RAJEEV INSTITUTE OF TECHNOLOGY

HASSAN-573201



Principles of Management

&

Organization Behaviour

As per VTU S2022 Syllabus/scheme for 2nd Semester

DEPARTMENT OF
MANAGEMENT STUDIES

VISION & MISSION OF THE INSTITUTE

Vision:

- To be an academic institution in vibrant social & economic environment, strivingcontinuously for excellence in education, research and technological service to the society

Mission:

1. To achieve academic excellence in engineering and management through dedication toduty, offering state of the art education and faith in human values

2. To create and endure a community of learning among students, develop outstandingprofessionals with high ethical standards
3. To provide academic ambience conducive to the development, needs and growth ofsociety and the industry

VISION & MISSION OF THE DEPARTMENT

VISION

To become a center of excellence for providing quality and value based management education to nurture business managers with a global outlook and contribute for the growth of society and nation

MISSION

- To impart professional skills through transformational learning of theoretical concepts for real world applicability
- To Facilitate acquaintance of the corporate world through interaction with Industry experts.
- To develop globally acceptable competent professionals with Moral, Ethical and Professional standards to serve society and nation.

PROGRAM SPECIFIC OUTCOMES (PSO's)

PSO1: Comprehend the contemporary features and characteristics of Business Management Science and its administration

P**SO2:** Analyse and interpret the dynamic situations for making Business Management strategies and decisions at the national and global level

PSO3: Handle responsibility with the ethical values for all actions undertaken by them.

PSO4: Adapt and focus on achieving the organisational goal and objectives with complete zeal and commitment.

PROGRAM EDUCATIONAL OBJECTIVES (PEOS)

PEO1: MBA is a two-year full-time programme, aimed at nurturing and training young minds with contemporary skills of management, adept in handling diverse sectors of the economy.

PEO2: The programme intends to inculcate leadership qualities in individuals to strategically position themselves in all emerging platforms of idea generation, creation of pragmatic knowledge, skills and competency development.

PEO3: The diverse course curriculum enables a high degree of academic flexibility for fostering innovation and creativity. It instills resilience and adaptability in students for facing the challenges of the contemporary business world.

PROGRAM OUTCOMES

PO1: Apply knowledge of management theories and practices to solve business problems.

PO2: Foster analytical and critical thinking abilities for data based decision making.

PO3: Ability to develop value-based leadership.

PO4: Ability to understand, analyse and communicate global, economic, legal and ethical aspects of business.

PO5: Ability to lead themselves and others in the achievement of organizational goals contributing effectively to a team environment.

Principles of Management and Organisational Behaviour			
Course Code	**22MBA11**	**CIE Marks**	**50**
Teaching Hours/Week (L:P:SDA)	**4:0:0**	**SEE Marks**	**50**
Total Hours of Pedagogy	**50**	**Total Marks**	**100**
Credits	**04**	**Exam Hours**	**03**

Course Objectives: This course will enable the students

- To understand theories and models of Management and OB.
- To classify and differentiate between various methods of problem solving.
- To compile an adept framework for solving the problems at the workplace.
- To acquaint the students with industry relevant skill sets.

Module-1 (8 Hours)

Introduction: Meaning, Objectives, Differences between Administration and Management, Levels of Management, Kinds of Managers, Managerial roles, History of Management, Recent trends in Management.

Module-2 (9 Hours)

Planning: Importance, Process, Benefits of Planning, Types of Plans, Planning tools and techniques.
Organising: Meaning, Types of Organisation structures, Traditional structures, Directions in organisation structures.
Leading: Meaning, Nature, Traits and Behaviour, Contingency approaches to Leadership, Transformational leadership.
Controlling: Meaning, Importance, Steps in the control process, Types of Control.

Module-3 (9 Hours)

Organisational Behaviour: Introduction, Meaning, History of Organisational Behaviour, Organisational effectiveness, Organisational learning process, Stakeholders, Contemporary challenges for Organisations.

Module-4 (9 Hours)

Behavioural Dynamics: MARS Model of individual behaviour and performance, Types of Individual behaviour, Personality in Organisation, Values in the work place, Types of values, **Perception,** Meaning, Model of Perceptual process. Emotions in work place, Types of emotions, Circumplex Model of Emotion, Attitudes and Behaviour, Work-related stress and its management. **Motivation,** Meaning, Maslow's Hierarchy of Needs, Four Drive Theory of Motivation.

Module-5 (9 Hours)

Teams: Advantages of Teams, Model of Team Effectiveness, Stages of Team Development. Power , Meaning, Sources, and Contingencies of Power, Consequences of Power.

Module-6 (7 Hours)

Culture: Meaning, Elements of Organisational Culture, Importance of Organisational Culture. Organisational Change , Meaning, Resistance to change, Approaches to Organisational Culture, Action Research Approach, Appreciative Inquiry Approach, Large Group Intervention Approach, Parallel Learning Structure Approach, and Ethical issues of Organisational Behaviour.

Assessment Details (both CIE and SEE)

The weightage of Continuous Internal Evaluation (CIE) is 50% and for Semester End Exam (SEE) is 50%. The minimum passing marks for the CIE is 50% of the maximum marks. Minimum passing marks in SEE is 40% of the maximum marks of SEE. A student shall be deemed to have satisfied the academic requirements (passed) and earned the credits allotted to each course if the student secures not less than 50% in the sum total of the CIE (Continuous Internal Evaluation) and SEE (Semester End Examination) taken together.

Continuous Internal Evaluation:

There shall be a maximum of 50 CIE Marks. A candidate shall obtain not less than 50% of the maximum marks prescribed for the CIE.

CIE Marks shall be based on:

a) Tests (for 25Marks) and

b) Assignments, presentations, Quiz, Simulation, Experimentation, Mini project, oral examination, field work and class participation etc., (for 25 Marks) conducted in the respective course. Course instructors are given autonomy in choosing a few of the above based on the subject relevance and should maintain necessary supporting documents for same.

Semester End Examination:

The SEE question paper will be set for 100 marks and the marks scored will be proportionately reduced to 50.

- The question paper will have 8 full questions carrying equal marks.
- Each full question is for 20 marks with 3 sub questions.
- Each full question will have sub question covering all the topics.
- The students will have to answer five full questions; selecting four full question from question number one to seven in the pattern of 3, 7 & 10 Marks and question number eight is compulsory.

Suggested Learning Resources:

Books

1. MGMT ,Chuck Williams & Manas Ranjan Tripathy, 5/e, Cengage Learning, 2013.
2. Organizational Behavior,Steven L. McShane & Mary Ann Von Glinow, 6/e, McGraw Hill Education, 2015.
3. Management & Organisational Behaviour , Laurie J. Mullins, 7/e, Prentice Hall, 2005.
4. Essentials of Management , Koontz, McGraw Hill, 8/e, 2014.
5. Management, John R. Schermerhorn, Jr., 8/e, Wiley India, 2010.

Sl. No.	Description	Blooms Level
CO1	Gain practical experience in the field of Management and Organisational Behaviour.	L1
CO2	Acquire conceptual knowledge of management, various functions of Management and theories in OB.	L3
CO3	Comprehend and apply management and behavioural models to relate attitude, perception and personality.	L2
CO4	Analyse the recent trends in Management and OB models.	L4

	PO1	PO2	PO3	PO4	PO5	PSO1	PSO2	PSO3	PSO4
CO1	**1**				**2**	**3**			
CO2		**2**	**2**				**2**		
CO3				**3**		**3**		**2**	
CO4		**2**		**2**			**1**		**2**

6. Organizational Behaviour, Fred Luthans, 12/e, McGraw Hill International, 2011.

Web links and Video Lectures (e-Resources):

- https://onlinecourses.nptel.ac.in/noc22_mg104/preview
- https://onlinecourses.nptel.ac.in/noc22_mg78/preview
- https://learninglink.oup.com/access/king-lawley3e-student-resources#tag_all-chapters
- https://openstax.org/details/books/organizational-behavior
- https://www.classcentral.com/course/introduction-organisational-behaviour-11892

Note: The aforesaid links and study material are suggestive in nature, they may be used with due regards to copy rights, patenting and other IPR rules.

Skill Development Activities Suggested

- Visit an Organisation and note the various functions discharged in a day.
- Conduct a professional event in the department and try to understand the various roles played by students in relation to Team and Organisational environment.
- Develop questions, interact with people in the Organisation and try to observe personality traits.
- Meet any Leader / HOD / Dean and observe the Management of various departments and record the changes in administrative pattern.

Course outcome

At the end of the course the student will be able to:

01.02.2023

12.01.2023

Mapping of COs and POs

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Module 1

Introduction to Management

When people are operating in a group, their efforts have to be controlled, coordinated, and directed towards a common goal. This is nothing but management. Management is defined as the process by which a cooperative group directs action towards common goals. For example, Henry Ford and his car model by the name of T saw huge customer acceptance in a period of 12 to 15 years with Henry Ford sitting on a capital of $600 million in a very short tenure. It was said that at that point of time, the T model had become the symbol of wealth and luxury and Ford saw to it that greater volumes of production of model T at low/reasonable cost helped him reach out to mass and amass wealth from them. When workers started to grumble, he showered them with rewards and high compensation, but the success was short-lived because soon came General Motors who strategized to satisfy the customers in a different manner. It is said as Ford focused on low-cost models and timely delivery of the same, he was more of a technology persona who put emphasis more on the construction part of the car rather than on analysing the acceptance of the same across various segments. Therefore, when General Motors came out with different alternatives for different segments of customers, the T model started losing its sheen to its rival, and Ford's management ideas and theories were stamped as imperfect. Concentrating more on producing the T model which he thought would be the best without actually understanding the needs of various customer segments, his way of managing business had a flaw in it. From there on, many management theories and concepts by experts started acquiring prominence, which led to the formulation of management as a field of study and research.

