition to corporate houses. *Special alert control* is enforced to rapidly reconsider the organizational basic strategy based on sudden changes. For example, the recent global meltdown prompted many organizations worldwide to scale down their activities and to practice lean management.

Tactical control

Tactical control focuses on assessing the implementation of tactical plans at department levels, monitoring results, and taking corrective actions, if necessary. Middle-level managers make use of this control for achieving departmental goals and objectives, and accordingly carry out programmes and meet budgets.

Operational control

Operations managers also need control methods appropriate to their level of strategy implementation Their primary concern is allocation and use of company resources. *Operational control systems* guide, monitor, and evaluate progress in meeting annual objectives. Usually, the steps taken for operational control include: (1) setting standards of performance, (2) measuring actual performance, (3) identifying deviations from standards, and (4) initiating corrective action or adjustment.

Operations managers enforce operational control making use of budgets, schedules, and key success factors.

SIMONS' LEVERS OF CONTROL

Simons' levers of control is a framework to denote managing and measuring of value. One can understand the process of enforcing control by understanding this framework. The various levers of control according to this framework are as follows:

- **Internal controls:** These are the customary safeguards that a company establishes to protect company assets and ensure reliable record-keeping. Internal controls are structural, staff, and systemic checks and balances that guard against duplication, inaccuracy, mischief, and inadequate documentation.
- **Belief systems:** Belief systems relate to the fundamental values of an organization. These enforce control by obtaining commitment to the organization's vision, core values, mission statements, vision statements, credos, and statements of purpose.

i **Boundary systems:** These are what an organization must have so that it can stake out the territory for each participant encompassing codes of conduct, predefined strategic-planning methods, asset- acquisition regulations, and operational guidelines.

■ **Diagnostic control systems:** These must be put in place by a company so that it can optimize outcomes and get the work done, that is, output measurement, valuation standards, incentive systems, and compensation systems.

i **Interactive control systems:** Smart organizations use these for tracking new ideas, for triggering new learning, and for properly positioning the organization for the future by incorporating process data into management interaction and face-to-face meetings with employees, and by challenging data, assumptions, and action plans of subordinates.

PROCESS OF CONTROL

To enforce control, an organization adopts certain steps. These steps help in establishing the control

Systems and make the process of control structured and meaningful. The steps adopted are:

1. **Establishment of standards:** The first essential element of any control process is to know what should be the result. This requires projecting the future and determination of goals and standards. *Standards* are the criteria of performance. Since plans are the yardstick against which control must be defined, it follows that the first step in the control process is to establish plans. Standards may be tangible or intangible, vague or specific, but they must be expressed in such a manner that the people concerned understand them and realize that the accomplishment of assigned duties will be measured against them. Standards relating to factors like employee morale and loyalty, results expected of a training programme, and public relations cannot generally be stated in quantifiable terms. Such intangible and somewhat abstract standards need special care. As there is a large number of standards that can be established to judge performance, it is better that standards are set at strategic control points. While determining strategic control standards, management should be economical, comprehensive, and balanced.

Control standards are most effective when they are related to the performance of a specific individual, because a particular individual can be made responsible for specific results. However, sometimes accountability for a desired result is not so simply assigned; for example, the decision regarding investment in inventory is affected by purchase, rate of production, and sales. In such a situation, where no one person is accountable for the levels of inventories, standards may be set for each step that is being performed by a particular individual.

2. **Measurement of performance:** The second basic step in the control process is the evaluation of performance. This requires measuring the work in terms of control standards and communicating the appraisal to persons responsible for taking corrective actions.

Measurement of performance must be in units that correspond to the units of standards. Performance evaluation is not a post-mortem of past events. It is not intended to solely determine the mistakes. Assessment of performance and mistakes enables the manager to predict future problems. Hence, performance evaluation should be conducted on a forward-looking basis so that any deviation may be detected in advance of their actual occurrence and avoided through appropriate actions. Appraisal of actual or expected performance becomes an easy task if standards are properly determined and if the methods of measuring performance are expressed in physical and monetary terms, such as production units, sales volume, and profits. Performance related to subjects that are qualitative and intangible, such as human relations and employee morale, cannot be measured precisely. For such purposes, techniques like psychological tests and opinion surveys may be applied. However, Peter Drucker opined that it is not necessary that measurements be rigidly quantitative. For measuring tangible and intangible performance, measurements must have the following characteristics:

- They must be clear, simple, and rational.
- They must be relevant.
- They must direct attention and efforts where they should go.