Definition

To manage is to forecast and to plan, to organize, to command, to co-ordinate and to control.

— Henri Fayol

Management is a distinct process consisting of planning, organizing, actuating and controlling performed to determine and accomplish the objectives by the use of people and resources.

— George R Terry

Features of Management

Management as a Process

- **Continuous Process:** Management is not a one-time process. It is an on-going process. It deals with recognizing the problem and taking suitable steps to solve it. Thus, it is a never-ending process.

- **Social Process:** Management consists of interactions among people. For an organization to achieve its goals, the management has to develop and maintain cordial relations among the people in the organization.

- **Integrated Process:** Management plays an important role in bringing financial, human, and physical resources to achieve the centralized organizational goals.

For example, if we consider management as a process, then we can readily take the example of a project management process within an organization which starts with initiating the project, planning for the project in terms of schedule, cost, and resources, executing the project in accordance with the plan, and finally initiating the closure for the project.

Management as a process is continuous because it deals chiefly with the resolution of issues and is integrated since it involves balancing three key aspects—people, time, and cost—to achieve the project/organizational goals.

Management as an Activity

Like several other activities performed by humans like walking, reading, listening, cooking, and so on, management is also an activity. Management as an activity helps the managers to get the things done. Management as an activity includes:

- **Informative Activities:** These include collection and dissemination of information, and so on. For example, collecting information on the product's/services market value or the growth chart of its competitors.

- **Interpersonal Activities:** These include activities like employee performance feedback, training, and so on.

- **Decisional Activities:** These include activities deciding on production plans, advertising campaigns, and so on.

Management as an Art and Science

Management is both an art and science. It is considered to be an art since it requires that a person possesses various managerial skills, which can be categorized as conceptual, human, and technical skills. In addition, it is considered to be science because various laws and principles are framed and followed where and whenever required when group activities are being coordinated. It consists of simulating flight paths to managing satellite transmissions to simpler tasks such as managing the flow of water in dams.

Management as a Group

Management as a group signifies a group of people responsible to plan, guide, and coordinate the efforts of other individuals working in the organization. Management as a group can be viewed in two different ways:

- Group of all managers taken together. These managers can be anybody from a chief executive officer (CEO), chief technology officer (CTO), and chief operating officer (COO), who are involved in setting long-term goals to those who are at the operational level and are entrusted with

minor decision-making authority like sanctioning a leave or scheduling an employee for a shift and so on.

- Group of only the top-level managers is involved in strategic decision-making and are commonly termed as the board of management or the management body of the organization.

Management as a Discipline

Management encompasses principles and practices for the efficient and effective management of establishments. For example, during the initial years, a business school graduate gets a generic view of the various subjects under Management and then goes on to specialize in areas, such as HR, IT, Sales, Finanace, and Marketing Management.

Management as a Resource

Organizations attempt to achieve their set objectives with the help of various resources like materials, money, manpower, machinery, and so on. All the efforts would go in vain if these resources are not coordinated and managed effectively. Thus, we can say that management is a crucial resource that plays an important role in the success of an organization.

Management Is Goal-oriented

Every managerial activity is directed towards the achievement of the pre-determined goals and objectives of the organization. For example, an organization has set its long-term goal to cross a billion dollar revenue by 2020, or suppose India, as per Hon'ble Dr A. P. J. Abdul Kalam, had set its goal to double the food production and agriculture products by 2020, resulting in improved food security for people by that time.

Management is a Universal Process

Management is an indispensable constituent of every organization irrespective of its size or nature of operation. It exists everywhere in the universe and in all types of activities whether social, political, commercial, and so on. For example, managing poverty, illiteracy, political turbulence to managing the economy of a nation depicts how management can be a universal process.

Objectives of Management

Organizational Objectives

Every organization exists to achieve certain objectives. Some of the organizational objectives are profit maximization, growth and expansion, and goodwill of customers. For example, it was said that the employees of QUITO harboured a culture of aligning their personal goals with the organizational goals. They had individual performance and productivity targets to attain which a majority of the employees solicitously did since their expectations of receiving performance rewards/bonuses were taken care of by the HR section of QUITO. Biannual appraisals were done to provide the employees with the feedback on their performance, at the same time providing more growth opportunities to employees with strong feedback.

Personal Objectives

Several people are working in the organization to achieve the organizational objectives but, at

the same time, these people also have their own objectives as follows:

- Fair remuneration with rewards and bonus for employees
- Unbiased and healthy working conditions with a transparent communication process across the management levels.
- Growth opportunities to the staff of the organization
- Job security of the employees with continuous projects in pipeline

Social Objectives

Along with the organizational and personal objectives, management also has to take care of the social objectives. These could be:

- Providing quality goods and services to the consumers
- Conservation of environment and natural resources as a part of corporate social responsibility
- Timely payment of taxes, such as sales tax, income tax, service tax, value-added tax, professional tax, and so on
- Honesty in dealings with customers, suppliers, or vendors

Importance of Management

Optimum Utilization of Resources

Managers identify the requirement for various factors of production like workforce, money, machinery, and materials. They then ensure that these resources are available in an adequate amount for the accomplishment of the organizational goals. They also ensure that the resources do not exceed the requirement as this may lead to losses.

Achievement of Group Goals

A number of people work in an organization. Every individual may work on a specific task or function. However, to achieve the desired organizational goals, it is necessary that all the efforts should be directed in one direction. This can happen only when managers create a conducive environment wherein people in the organization work as a team.

Cost Reduction

Management guides the routine actions in such a way that all wastages are shunned. By decreasing prices and improving efficiency, managers empower an enterprise to be capable of dealing with competitors and thus to make profits.

Growth and Survival

Management forecasts the business environment changes and enables the organization to face the challenges of the changing environment. These changes may create opportunities or threats. It is efficient management that helps to identify the opportunities leading to not only survival and stability but also growth of the enterprise.

Difference between Administration and Management

According to Sheldon, '**Administration** as a function is concerned with the determination of the corporate policy, the coordination of finance, production and distribution, the settlement of the compass (i.e., structure) of the organization, under the ultimate control of the executive'; whereas '**Management** is concerned with the execution of the policy, within the limits setup by administration and the employment of the organization for the particular objects before it.'

Levels of Management

Top/Strategic Level Management

The top-level management includes board of directors, CEO, chief financial officer (CFO), CTO, and so on. This level of hierarchy has the highest authority and responsibility. They act as liaison between various external stakeholders and the organization.

Middle-level Management

The middle-level management acts as a link between the top-level management and the operational-level management. This level includes departmental managers, deputy managers, assistant managers, and so on.

Lower/Supervisory/Operative-level Management

This level of management is responsible for issuing guidelines to perform the routine activities. The people in this level guide, control, and coordinate efforts of the line workers. It consists of supervisors, foreman, and so on.

Functional Areas of Management

- Financial Management: Financial Management deals with procurement and utilization of funds of the business firm.
- Personnel Management: Personnel management revolves around managing the human resource employed in the organization.
- Production Management: Production management includes all the activities, right from forecasting the requirement of raw material to producing the finished goods.
- Marketing Management: Marketing management deals with recognizing the consumer needs and providing quality goods and services at right time and in right quantity.

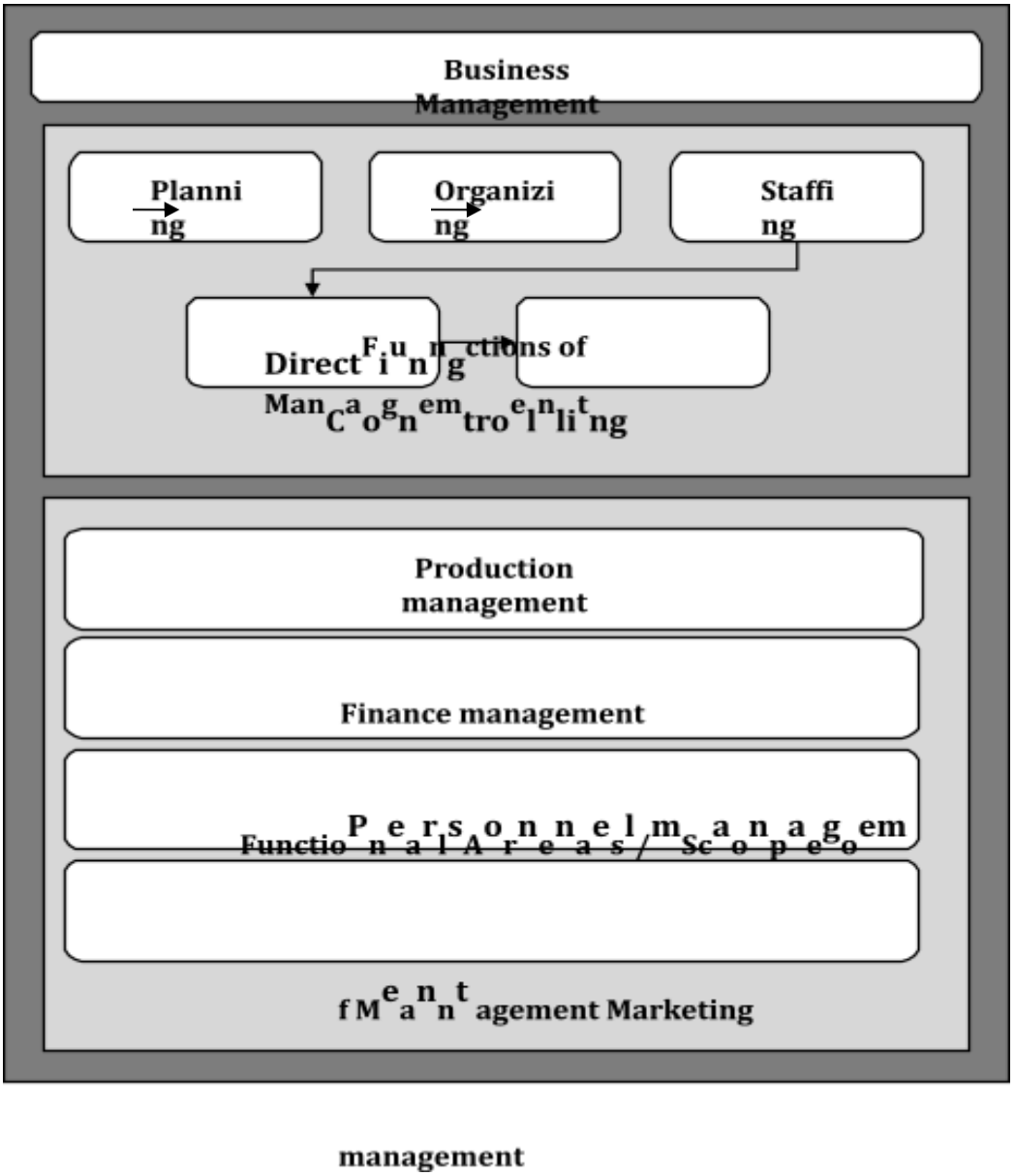


Figure: Scope of Management

Functions/Process of Management

Planning

Planning is an intellectual process, conscious determination of course of action, the basing of decision on purpose, facts and considered estimates. For example, a construction company has decided to undertake a new project. For the project to move in a right direction and turn out to be successful, it is necessary that the company has a plan, wherein tasks like identifying location, phases of execution, most profitable sources of raw material, sources of investment, manpower required, machines, and tools required are carried out. This is nothing but planning.

Organizing

Organizing involves the process of recognizing and grouping the activities to be executed, defining and allotting responsibility and authority, and establishing relationships among various positions so that the objectives can be achieved. To organize a business is to provide it with everything useful for its functioning, that is, raw material, tools, capital, and personnels.

Staffing

Staffing involves manning the organization structure through proper and effective selection; appraisal and development of personnel to fill the roles designed on the structure. The activity of staffing needs to be done very carefully as it decides the success or failure of the organization. The people employed in the organization should be capable of understanding the purpose why organization exists and also have the ability to work towards the objectives of the organization.

Directing

Directing consists of process or technique by which instruction can be issued and operations can be carried out as originally planned. It is considered to be one of the most important functions of the management since it enables realization of the plans. Directing includes supervising, motivating, and providing leadership to people to accomplish the desired result.

Controlling

Controlling is the process of checking whether or not proper progress is being made towards the objectives and goals and acting if necessary, to correct any deviation. It refers to measuring the actual output to the desired output and taking corrective actions if there are any discrepancies.

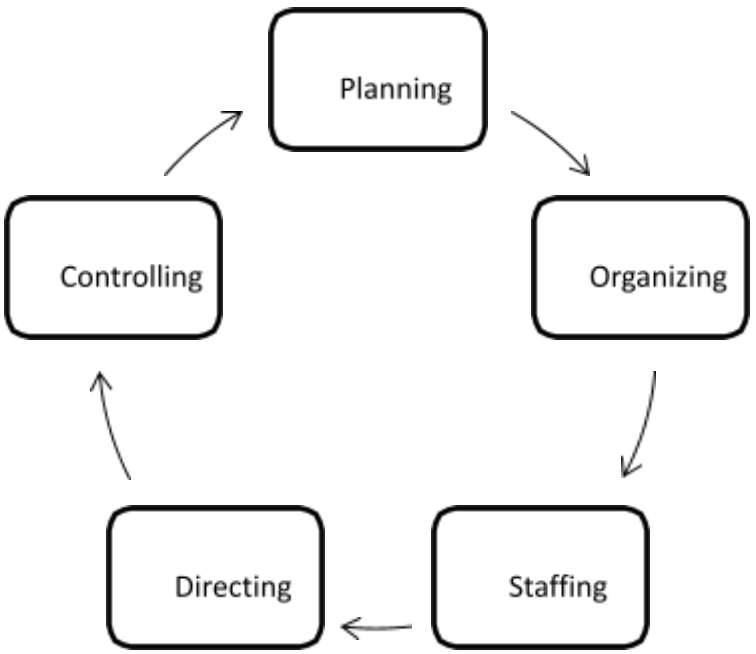


Figure: Process of Management

Managerial Skills

- Technical Skills: Technical skills refer to an individual's aptitude, knowledge, and understanding about handling equipment, procedures, and techniques involved in carrying out any activity. In short, this skill relates to expertise in technicalities of a specific job. For example, ability in handling the computer numerical control (CNC) machines.

- Human Skills: Human skills refer to an individual's ability to work with people. Having human skills is very essential as it fosters teamwork and helps in the accomplishment of organizational goals in an effective manner. Having human skills help the managers to communicate and understand their subordinates and find out effective ways of motivating them.

- Conceptual Skills: It refers to the ability to view the entire situation in totality. It helps to analyse the environment and factors governing the situation. Thus, an individual can come up with the appropriate solution to the problem. For example, consider the marketing and production departments of the same company. Although both the departments belong to the same firm, their individual goals are different. However, the top-level managers see these individuals in a manner wherein the individual goals of the departments are directed towards achieving the goals set by the company as a whole.

Types of Managers

Managers are categorized into three types as follow:

On the Basis of Level

- **Top Managers:** The top-level managers fall in the top level of management. They decide the organizational goals and formulate strategies to achieve them. Hence, they are also called strategic managers. For example, President, VP, CEO, and so on.

- **Middle Managers:** The middle-level managers act as a link between the top-level management and the operational-level management. The middle-level managers are responsible to communicate the organizational policies and procedures and ensure that those are implemented. For example, Manager, Deputy Manager, Assistant manager, and so on.

- **First-line Managers:** Individuals in the lowest level of management who are accountable for the work done by others are called as first-line managers. The duties of the first-line managers are to guide, control, and supervize the workforce. The first-line managers are responsible for the routine work carried out in the organization. For example, Supervisor,

foreman, and so on.

On the Basis of Role

- **Staff Managers:** Staff managers utilize special technical/subject knowledge to guide and support the efforts of the workforce. Staff managers are not directly concerned with revenue generation. For example, HR and Finance Managers have staff responsibilities.

- **Line Managers:** Line managers are accountable for activities that lead to direct influence on the organizations output. The organizations profitability will have a negative effect if the managers fail to fulfil their responsibilities. For example, VP–operations department, Manager–Marketing department, and so on.

On the Basis of Scope of Activities Managed

- **Functional Managers:** Functional managers are the ones who handle a single department or activity in the organization. For example, Finance Manager, Human Resource Manager, Purchase Manager, and so on.
- **Specialist Managers:** Many organizations these days are interested in appointing specialist managers to handle various tasks. Specialist manager is the one who is responsible to handle a single area within a specific functional domain. For example, training manager, recruitment manager, payroll manager, and so on.

- **General Managers:** General managers are responsible for complex multi-functional units of an organization (i.e., the whole company or a subsidiary).

Environmental Factors Affecting Business

External Factors

All the forces and conditions that influence the operations of the organization and are external to the organization are referred to as external factors. The external environment is further categorized into macro and micro environment.

Macro Environment

It includes the following factors:

- **Economic Factors:** Economic factors include economic conditions and economic policies that have an impact on the business operations. For example, Inflation, recession, growth rate, and so on.

- **Social Factors:** Social factors have a considerable impact on the working of the business. Social factors include customs, traditions, preferences, values, demographics, level of education, and so on.

- **Political–Legal Factors:** Political–legal factors include government rules and regulations, policies, legal framework, and so on that largely affects the functioning of the business.

- **Technological Factors:** Technological factors basically deal with the use of modern machine and equipments, internet, ecommerce, social media, electronic media, and so on to carry out the business operations.

Micro Environment

Micro environment includes the following factors:

- **Suppliers:** The success of an organization depends largely on its ability to provide timely and quality goods and services to the customers. For this purpose, the organizations depend on the suppliers who provide them with necessary inputs.

- **Competitors:** In order to outsmart its competitors and be ahead in the competition, organizations are required to keep a close eye on the market situation and formulate their plans accordingly.

- **Customers:** It is a must for the organization to take into account the choices and preferences of the customers since they are the one who decide the success or failure of products or services.

- **Marketing Intermediaries:** Marketing intermediaries assist the company to promote, sell, and distribute the goods and services to the end users. Hence, marketing intermediaries are considered to be an important link between business and customers.
- **Financial Institutions:** Most of the business organizations depend on third party for their financial needs. Financial institutions fulfil these financial needs of the business organization.

Internal Factors

Internal factors are the conditions and situations within the organization that affect the business operations. These factors are also referred to as controllable factors. Internal factors include the following:

- **Value System:** It refers to the internal cultural framework of the organization. Every business decides plans and policies and expects its employees to act within this framework.