They must be reliable, self-announcing, and understandable without a complicated interpretation or philosophical discussions.

3. **Comparing actual and standard performance:** Comparison of actual and standard performance involves two steps:

   i. Finding out the extent of deviations
   ii. Identifying the causes of such deviations

   There is no uniform practice for determining variations/deviations. Deviations depend upon the type of activity. For example, a very minute variation in engineering products may be much more significant than a wide variation in other activities. Through an analysis of the causes of deviations a manager can pinpoint the areas that need corrective measures and take necessary actions.

4. **Correction of deviations:** This is the last step in the controlling process. It requires that action be taken to maintain the desired degree of control in the system or operation. In fact, correction f deviations is the point where control grows together with other managerial functions like planning, organizing, staffing, and directing. Due to this, many persons hold the view that correcting deviations is not a step in the control process. Correction may be done through re-drafting the plan changing the organization structure, re-staffing, or better direction of subordinates.

Methods of Control

In order to ensure that the control systems run smoothly, organizations follow certain methods conforming to methods makes the control systems practical and result-oriented. These method include:

- **Policies:** *Policies* are an important means for implementing preliminary control since these are guidelines for future action. There is a distinction between setting policies and implementing them. Setting a policy is included in the planning function, whereas implementing a policy is a part of the control function.
- **Job descriptions:** *Job descriptions* are a part of the control function since they predetermine tin activities, responsibilities, and authority of the job holder.
- **Quality control of materials:** The materials to be used in the production process must confirm to quality standards. Suppose the management decides that it will accept a maximum level of five per cent of defective items from a supplier. In technical terms, it is stated as ± 5 per cent deviations. Supplied material is then inspected by selecting a random sample and the percentage of defective items in that sample is calculated. A decision is taken based on the sample observations, and supplied items are sentenced as either accepted or rejected.

Thus, preliminary control systems for materials are established as a routine because the decision to accept or reject supplied materials is required to be taken frequently. The standard should be easily measurable and the sample should be easy to draw. The decision to accept or reject (or draw another sample) can be based upon simple instructions. Thus, the decision becomes automatic. An instruction for drawing samples to a quality control inspector may read thus: 'If sample defectives are equal to or more than five per cent, take another sample. If sample defectives in the second lot also exceed five per cent, reject the lot.'

Budgets: The principal means of controlling the availability and interest cost of financial resources is *budgeting.* Budgets should anticipate the flow of activity during the operation cycle and plan for the availability of cash to meet obligations. A standard budget items list can serve as a checklist for the manager. This ensures that all necessary items have been considered. For example, organizations may include recommended ratios or percentages for each item as a guide for managers. Workforce cost of a project may be restricted to a maximum of 30 per cent of the total cost.

- Audit: *Audits* are a principal source of information that enables a manager to evaluate a programme. A *management audit* focuses on the efficiency of doing a project. A *financial audit* examines the financial aspects of the project.

The manager periodically receives a set of financial statements. These statements summarize and classify all transactions in terms of assets, liabilities, income, and expenses, which together constitute the principal components of an organization's financial structure. Analysis of the financial audit information enables the manager to determine the adequacy of the organization's financial planning and budgeting in terms of performance measures and standards. In measuring the financial adequacy, managers in most cases do a cost-benefit analysis, interpreting various ratios.