- **Mission and Objectives:** Businesses decide their operational strategies depending on the mission and objectives.

- **Physical Resources:** Physical resources like money, materials, and machines also influence the functioning of the business to a large extent.

- **Human Resources:** If the employees of the organization are skilled and qualified, it would benefit the organization; else it would have a negative

impact. Also, the decision-making ability plays a crucial role in the success of the organization.

- **Marketing and Research and Development:** If an organization is good at its marketing strategies and has a strong research and development department, it ensures longevity of the business.

Managerial Competencies

Over the years, management researchers, studying the behaviour of Managers at various levels of the organization and in organizations of diverse types, have come to the conclusion that successful Managers possess the following competencies:

Effective Communication Skills

Managers who can communicate clearly and precisely either verbally or in writing and disseminate information according to the needs and characteristics of the audience are said to be effective managers.

Conflict Management and Resolution

Managerial competency aims at resolving conflicts amongst teams or individuals by creating common agreements and settling disputes.

Implement Strong Feedback Mechanism

Successful managers believe that to ke ep employee performance high, there should be a mechanism to monitor employee performance on a continuous basis in order to motivate them and to instill in them a sense of responsibility and ownership for every task they undertake.

Aligning Organization Goal to Performance Oriented Goal

This is done by managers through effective planning, organizing, and allocating roles and responsibilities to people for smooth execution of tasks.

Remake of Organizational Structure for Employee Retention Across Levels

A manager is said to be competent if he can change the structure of the organization from time to time in order to retain the best talent across the Industry.

Focus on Employees' Growth

A manager's competency can be emphasizing and implementing career development plan for his employees, which paves the way for growth and learning opportunities of an individual within an organization.

Strategic Planning and Decision-making

A competent manager can be a great visionary who can see to the prospects and future of the organization from a long term perspective, along with issues that his organization can face in the future. The manager knows how to get things done through the formal channels and the informal network.

Focus on Relationship Building and Diversifying

A competent manager accomplishes the work goals through collaborative relationships, appreciates the insights of other employees and takes appropriate actions to increase diversity in workplace.

Scope/Functional Areas of Management

The functional areas of management can be categorized as under:

Financial Management

Financial management deals with procurement and utilization of funds of the business firm.

Human Resource Management

Personnel management revolves around managing the human resource employed in the organization.

Production Management

Production management includes all the activities right from forecasting the requirement of raw material to producing the finished goods.

Marketing Management

Marketing management deals with recognizing the consumer needs and providing quality goods and services at right time and in right quantity.

Evolution of Management Thought

Whenever effort had to be expended by a team, it was extremely important that the team had to be managed. Therefore, a group of two or more individuals had to be managed by an entity in the early days.

Historical Perspective

Management has been considered a formal discipline since the late 19th century. Most of the modern management thoughts evolved during the 20th century. The use of management principles had surfaced from 2900 BC in Egypt where more than a hundred thousand men were utilized for 20 years in continuum to build the pyramids. Other famous ancient structures which heavily evoke and implement managerial concepts and practices are the Middle Eastern Ziggarats, the Great Wall of China, the Persian roads, and so on. All the crude approaches were later refined by designing theoretical and conceptual frameworks to be called management principles. Further, the Enlightenment and Renaissance brought massive changes with respect to managerial skills, abilities, and perception. With the advent of the Industrial era, with setting up of warehouses and factories in the early 19th century, evolved other concepts such as costing, management, production lines, schedules, and so on.

Approaches to Management

Classical Approach

Classical management theory evolved as a result of the Industrial Revolution with special emphasis on the economic rationality of management, that is, maximization of monetary rewards, implying that employees work for monetary benefit, and to get hard work out of employees, managers should entice them with rewards.

- Scientific Management: Frederick Winslow Taylor revolutionized management thinking. Scientific management emphasizes on proficiency and systematization in management.

- Administrative Management: Henry Fayol (1841–1925), a French industrialist and architect found the administrative management theory. The other experts were Chester Barnard and Colonel Lyndall Urwick. This focuses on basic managerial functions.

- Bureaucratic Management: This focuses on forming rules, procedures, and workload distribution. For example, Japanese managers put much emphasis on communication processes, interdepartmental relation, and paternalistic approach, whereas American organizations highlight managerial styles, decision-making, and control machinery. The Japanese perspective increases employees' commitment by producing a legitimate order with illogical power of authority, whereas the American perspective leads to the formation of in-house labour market in which managers can divide and exploit workers.

Behavioural Approach

It states that as management is the process of getting things done by people, the crucial aspect of it is to understand human psychology. The two important factors which play a key role in increasing productivity is motivation and good employee relation. Behavioural management emphasizes on individual attitudes, behaviour, and group processes and recognized the importance of behavioural processes in the workplace.

Contingency Approach

The contingency approach explores the optimal ways of doing things where the performance of one subunit is reliant on its surroundings and has direct or indirect association with other units or subunits; for example, a manager facing is the non-availability of a Web designer till the end of October for his six month's project scheduled to be over by the end of December. The manager now has to either inform his unit head to allocate him resource from other teams or to reschedule the project by adding a month extra to his project calendar. This decision can be taken by the manager on the basis of additional cost incurred in the project due to delay in schedule and resource feasibility, that is, commitment of the substitute in other projects.

Operational Approach

The operational approach to management emphasizes on management functions and principles involved in performing these functions. This approach suggests that management is a universal phenomenon irrespective of the types of organization or levels of an organization.

Systems Approach

This approach helps in studying the functions of complex organizations and correlates planning, organizing, directing, staffing, and controlling with each other and also the problems associated with the same. For example, a health care system consists of several levels of care or subsystems as follows:

- Intensive Care Unit (ICU)
- Extended Care Unit
- Normal Care Unit
- Out-patient Care unit
- Home Care Unit

The above subsystem can also be treated as levels of health care, and based on the status of patients' health they are shifted across the levels. If a patient is ill but does not require hospitalization, then he is given treatment through the out-patient department, else he is admitted in the normal care unit. From the normal care unit, he can be shifted back and forth to the ICU based on the criticality of his condition.

Mathematical/Quantitative Approach

The mathematical/quantitative approach gives a basis for decision-making and believes that management consists of mathematical models and processes. This discipline is called 'Operations Research'. It uses scientific techniques for providing quantitative base for managerial decisions.

Taylor's Principles of Scientific Management

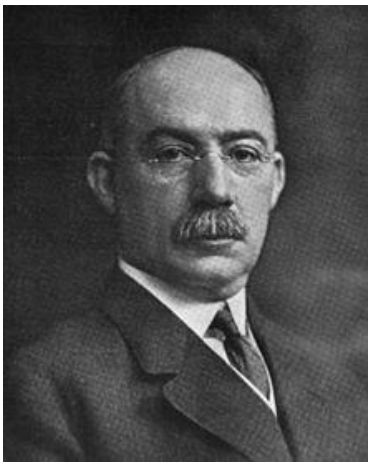
- Scientific methods outweigh rule of thumb
- Creating group harmony
- Cooperation
- Maximum output
- Improved work procedures

Henry Gantt's Ideology on Management

Henry Gantt was a US citizen, originally a mechanical engineer by profession, and was a pioneer of scientific management since he was an associate of F. W. Taylor. Henry Gantt was the inventor of the famous progress tracking tool known as the Gantt chart.

Implementing his concept, the wage of an individual was calculated as follows:

- Substandard productivity—wages based on time rates
- Productivity as per the standard norms—accorded 20 % bonus
- Productivity above standards—high differential rates



F. Gilbreth and L. Gilbreth

Frank and Lillian Gilbreth focussed on time-and-motion study to perform tasks in the best possible time frame. Time-and-motion study and piece-rate incentives were developed by scientific management theorists and are used even today. The piece-rate incentive system defines that income is proportionate to the productivity of an individual. Scientific management theorists focussed on scientific selection and training of employees, proper design of work, and its sub-tasks, introducing work's best practices, development of a holistic approach to solving organization problems, and a professional approach to management. F. Gilbreth formulated 18 basic tasks and spent a considerable amount of time analysing the best and quickest methods of performing a task. His wife, L. Gilbreth, a psychologist and a management expert by profession, continued preaching her husband's management dictions and even penned down books such as *The First Ambassador of Management* 1960. Workers at Monsanto use time-and-motion study to perform tasks in the best possible time frame.Fayol's Principles of Management

Division of Work

The total workload should not be allocated to a single individual. Work, whether technical or managerial, should be distributed so that a person specializes and produces output reasonably.

Authority and Responsibility

The most important aspect of management is allocating work to others. Whoever allocates work has the authority over others and simultaneously shoulders responsibility to get the work done.

Discipline

Discipline is mandatory at all levels of management and is obtained by applying stringent rules and regulations.

Unity of Command

Command is exhibited by only one individual over others across levels.

- Unity of Direction

  A Manager of any unit or group is expected to look after the activity of that group.

- Alignment of Individual Interest to Group Interest

  On no account should an individual's interest be over the organization's interest.

- Employee Wage and Compensation

  An employee should be given some amount of remuneration for the task carried out by him and the wage should be directly proportional to the task allocated.

- Centralization
- Scalar Chain

  Every organization should follow a scalar chain which relates to the chain of superiors from top to bottom within an organization and communication flow should happen via the scalar chain.

- Order

  There should be a proper order or rule by which the resources are allocated the right place and the right job.