Standard cost analysis: *Standard costs* are predetermined costs as per the industry standard. For example, labour cost may have a fixed proportion in manufacturing and service sectors. For call centres, such cost is 30 per cent. Information on the standard cost system enables a manager to compare actual costs with standard costs and understand the reasons for variances, if any, and decide what corrective action is appropriate,

Employee performance evaluation: This is one of the most important and difficult feedback control techniques. For any organization, their ultimate source of competitive strength lies with its people. Effective performance of people can make one organization better than the other. Employee performance evaluation is important for this reason. However, employee performance is difficult to measure because objective performance standards are difficult to develop. One of the important methods of evaluation is periodic performance appraisal. Scientific structuring of the performance appraisal form makes the task easier. The most effective way is to develop individual key performance areas (KPAs) and key result areas (KRAs) in qualitative and quantitative terms (which are targets given to employees), in line with the overall organizational objectives (management by objectives). Care should be taken to ensure that KRAs and KPAs are developed through a participative approach, that is, through mutual consensus. Another approach in evaluating employee performance is comparison with labour productivity ratios. Standard productivity ratios can be developed either internally or by benchmarking or comparing with other organizations.

Impact assessment: Many organizations, through analysis of their decisional impact, try to measure the implications of their plans and how far the planned objectives are met. Control is accordingly enforced through alteration of plans. Thus, to provide better customer services, a new-generation private sector bank may decide to introduce online banking. However, online banking services may create problems due to inadequate technological support at customers' end. The bank may think it better to improve customer services through more ATMs and introducing credit cards or debit cards. Hence, impact assessment helps in effective control of customer services.

- **Graphic charts and diagrams:** Organizational activities can be graphically displayed in charts, graphs, and network diagrams. Such graphical displays help employees to visualize the relationship of activities and the time requirement for each operation. Control is enforced when the time requirement exceeds or is likely to exceed the standards displayed in the charts and diagrams.

Usage of Control

One may summarize the usage of control in terms of the following points:

- Control is used to standardize performance for increasing efficiency and reducing costs with the help of time and motion studies, inspections, written procedures, or work schedules.
- Control is used to conserve company assets through allocation of responsibilities, separation of operational, custodial, and accounting activities, and adoption of proper authorization and record keeping.
- Control is used to standardize quality through inspection, statistical quality control, and product specifications.
- Control is used for providing limits to delegated authority without further approval from the management at the top. Instruments for such control include organization and procedure manuals, policy directives, and internal audits.
- Control is used to measure job performance through special reports, internal audits, budgets, standard costs, and output per hour or per employee.
- Control is used for planning future operations through sales and production forecasts, budgets, cost standards, and other standards of measurement.
- Control is used to help the top management in keeping various plans and programmes in balance through a master budget, a policy manual, an organization manual, and the use of coordinate committees and management consultants.
- Control motivates personnel through promotions, rewards for suggestions, profits sharing, ant other methods of recognizing achievements.
- Control facilitates resource optimization.

Importance of Control:

The importance of control can be understood in terms of the following benefits:

- **Insurance value of control:** The risk of non-conformity of actual performance with intended goals, is largely estimated by controlling. The basic function of control lies in regulating operations in I such a way as to ensure the achievement of predetermined objectives. Continuous review of work I progress for making necessary adjustments in operations brings the performance back into line oil holds it in line with intended goals.

- **Basis of future action:** Evaluation of final results makes available facts and information for future I planning and organizing. Such evaluation helps in planning for repetitive operations, in planning for the next step in non-repetitive operations, in introducing organizational changes, as well as in rewarding, punishing, or disciplining subordinates. As a matter of fact, long-range planning becomes impossible unless control information flows continuously between work projects for keeping plans on the proper track,

Indication of managerial weakness: Control helps to keep a check on other functions for ensuring successful management. The problems of control stem mainly from deficiencies in related management functions. Before accomplishing the work, there may appear to be several unknown and unforeseen situations that cannot be covered by initial planning, organizing, and directing efforts. It is the control function of management that reveals and feeds back necessary information for locating managerial weaknesses and for addressing these through remedial actions,

Facility of coordination: Coordination is facilitated by the control function of management. In the context of predetermined goals, control keeps all activities and efforts within their fixed boundaries and steers them towards common goals through coordinated directives. By determining who needs what information, control becomes instrumental in maintaining horizontal communication between chains of command. Waste of time, money, and efforts can be successfully avoided through the control function of management,

Extension of decentralization: A consistent pattern of executive behaviour and action can be maintained by controlling the use and application of standing plans throughout the organization. By requiring subordinates to exercise self-control for regulating their own performance and to refer only exceptional problems to the superior executive, top management can concentrate on overall planning and control without being buried in minor details.