- Equity

  All members of the organization should be treated equally by the managers, so that there exists harmony in relationship between the boss and the subordinate.

- Job Security

  Security of job brings stability for an individual and also for the organization. Therefore, unless an employee is not performing properly, he should not be terminated from the job.

- Initiative

  The second nature of the manager is to take initiatives. While doing that the manager should actively take suggestions from the subordinates and execute those initiatives.

- Espirit De Corps

  All the employees within the organization should be grouped together to work

for a common cause and achieve the desired objectives.

Chester Barnard

Chester Barnard, who had served as the President of New Jersey Bell Telephone, has laid down his ideas in the book ' *The Function of the Executive*' about the management theory concepts and practices.

Max Weber's Principles of Management

Weber framed rigid management rules to eliminate inconsistencies and stressed the need of bureaucratic form of management, which is based on rationale, order, and lawful ability and accrues to public benefits. The features of bureaucratic form of management are the following:

- **Work Breakdown Structure:** A work is divided into tasks and each task is assigned to separate personnel who are proficient in that task.
- **Levels of Authority:** Levels of authority should be maintained to closely monitor and supervise the employees whether they are performing the tasks properly and as per the directions laid down.
- **Policies and Procedures:** Weber believed that organization's policies and procedures had to be in place to govern the work behaviour and maintain consistency amongst the employees.
- **Rights and Responsibilities:** Weber believed that every employee should be allocated rights and responsibilities of the organization and proper guidelines should be laid down for performing the job regularly.
- **Technical Expertise:** As per Weber, the candidate with the right skill set and expertise should be allocated a job and the appraisal of that candidate should happen subject to his performance in that job.
- **Content Management:** Weber stressed on the need of an effective content management system pertaining to databases and documents and other written records of the organization.
- **Impartial Assessment:** Weber stressed on the need for an impartial assessment of employees where their family relations or having kith or kin does not influence the assessment or even functioning of the organization.

George Elton Mayo's Principles

Elton Mayo, during his tenure as a researcher at the Wharton School of the University of Pennsylvania in the United States of America, laid down certain principles which emphasized human relations and importance of desires, attitudes, and feelings of workers. Elton Mayo, in later years, conducted several experiments on Hawthorne Plant workers of Western Electric Company, the results of which are published under six volumes, such as *Human and Social Problems of Industrial Civilization*, *Expectations of Industrial Worker*, *Leadership in Industrial Civilization*, and *Management and Morale*.

Major Findings and Conclusions of Hawthorne Experiments

- Communal Factors: Communal factors are accountable for deciding the level of productivity. According to Elton Mayo, 'a business organization is a social system, a system of rituals and a mixture of logical, non-logical and illogical behavior'.

- Group Influence: Employees created their own groups which were dissimilar from official group to beat the inadequacy of official relationship. Norms of particular groups were different and workers were free to change their group according to the norms. Therefore, management could not deal with workers independently as group behaviour influenced individual behaviour.

- Production Level: There was no straight association between manufacturing level and operational environment.
- Motivation: Workers are merely motivated by financial benefits.

- Conflicts: Goal of management differed from those of workers' objective.

- Leadership: Superior is accepted as head if his method is in agreement with human relations approach. The important essence of leadership was to direct group behaviour and not exert pressure for production.

- Cordial Relationship: Employees believed in sustaining good association with others at the cost of their own incentive or bonus due to which production got hit often.

- Behaviour of Workers: More often workers exuded group behaviour

- Supervision: It was found that productivity wasn't affected because of the existence of friendly relationship between superiors and workers.

- Communication: Workers could clarify their views and feelings related to a particular action. Problems faced by workers could be simply identified and solved as they were open to converse with each other.

- Reaction of Workers: Complaints and disapproval by workers were indication of deeper contentment.

Bureaucratic Organization

Organizations grow in size with increased functional specialization, resulting in strategic, tactical, and operational layers of management coordinating the organizational effort. The result is a bureaucratic approach to organizational structure.

Features of Bureaucratic Form of Management

- Work breakdown structure

- Levels of authority

- Policies and procedures
- Rights and responsibilities
- Technical expertise
- Content management
- Impartial assessment

Chris Argyris's Theory of Adult Personality

Chris Argyris believed that if managers treat the employees of their team as adults or as mature individuals and believe that the individual will take up the responsibility, then the organization can surely proceed towards its goals quickly. He stressed on the need of the following:

- Clearly defined task for better productivity
- Boss–subordinate relation should be sober
- Allocation of more responsibility ensured better productivity
- Friendly environment in organizations ensured rapid growth

Chris also talked about human behavioural transitions from the stage of immaturity to a mature adult state, which consisted of the following traits:

- Passive to active
- Dependence to independence
- Transition to multiple ways of behaving
- Shallow interest to deeper interests
- Short-term perspective to long-term perspective
- Lack of self-awareness to be aware and be in control
- Subordinate to superordinate position

Pyramid Concept by C. K. Pralahad

C. K. Pralahad, along with Stuart L. Hart, had introduced the bottom of the Pyramid Concept

which states that billions of people live at less than $2 per day, in line with what the theory in economics state. They stressed on the idea of fortune at the bottom of the pyramid. The pyramid concept states how large corporations can serve low-income group profitably. C. K. Pralahad and Stuart stated that the philosophy for developing products and services would be based on:

- Small unit packages
- Low margin per unit
- High volume and high return on capital employed

The principles around which bottom of the pyramid should revolve for economic growth opportunities are as follows:

- Competitive prices
- Operational scalability
- Innovations
- Eco-friendliness
- Functionality identification
- Process conceptualization
- Customer education
- Customer accessibility
- Infrastructure and interface design
- Innovative product delivery process

Mary Follett's Management Principles

- Conflict Resolution: Follett stated that resolution to a conflict does not happen by dominating others who have different views on that issue or by compromise. It is best resolved by integrating the opinions of both the teams.
- Authority: Follett stated that authority should be of the role and not designated to a person as it spoils relationship when the concept of subordination comes into play. Moreover, the employee and employer relationship should be based

on cooperation rather than on status.

- Group Formation and Member Participation: Follett stated that apart from a group's behavioural impact on individual, it is the motivation created by group leaders and management which inspires every member within the group to participate and take ownership in executing tasks.

- Leadership: Follett believed that enhanced leadership abilities enhances the power of guiding and also be guided by the group, thereby formulating decisions accordingly.

- Coordination: She believed that proper coordination accrued through better planning, decision-making, and is a continuous process.

Modern Approaches Management

- Contingency/situational approach

- Operational approach
- Systems approach

- Mathematical/quantitative approach

Peter F. Drucker and His Principles of Management

- Setting of goals

- Superior–subordinate participation

- Matching goals and resources

- Implementation of plan

- Performance appraisal

Recent Trends in Management

- **Six Sigma:** Six Sigma is an approach to get better the quality of process outputs by recognizing and eliminating the causes of faults and to reduce inconsistency in manufacturing and business processes.

- **Knowledge Management:** Knowledge management is all about capturing, storing, and sharing expertise across organizations and revolves around a specific life-cycle that comprises of the following: create, store, find, acquire, use, and learn.

- **Knowledge Process Outsourcing:** It is a concept in which knowledge- and information-related work is performed by employees working in the subsidiary of a parent organization either in the same state or in a different state and is focused more on knowledge-intensive business processes catering to business expertise more.

- **Retail Management:** Retail management aims at bringing customers to the stores to fulfil their buying needs.

Current Trends in Management by Management Gurus

- **Globalization**: Rising expectations from business and society with global competencies, combined with increasing complexity, command the attention of business organizations around the world.

- **Technology:** In most innovative companies, business is technology-driven, customers are courted, and supply chains are managed via websites, social media, and email; marketing, manufacturing, and distribution processes are managed by information systems.

- **Sustainability and Corporate Social Responsibility**: Along with good and profitable business, our planet has to be sustainable. Businesses have realized this need and have taken this responsibility in recent times, and now there is an increasing focus on solutions of multifaceted social issues, such as ecological sustainability, power security, and access to health care.

- **The Study of Psychology**: The impact of technology and globalization on business, and the study of human psychology—coming into cognition, motivation, behaviour, and performance—have become an important part of organizational management.

- **Business Ecosystems**: The most prominent trends in management have been the rise of business ecosystems. The key focus areas of the modern management include working knowledge and experience, creativity in ecosystems, cross-organization knowledge flows, modular architectures, and good support for legacy systems.

Planning

Planning is an approach which helps us decide on the path to achieve the set of objectives an individual or an organization or a group of people have. From organizational perspective, it should be a process followed by every manager to achieve better performance. For example, Himalayan Cycles is currently selling its bicycles through distributors and retailers, and now plans to do it through electronic media as well. Therefore, it is planning to do effective Internet marketing and is aggressively designing a website to display its products, which is estimated to cost R 75,000. However, at the same time, Himalayan Cycles is targeting typical Internet users and is anticipating that it will get an additional 5% growth in sales and revenues. In addition, it will promote the brand by sponsoring three racing events in the Himalayan regions.

Definition

Planning is the selecting and relating of facts, and the making and using of assumptions regarding the future, in the visualization and formulation of proposed activities, believed necessary to achieve desired result.

—George Terry

Planning is deciding in advance what is to be done. It involves selection of objectives, policies, procedures and programs from amongst the alternatives.

—M. S. Hurley

Features of Planning

Centralized Authority

Planning means determining the future course of action; this is what makes the entire planning process complex and difficult. This requires not only centralized efforts but also a centralized authority. For example, in a manufacturing firm, it is not the marketing department that sets the target but the centralized planning department that does this task and also suggests the measures to achieve the set target.

Goals and Objectives

The objectives can be bifurcated into short-term and long-term depending on the time frame in which they need to be achieved. Objectives could be economic, social, or political. For example, if a company strives to increase the market share, it is the economic objective, whereas if it is carrying out various awareness programmes for common mass, it is a social objective.

Deterministic Time Schedules

Planning is accompanied by fixed time schedules. If there is a plan, then it is accompanied by a timeline by which the plan has to be implemented.

Comprehensive and Social

Planning, when done by the government, should be comprehensive in the sense that it should address all the sectors like finance, production, economic resources, and so on for the entire nation to accrue the benefits.

Regulations and Controls

Regulations and controls comprise a vital element of planning. If a country has a planned economy, it is continuously regulated by having proper controls.

Nature of Planning

Planning is a Creative Process

It is a process which enables an individual to think about the future and plan the required course of action to be taken.

Planning helps in Fulfilment of Objectives

To help achieve the goals and objectives, the top management and the middle-level managers have to formulate plans to achieve the said objectives. For example, when Tata Consultancy Services (TCS) developed ORCA Financial Software, a standalone product, its chief objective was to establish the company as the best global organization for the large-scale deployment of financial management software solutions on the Caché platform.

Planning is the Core Function of Any Organization

A manager should necessarily monitor the output with respect to the goals set. For example, having set the objectives for OCRA financials, the TCS business head should monitor whether alignment to the specified objectives is happening or not.

Planning Helps to Improve Organization's Efficiency

Planning leads to maximum output with minimum expenditure, helps in allocation of appropriate task and authority, and also keeps the individual or the group motivated.

Planning is an Ongoing Process and Helps to Identify Constraints

Planning is a continuous activity, and plan made by managers have to be revisited time and again for modifications to the same.

Planning is Always Accompanied by Implementation

A plan which has been designed has no significance until it has been put into action. For example, until a budget is formulated and expenditures are planned and expenses are done according to the plan, there is no significance of the plan.

Planning Also Promotes Unity and Consistency

Planning involves unity of employees in the organization because it forces employees to assist in decision-making and give valued suggestions while the plan is made.

Importance of Planning

- Planning greatly helps in the reduction of uncertainty in future.
- With proper planning, material and human resources are optimally procured and utilized.
- With proper planning, organizations' goals and objectives are also achieved, thus increasing organizational effectiveness.
- Planning helps in selecting the best solution alternative for a particular problem attainable at minimum cost.
- Planning and implementation of any plan enables a manager to monitor whether a project is going according to the plan or not.
- Planning enables the managers to come up with innovative ideas and also have an appropriate mechanism for facing emergency situations.
- Effective planning can give a competitive edge to any industry/organization.

Limitations of Planning

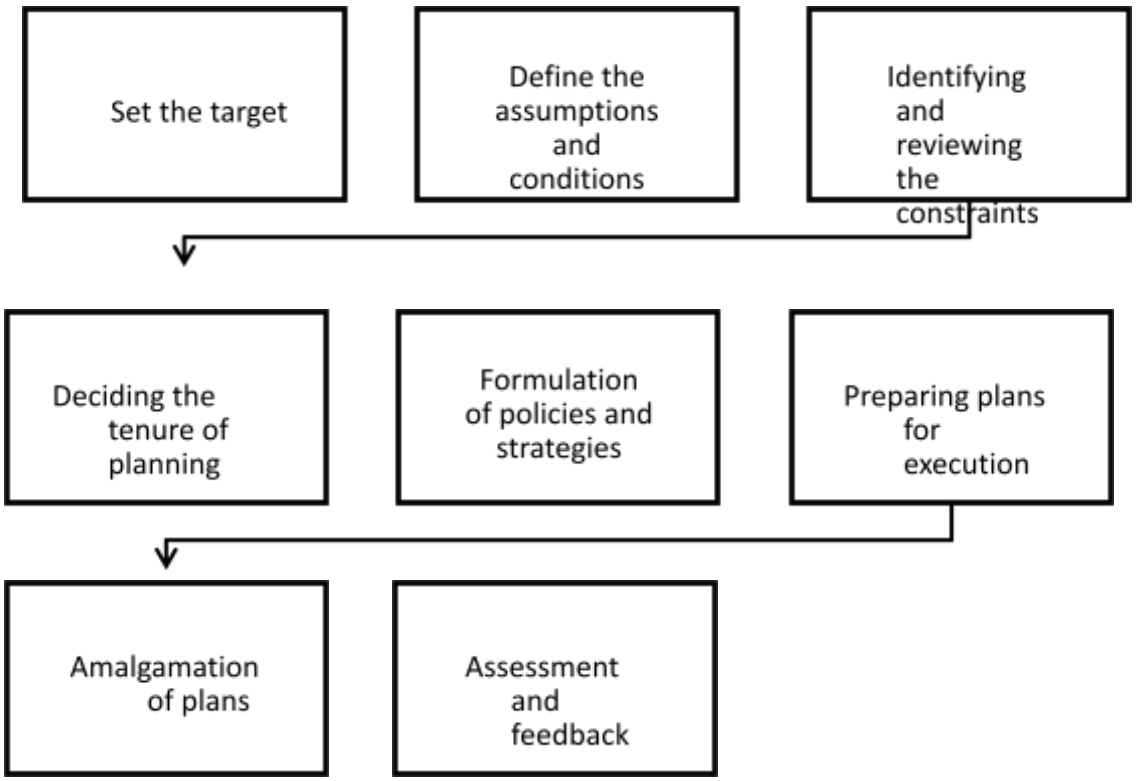
- Planning does not render flexibility.

- Planning is a time taking process.
- Planning is not deterministic.
- Planning can secure future in a deceptive form.
- Planning is costly.

Types of Planning

- **Long-term Plans:** These are formulated by the senior management. To formulate long-term plans, a manager has to see through the future and best forecast the futuristic estimates keeping in mind the current scenarios—financial, social, economic, political, and technological—of his organization and the country. For example, a fashion designer has to formulate long-term plans up to tenure of two to three years because trends in fashion change inevitably by that time, whereas for a technology industry, it might span duration of five to seven years to develop, promote, and market new stuff.
- **Short-term Plans:** These are made to achieve objectives within a short tenure. Short-term plans are devised by the managers who work at the operational or tactical level of the organization. Examples of a short-term plan is to design a website for any organization within a span of two weeks or publishing a bi-yearly research journal planned by the research cell of any University or College.
- **Medium-term Plans:** These are the plans made keeping in mind the tenure of one to a maximum of three years. These plans are devised by the senior management with a strong focus on organizational growth. For example, Fuji earlier used to develop film rolls but later it started developing the photography paper instead of procuring it from the third parties.
- **Operational Planning:** Operational Planning is planning the day to day activities or schedules. For example, the departmental head took a meeting to state that until the budget for the next financial year is released, an employee has to plan for his upgradation by participating in the forthcoming training programme.

Steps in Planning



Set the Target

An organization works towards achieving certain targets. The targets are set based on the opportunities visualized by managers and are influenced by organization's mission, values, and beliefs. For example, Accenture had been helping Unilever to meet its growth targets by establishing global systems, applications, products (SAP) platform for doubling the revenue and size of the company.

Define the Assumptions and Conditions

There should be clearly defined assumptions and conditions before a plan is finalized. For example, a production company is laying down plans to produce specialized product, then the assumption made is that it will require extensive training sessions for its staff to produce that product.

Identifying and Reviewing Constraints

Constraints act as a barrier and restrict the smooth execution of a plan. For example, a production company can have as constraints building and machinery capacity, labour quality, adequate supply of parts and raw materials, optimum production schedule, and healthy cash flows with change in demands. Hence, Strengths, Weaknesses, Opportunities, and Threats (SWOT) analysis has to be performed before actually designing a plan.

Deciding the Tenure for Planning

Once the targets, assumptions, and constraints are laid down, the next step is to decide the tenure of planning. The tenure depends on time to obtain the capital for the business venture, the future availability of raw or semi-finished products, and time taken to develop, market, and sell the product.

Formulation of Policies and Strategies

After the target is defined and assumptions are identified, management can formulate policies and strategies to achieve the target along with the involvement, views, and ideas of middle management.

Preparing Plans for Execution

The plans which are designed to achieve the targets consist of method, time, and capital planning, which helps in long-term planning for budget, procurement, resources, schedule, and quality to achieve the desired target, and so on.

Amalgamation of Plans

Different plans must be combined, reviewed, and revised before putting them in operation and should be communicated to those who will be shouldering the responsibility for putting them into practice.

Planning Tools and Techniques

- Forecasting: This includes assessing the future and making provisions for it. For example, sales forecast represented using Naive Forecast for the month of May will be 45 metric ton since it is anticipated that the pattern will repeat. Using the averaging concept it will be (25+35+56+45)/4 = 40.25

Month	Actual (metric ton)	Forecast (metric ton)
January	25	
February	35	25
March	56	35

April	45	56
May		45

- Benchmarking: This improves performance by identifying and applying best demonstrated practices to operations and sales. The objective of benchmarking is to identify best performances or practices and incorporating the best practices into their own by innovating rather than imitating.

- Scenario and Contingency Planning: Scenario planning allows executives to explore and prepare for several alternative futures. For example, ABC's initiative to meet customer demands is through a consistent product supply. This supply ensures through invocation of proper contingency plans, which include backup manufacturing plans based on the level of inventory and the production schedules.