SHORTCOMINGS OF CONTROL

The control system has a number of shortcomings and these are briefly described here.

Lack of satisfactory standards: There are many activities involving intangible performance for which no satisfactory standards can be established. Hence, quantification of output and identification of level of achievement is not always possible,

Imperfections in measurement: Intangible performance creates difficulties in measuring results for evaluation. Behavioural activities are evaluated through executive thinking. Moreover, measurement of every aspect of work is not feasible on economic grounds,

Limitations of corrective action: There are several limitations in taking corrective actions and avoiding mistakes. Operating conditions of business may change due to external forces over which management has no control. Managerial mistakes in studying market demand can be known only when products are finally put on the market. Within the organization, minor deviations are bypassed on the grounds of practical expediency; all reasons for deviations are not ascertained because of cost and time involved in investigation; and persons accountable for bad results cannot be singled out in many situations. Moreover, lack of authority and absence of timely information may make the corrective actions irrelevant in character.

Human reactions to control: Control invites greater opposition from subordinates because of its interference with their individual actions and thinking. The pressure on work put through controlling may result in reducing the quality of work and ignoring of long-range goals in favour of short- range targets that look to evading censure through falsifying reports and covering up inefficiencies in other ways. If the control system is of a close and detailed type, it is likely to create more adverse effects among lower-level managers.

MODULE-VII

Coordination

INTRODUCTION

To accomplish organizational goals and objectives, one needs to look beyond the planning and organizational functions. Coordination through 'unity of action' ensures harmonization and synchronization of efforts and thereby helps in achieving the desired results. Managers bring unity of action into the process of managing while performing the basic functions of planning, organizing, staffing, and controlling. It is important primarily because of individual differences in understanding, timing, effort, and approach towards accomplishment of organizational goals. Managerial efforts to ensure unity of action are known as *coordination.* Coordination is all-pervasive and it is the essence of management. It is the management of interdependence in work situations. Even in networked organizations, where employees are globally dispersed, coordination is important. In such organizations, electronic communication is very important since streaming technology and video conferencing with time synchronization help in direct communication and coordination of activities. An example would be a software project manager at Cognizant Solutions operating from India with the project team members operating from three different countries- the United States, France, and Germany. In this case, the team members' jobs are interdependent due to the specific nature of the turnkey project being undertaken. The project manager coordinates with the team members through video conferencing.

CONCEPT OF COORDINATION

Henri Fayol (1949), L. A. Allen (1973), and Ordway Tead (1951) consider coordination to be a separate I management function, while others suggest that coordination is not a separate function but is in-built with all other management functions. Tead defined *coordination* as 'the effort to assure a smooth inter-1 play of the functions and forces of the different component parts of an organization to the end that its purpose will be realized with a minimum of friction and a maximum of collaborative effectiveness'. Fayol (1930) emphasized internal coordination by suggesting the following three action plans:

1. Each department of an organization should work in proper harmony with the rest.
2. Each department or division should be informed of its share in the group task.
3. The working schedule of different departments should be constantly attuned to circumstances.

Therefore, within the organization, both vertical and horizontal coordination must be achieved so that all employees are aware of how their functions relate to other functions and how they contribute to the achievement of goals. *Vertical coordination* is between the jobs of individuals at different levels of organizational hierarchy. *Horizontal coordination* is between different departments at the same level in a chain of command.

At this stage, it is also important to clarify the meaning of external coordination. Any business organization operates in a dynamic environment. Forces exogenous or external to an organization have great influence on its success and failure. Therefore, coordinating external forces is also important to accomplish organizational goals.