- Use of Staff Planners: Staff planners plan for the organization as it starts growing in size by units, employees, resources, and assets, and these experts are skilled in incorporating planning processes and using effective planning tools and techniques for streamlined planning.

Essentials of a Good Plan

- A plan if designed should assist in better utilization of the resources whether material or human resources.

- A good plan should help achieve organizations' goals and objectives.
- A good plan should optimally utilize resources, inventory, and produce the right quantity of products at right time and remove any redundant or ineffective activities carried out in the organization.

- A good plan helps in locating and identifying future uncertainties, which can be avoided by a minimal percentage with the help of a good plan.

- A robust plan helps in growth of an organization.

- A good plan encourages appropriate control measures to be taken to see whether the activities are going according to the plan or not.

- A good plan motivates the employees.

- A good plan initiates innovation and creative thinking amongst senior management.

- A good plan reduces a lot of effort and time of operational people.

- Planning helps managers to cope with the changing scenarios.

- A good plan can brave bad weather, that is, anticipate risks and can help in using effective business continuity planning approaches.

Planning Made Exemplary

Planning: Planning an essential function of management involves mapping tasks to goals. The term Planning can be better explained with the help of an example.

Tasks to be accomplished to achieve the goals:

1. **Forecasting**

   Forecasting is an essential concept in business as it is based on the business activity happening in the present and that which has happened in the past, and for which expectations for the future is set. Once the expectations for the future are set, plans are devised to satisfy the business needs.

2. **Benchmarking**

   Benchmarking is the process of identifying the industry's best practices across various businesses, which may be operational, procedural, or product specific, and is a measure to improve performance of any business or industry by cross-referencing the indicators. The objective of benchmarking is to identify best performances or practices and incorporating the best practices into their own by innovating rather than imitating.

3. **Scenario and Contingency Planning**

   Scenario Planning compels the executives to examine various courses of action based on a variety of operating policies and financial conditions as envisaged by the company. Contingency or situation planning is based on monitoring the impact of sudden changes in market scenarios or disruption in trade.

4. **Use of Staff Planners**

   Staff planners plan for the organization as it starts growing in size by units, employees, resources, and assets, and these experts are skilled in incorporating planning processes and using effective planning tools and techniques for streamlined planning. However, it has been perceived that there is communication gap between staff planners and line managers. They should collaborate very often to implement the plan which if not done properly executed loses its effectiveness.

Organization

Organization is a social unit of people, systematically structured, and managed to accomplish a task or to achieve collective goals on a continuous basis. For example, Mc Donald's as an organization is a global player in fast food category with the mantra of enhancing 'quality', 'service', 'cleanliness', and 'value'. The organization from its inception has been engaging in massive product promotion and aligning the customer's preferences and experience to their organizational goal for quick growth, turnover, and scalability. As an organization, it is focused on keeping its key assets, the employees, satisfied by providing opportunities, nurturing talent, delegating authority, enhancing leadership abilities, and forming diverse groups for experiential learning.

Organization Viewed in Four Different Senses

- As a Framework of Relationships: Organization refers to the structure and interactions among various job positions which are created to realize certain objectives.
- As a Process: Organization is viewed as an active process and a management activity which is essential for forecasting the utilization of company's resources.
- As a System: Organization is also viewed as a system. System concepts diagnose that organizations are made up of constituents, each of which has exclusive properties, abilities, and reciprocated associations.
- As a Group of Persons: Organization is very often viewed as a group of persons contributing their efforts towards certain goals.

Definitions

Organizations may be defined as a group of individuals large or small that are cooperating under the direction of executive leadership in accomplishment of certain common object.

—Keith Davis

Organization is a system of cooperative activities of two or more persons.

—Chester Barnard

Importance of Organization

- A Tool for Achieving Objectives: Organization is an important tool in the hands of management for accomplishing the objectives of an enterprise.
- Facilitates Administration: A sound organization increases efficiency, avoids duplication of work, avoids delay in work, improves managerial skills, and motivates employees to perform their duties.

- Optimum Use of Human Resource: A good organization establishes individuals with interests, knowledge, skills, abilities, and viewpoints.

- Enhances Creativity: A well-conceived and comprehensive organization is the source of creative thinking and origination of new thoughts.

- Prevents Corruption: Enterprises which lack sound organization most of the times have problem of corruption. Sound organization helps to prevent corruption by raising morale of the employees. As a result, employees are encouraged to work with higher efficiency, commitment, and honesty.
- Fosters Growth of Enterprise: Good organization plays a key role not only in growth but also in the expansion and diversification of an enterprise.

- Eliminates Overlapping of Work: In a situation, where the distribution of work is not visibly identified and the work is done in a disorganized manner, there will be duplication and overlapping of efforts. As a good organization requires that the work be clearly assigned amongst employees, such overlapping and duplication is to be eliminated.

- Coordination: Various jobs and positions are linked together by a structural relationship of the organization. The organizational process exercises its due and balanced emphasis on the coordination of different activities.

Principle of Organizing

- Principle of Objective: All the enterprises, whether large or small, set certain central objectives. Every element of the organization and organization as a whole should be geared to the central objectives identified by the enterprise.

- Principle of Specialization: A clear-cut division of labour enables specialization. Division of work among the employees should be based on their knowledge, skills, abilities, capabilities, and interests. This would lead to specialization, which would in turn lead to efficiency, quality, and elimination of wastage of resources.

- The Scalar Principle: This principle is sometimes referred to as the chain command. There must be clear lines of authority running from the top tobottom of the organization and linking all the individuals in the organization.

- The Principle of Authority: Authority is an important ingredient of the organizational structure. It is a tool by which a manager can create an environment where an individual can perform with greater efficiency.

- The Principle of Span of Control: This principle states that there is a limit to the number of subordinates who report to one superior. Supervision of too many people can lead to trouble and confusion, and will also lead to increased complexity of the organizational structure.

- The Principle of Unity of Command: This principle is basically about avoiding dual reporting. It states that every employee working in the organization should be kept in the supervision of only one boss. This principle eliminates the possibility of conflicts in instructions and fosters a feeling of personal responsibility for work.

- The Principle of Definition: Each individual in the organization should be made aware about his/her responsibilities, duties, authorities, and relations with the other job positions in the organizational structure.

- Principle of Unity of Direction: Major objectives should be split into functional activities and there should be one objective and one plan for each group of people.
- The Principle of Parity of Authority and Responsibility: The responsibility for execution of work must be accompanied by the authority to control and direct the means of doing the work.

- The Principle of Supremacy of Organizational Objectives: The organizational goals and objectives should be given wide publicity within the organization. The people contributing to it should be made to understand that an enterprise's objectives are more valuable and significant and one should give higher priority to the organization's objectives in comparison to personal motives.

Process of Organizing

- Fixing the Objectives of the Organization: The top-level management holds the responsibility of fixing the overall objectives of the organization, whereas the middle-level management fixes the departmental objectives and lower-level management fixes the day-to-day objectives. The objectives decided by each of the level of management should be both specific and realistic.

- Finding Activities Must for Achieving Objectives: Once the objectives are fixed, the strategic level of management determines different activities that are required to be performed in order to accomplish the set objectives. This is a crucial stage as it helps to eliminate duplication, overlapping, and wastage of efforts.

- Grouping the Similar Activities: All the activities which are similar in nature are grouped together to form departments. This is also termed as departmentalization. This leads to specialization. For example, all the activities that are directly or indirectly related to management or development of the human resource like training, performance appraisal, and recruitment are grouped together to form the HR Department.

- Defining Responsibilities of Each Employee: In this step, the responsibilities of all the individuals working in the organization are clearly defined. This would ultimately lead to selection of the right candidate for the right job. This brings about efficiency since each

individual is aware about what he/she has to do.

- Delegating Authority to Employees: In a situation where two or more individuals are working together for a common purpose, it becomes necessary to clearly define the authority relationship among them. Each subordinate should know whom he has to report.

- Providing Employees with Required Resources: After defining authority relationships, the employees must be provided with all the resources required for achieving the objectives of the organization.

- Coordinating Efforts of All to Achieve Goals: The efforts of all individual employees, groups, and departments are fetched together and coordinated towards the mutual objective of the organization. For example, let us consider a simple example where a company has decided to have a one day picnic for its employees. Here, it is clear that the objective is arranging the picnic. The HR department would then list all the activities to be carried out for the successful execution of the picnic. These activities would then be grouped based on the similarity, for instance arranging for breakfast, lunch, and dinner on the day of the picnic. Each member of this committee would in turn be assigned a particular responsibility, like selecting the menu and so on. Each member will also be given authority with the assigned responsibility for efficient execution. Once formed, each committee (like the refreshment committee) will then be allocated a budget to enable it to carry out the assigned duties. Also, most importantly, efforts of all the committees or individuals must be coordinated to meet the central objective, that is, successful arrangement of the picnic.

Organization Structure

Formal Structure

The formal organization refers to the structure that is designed and prescribed by the management of the enterprise. 'It is a hierarchical concept of subordination of entities that collaborate and contribute to serve a common goal.' A formal organization has its own set of rules and regulations that are to be followed by each individual in the organization. For example, college, hospital, company, and so on.

Informal Structure

Informal organization is any human group interactions that occur spontaneously and naturally over a long period of time. This is a shadow organization made up of the informal, but often critical, relationships between members of the organization. The informal structure has its presence in all the formal structures. For example, most Information Technology (IT) companies have an informal organization to promote innovation amongst the employees.