Characteristics of Coordination

The basic characteristics of coordination can be explained as follows:

- **It is a dynamic and continuous process:** Coordination helps in achieving organizational objectives **through** coordinated group efforts. Organizational objectives are constantly changing in accordance with organizational budgets and priorities. Budgets are made annually and priorities keep getting changed to keep pace with the environmental forces. Coordination is, therefore, a dynamic and continuous process.
- **It applies to group efforts:** Coordination is necessary to integrate group activities with the organizational objectives. Organizations integrate individual as well as group activities through vertical and horizontal coordination.
- **It integrates and harmonizes diversified efforts:** To achieve goals and objectives, an organization segregates its activities into different parts. Each part of an activity is taken care of by individuals working in a group. Each such part forms a specific task and aggregation of tasks leads to achievement of common goals. Hence, individual efforts need to be harmonized and integrated in order to accomplish organizational goals. This is achieved through effective coordination.
- **It emphasizes unity of efforts:** Unity of efforts is ensured by channelizing individual and group efforts towards accomplishment of organizational objectives. As organizing is a complete process, harmonizing the diversified efforts of individuals is essential to achievement of results. This is accomplished through coordination, including vertical and horizontal coordination.
- **It is the basic responsibility of managers:** All managers, irrespective of their functional specializations and hierarchical levels, need to coordinate to achieve the goals and objectives of an organization. Hence, coordination is the responsibility of all managers.

It is the essence of management: All managerial functions require coordination. Several proponents of the concept of coordination regard it as the essence of management to accomplish group goals, instead of viewing it as a separate managerial function. Therefore, coordination is considered as an all-pervasive function of management which permeates planning, organizing, staffing, directing, and controlling.

- **It is the maintenance of systems:** An organization is a system of group efforts. Coordination recognizes the diversity and interdependence of organizational systems and the importance of synthesizing individual and group efforts with the organizational systems. The systems approach considers the organization as a network of mutually dependent parts. It ensures the integration of these parts for accomplishment of goals and objectives.

- **It is a conscious action:** Coordination cannot be achieved spontaneously. It emanates from the conscious and concerted action of management.
- **It avoids interruptions in operations:** Interruptions in operations may arise due to several reasons. Coordination helps in avoiding interruptions and in timely accomplishment of organizational goals.
- **It eliminates overlapping or duplication of work:** Coordination can eliminate the problems of overlapping and duplication, and thereby ensures optimal utilization of the resources of an organization.

Based on the characteristics of coordination, one can locate six valid coordinating mechanisms of organizations, as was also suggested by H. Mintzberg (1981). They are:

1. **Direct supervision:** This is more visible in entrepreneurial organizations.
2. **Standardization of work:** This is adopted in machine organizations.
3. **Standardization of skills:** In professionally managed organizations, standardization of skills is visible.
4. **Standardization of outputs:** This is evident in diversified organizations with organizational budgets and priorities. Budgets are made annually and priorities keep getting changed to keep pace with the environmental forces. Coordination is, therefore, a dynamic and continuous process.

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Standardization of outputs: This is evident in diversified organization

Mutual adjustment: This is more in practice in innovative organizations.

Standardization of norms: Missionary organizations adopt standardization of norms to follow the principles of equity.

Importance of Coordination

So far, coordination has been understood as a primary method of synchronization of organizational activities which serves to avoid interruptions in operations and to ensure unity of action among individuals and groups, which together help to accomplish organizational goals. The need for coordination can be understood in terms of three categories:

1. **Division of labour:** Coordination is important because of growing specialization.
2. **Interdependence of units:** Coordination is important because of growth in size of organizations,

3. **Integration of the individual with the organization:** Coordination is important due to diversity of human nature.

The relevance of coordination in organizations has been discussed in detail here.

- **Coordination facilitates specialization:** Division of labour and specialization require segregation of the organization into different parts, though all these parts function towards achieving a common goal or goals. Integration of these segregated parts requires coordination.
- **Coordination leads to unity of action:** Coordination provides unity of action to diversified skills, activities, and perceptions. Diversity is inherent in an organization due to differences in human attributes and characteristics. Moreover, due to globalization, cross-country movements of workers have increased, resulting in employment of culturally diversified people in the same organization. Through coordination, such diversity can be reconciled and unity of action restored to achieve intended organizational goals.
- **Coordination balances inequality and ensures teamwork:** Individual differences may create imbalances, thereby making it difficult to accomplish organizational goals. Coordination helps to balance inequalities and ensures that activities are performed through teamwork.
- **Coordination helps in harmonizing individual and organizational goals:** Individual goals are largely influenced by individual needs. Hence, it may be different from group goals and organizational goals. Conflict between these goals may be a deterrent to accomplish the desired results. Coordination through the process of harmonization integrates individual goals with organizational goals.
- **Coordination is important for differentiation and integration:** Coordination helps in synergizing differentiated work units and authority centres. Differentiated work units and authority centres are inevitable in an organization due to the requirement of specialization.
- **Coordination reduces personality conflicts and eliminates organizational rivalry:** Complexity of individual characteristics creates personality conflicts. Such conflicts automatically develop rival groups. Coordination helps in eliminating conflicts and rivalries by encouraging friendly and cooperative relationships at the workplace. Conflicts and rivalry are counterproductive.
- **Coordination facilitates interdependence:** Even though an organization works by segregating its activities into different functional areas, each and every function is interdependent. Such interdependence cannot be achieved without coordination. Similarly, interdependence also promotes mutuality in an organization. Mutuality involves positively relating and interrelating with people. It develops cooperation and fosters a culture where everyone strives for both the individual and the team to win. Coordination also helps a

growing organization by developing an effective network of a huge number of people working in the organization,

- **Coordination promotes employeeship:** *Employeeship* brings changes in the balance of power in the relationship between employer and employee. Responsibility, initiative, loyalty, and commitment are the values that every organization aspires to achieve and tries to inculcate in their workforce. Employeeship develops such values by reducing the power imbalance, which enables employees to take responsibilities, develops loyalty and initiative, and ultimately aligns company goals with individual goals by developing a shared vision.

Coordination develops self-managed teams and leadership Coordination helps to link strategy with the individual employees' knowledge by developing a knowledge pool. This helps an organization to enhance the competence of their employees and makes it possible for them to respond to the competitive environment.

The given points amply prove that coordination is an important prerequisite for the success of any organization. That is why Chester Barnard (1938) opined thus: 'The quality of coordination is the crucial factor in the survival of an organization. '

Principles of Coordination

The fundamental principles of coordination have been enunciated by Mary Parker Follet (Parker 1984) focusing on the following aspects:

Direct control: Direct personal contact helps to coordinate activities of individuals. It helps in bringing about agreement on different managerial actions and decisions, duly clarifying possible misunderstandings among employees. Therefore, direct contact is considered as the most important principle of coordination.

Early start: Coordination is more effective in the early stages of planning and policy framing. Through coordination, employees are involved in these two processes and such participation enhances their sense of commitment to the organization. Therefore, direct contact should start right from the beginning so that all employees working in an organization are aware of the plans and programmes beforehand.

- **Reciprocity:** This principle of coordination requires relating the human resource, materials, and the environment reciprocally with the organization. In a total situation, all factors are reciprocally related. For example, when A works with B and B in turn works with C and D, all of them are influenced by each other and, therefore, contribute to the situation in totality.
- Continuity: Coordination is a continuous process. It never ends. This is because the ultimate aim of coordination is to achieve organizational goals and every organization operates in a dynamic environment. Environmental forces, which set the competitive arenas for an organization, have to be aligned with the organizational goals, which keep on changing.

Every manager, therefore, constantly works to achieve coordination. In this context, the principle of continuity is important for coordination.

Other important principles of coordination are pervasiveness, unity of action, subordination of individual interest to organizational interest, unity of command and direction, teamwork, mutuality, employeeship, synergy, integration, and interdependence.

Objectives and Purposes of Coordination

There are five objectives or purposes that an organization usually seeks to realize through coordination

1. Coordination plays a crucial role in eliminating conflict through reconciliation of goals, both among individuals and between individuals and the organization.
2. An important purpose of coordination is total accomplishment through synergy. Total accomplishment exceeds the sum of individual efforts. It means that the individual efforts of employees added would be less than their total achievement through coordination, as coordination eliminates duplication by correlating the activities.
3. Another purpose of coordination is to achieve economy and efficiency. Avoidance of duplication oil efforts through coordination helps in eliminating wastage of human resources, materials, and machines!
4. Coordination helps to achieve good personal relations, which enhance employees' morale *and* productivity.
5. Some organizations also intend to reduce employee turnover through coordination. High employee | turnover means less retention, which is not a desirable situation.

Types of Coordination

There are four types of coordination: (1) vertical coordination, (2) horizontal coordination, (3) internal coordination, and (4) external coordination.

Vertical coordination

Vertical coordination is between different levels of an organization to ensure that all levels are in 1 line and in line with the organizational policies and programmes. This is achieved through delegation of authority by directing and by controlling.

Horizontal coordination

Horizontal coordination is between departments on the same level of managerial hierarchy. Coordination I between production and marketing departments at the same level of organizational hierarchy is an example of horizontal coordination. This is achieved by forming cross-functional teams and self-r aged teams.

Internal coordination

When vertical coordination and horizontal coordination are accomplished within an organization, it is called *internal coordination.* Internal coordination is achieved through the following techniques:

- **Coordination through effective supervision:** *Supervision* ensures harmonious and reciprocal performance of subordinates. It synchronizes and coordinates subordinates' efforts both among themselves and in relation to other groups. Such collaborative efforts of individuals and groups to achieve organizational objectives are possible through coordination, which is best achieved through supervision.
- **Coordination through organizational processes:** Suitable organizational processes help achieve coordination. Proper grouping of activities, assignment of job to the subordinate, proper authority delegation, etc., are some of the organizational processes that support coordination.
- **Coordination through personal contact:** Another important technique of achieving coordination is personal contact. *Personal contact* reciprocally relates one function with another and this is achieved through development of interpersonal and horizontal relationships of people working in the organization. This promotes cooperation and collaboration due to mutual understanding.

Coordination through effective communication: Transparency through communication is important to achieve coordination. Transparency is maintained by keeping people informed from time to time about internal and external changes, making them understand the changed situation, and coordinating their efforts to achieve intended goals. Communication can be made through letters, documented procedures, reports, bulletins, and the personal behaviour of managers. Communication does the important task of dovetailing information for the benefit of the organization. People react to communication quickly, provided it is properly coordinated. That is why effective communication is considered to be an important technique of coordination.

Coordination through group meetings: Fayol (1930) pointed out that lack of coordination is more visible when a department knows nothing about others or fails to relate them to the organization as a whole. This is primarily due to watertight compartments in a traditional hierarchical structure where people lack initiative and loyalty. Coordination is essential to address such a situation and this can be best achieved by periodic group meetings and conferences of departmental heads. Group meetings help people to better understand the organizational needs and allow them to exchange ideas and know the plans and activities of their own department and also the organization as a whole.

Coordination through liaison officers: Particularly for large organizations, direct personal contact among managers of various units and functions may not be frequent. Such a gap is often filled through liaison officers.

W. H. Newman (1951) suggested the following techniques or measures as tools for achieving better I coordination:

- A simplified organization with clear-cut procedures and a network of formal and informal relations among people by grouping various functions into homogenous and non-overlapping units helps to achieve better coordination.
- Harmonized programmes and policies help to coordinate at the planning stage itself. Involving people at this stage facilitates re-examination and checking of programmes and policies of one department against those of another, which helps to integrate the organization as a whole, i Well-designed methods of communication help to achieve better coordination.
- Voluntary coordination can be achieved by instilling objectives among the members of groups, developing generally accepted customs and terms to make it easy for people to work with one another, encouraging internal contacts to supplement formal communication, providing liaison officers, and forming committees to promote personal contact and informal exchange of ideas and views.
- Coordination can be made strong through personal guidance. The supervisor then plays the role of a mentor to coordinate the tasks of subordinates.

External coordination

The success or failure of an organization depends on a number of external forces. No organization can operate in isolation; it has to continuously interact with dynamic environmental forces and devise strategies to respond to such forces in order to survive. *External coordination* facilitates such processes by integrating the organization with dynamic external forces. At the outset, the organization has to know what the pertinent external forces are. After such identification, the organization has to analyse their potential impact and take suitable remedial measures to cope with the same. Important external forms may be the changing expectations of stakeholders (like suppliers, customers, investors, employees, even the society), a changing competitive situation, technological advancement, changing government policies and regulations, etc. To facilitate external coordination, a number of techniques are adopted by an organization. Management concepts have been developed for more effective external coordination, for example, customer relationship management (CRM) to align the organization with custom and supply chain management (SCM), which helps to increase market share and multiplies customs satisfaction.