Difference between Formal and Informal Organization

Informal Organization	Formal Organization	Basis	Sr. No.
Undefined	Predefined	Structure	1
Personal relations	Formal relations	Relations	2
For social satisfaction	To achieve organizational objective	Purpose	3
Flexible	Rigid	Dynamism	4
Voluntarily chosen	Manager	Leader	5
Fast	Slow	Communication	6
Sentimental	Official	Nature	7
Group of trekkers	Departments in the organization	Example	8

Mechanistic Structure

A **mechanistic structure**, also known as a **bureaucratic structure,** is based on an official, centralized network. The structure is ideal for organizations that function in a steady and consistent atmosphere. A mechanistic structure is very rarely changed since this type of structure acquires stability.

Organic Structure

Organic structures are characterized by unstable and dynamic environments and are subjected to frequent changes. When the situation changes, the organization must be able to congregate, process, and distribute information at a very fast pace, else it might lose its competitive edge. Communication is quick and does not follow a top-down hierarchy.

Difference between Mechanistic and Organic Organization

Mechanistic	**Organic**
Individual specialization with employees working on only one task and specialize in that task only.	Dual specialization with employees working together on multiple tasks.
Integration amongst units low and hierarchy structurally defined.	High level of integration with authority allotted to task teams as well.
Decision-making is done by the top management and mechanistic organization follows a centralized approach with vertical lines of communication.	Decision-making is done by teams across the hierarchy with communication being lateral and decentralization of power and authority.
Use of standard operating procedures.	There are no standard operating procedures.
Communication is mostly penned down.	Evidence of verbal communication.
Status accorded as per the size of the organization.	Status based on perceived ability.
Organization is a collation of tasks and people who perform a specific task.	Organization is the collation of teams with people working in different capacities together over a period of time.

Types of Organization Structure

Functional Structure

In functional structures, individuals having identical skills and performing similar tasks are grouped together into formal work units, generally called departments. Members of functional departments share technical know-how, interests, and responsibilities. Employees within the functional division of an organization tend to perform in areas of their expertise. The functional structure may differ according to the major functions of a business.

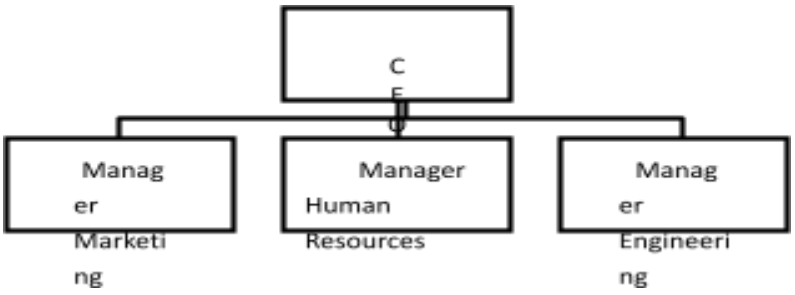


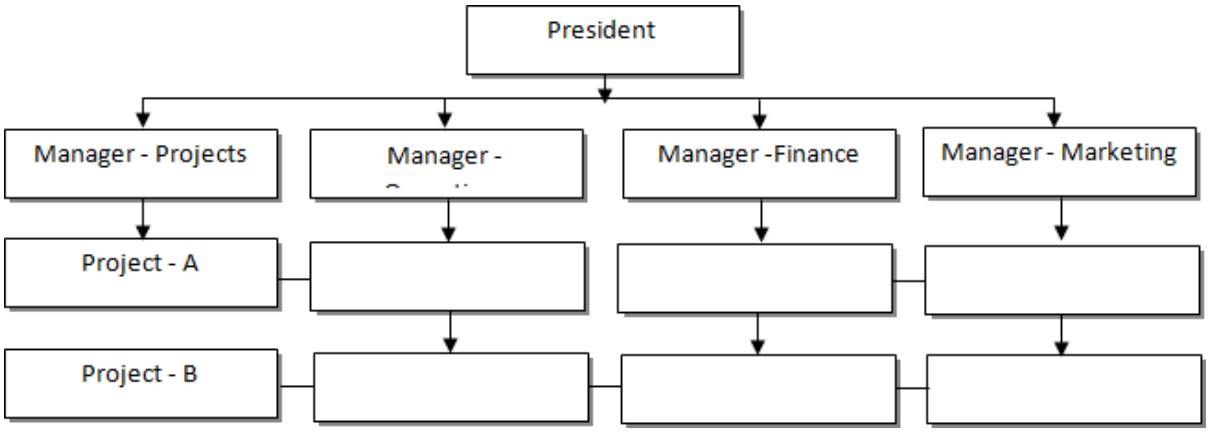
Figure: Functional Structure for Business Entity

Divisional Structure

In the divisional structure, the organization is organized into various divisions based on four criteria—product, market, process, and location. Thus, divisional structure is most suited for the organizations having a wide range of products, area of operation, work processes, or customers. Each of the division has its own set of functional units like marketing, manufacturing, finance, HR, and so on.

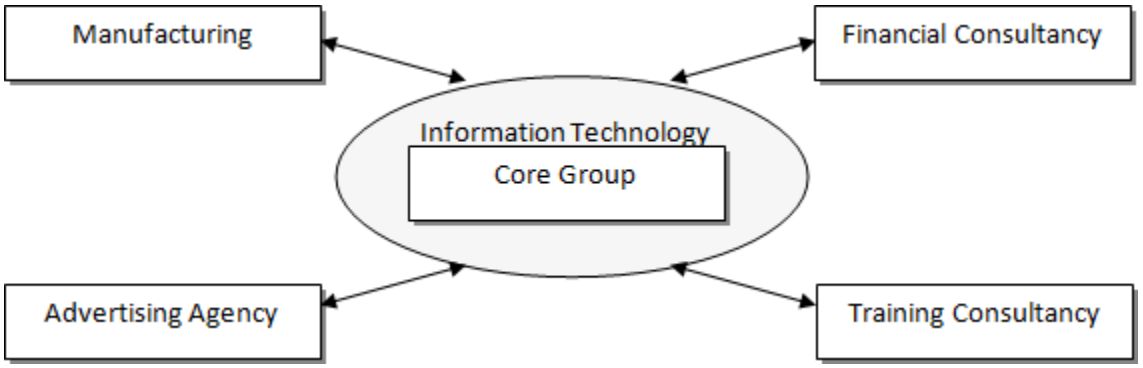
Matrix Structure

The matrix structure comes into existence when one organizational structure is superimposed on the other. In this structure, an employee is answerable to two immediate supervisors: a functional supervisor and a divisional supervisor. The functional supervisor is in charge of overseeing employees in a functional area, such as marketing or engineering. Divisional supervisors manage specific projects. For example, the diagram below depicts the absorption of employees from operations, finance, and marketing for projects A and B.



Network Structure

A network structure is a cluster of various organizations that coordinate its actions through agreements and contracts instead of hierarchy of authority. Rather than hiring individuals to perform all of its business activities, a company using the network structure depends on outside companies. The network structure reduces costs and brings in flexibility because it utilizes external help as and when required. For example:



Line-and-staff organization: Line functions have direct responsibility of achieving the objective of the venture. In this form of organization, a supervisor exercises direct control over a subordinate, authority flows from top to bottom of the organization. Here, the chief executive heads the organization. This type of organization is also called as scalar organization. For example:

o Line Authority

----- o Staff Authority

Figure: Line-and-staff Organization

Virtual Organisation

Virtual organization is a network of independent enterprises, suppliers, and customers linked by Information Technology. For example, Livewire projects is a virtual IT platform that is used by IT companies and professionals to develop their business applications and products on cloud.

Tall and Flat Structures

– Organizations that require close monitoring of all its business activities opt for tall organizational structure. In such structure, the decision-making authority is the top-level management. For example,

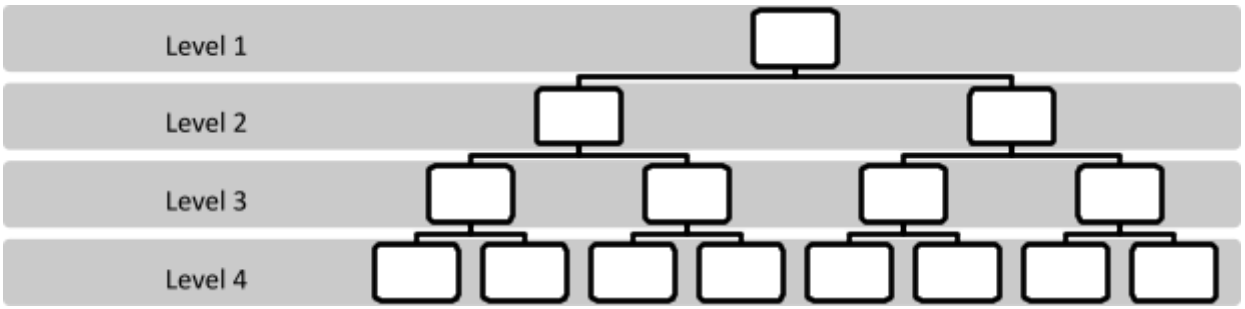


Figure: Tall Organizational Structure

Flat Organizational Structure

Organizations that require more autonomy and self-control have flat organizational structure. In this structure, there are fewer levels of management. The flat organizational structure is usually adopted by small business firms. Here, the management shows confidence in the decision-making capability of the employees. It focuses on empowering the employees rather than following the chain of command. In this organizational structure, the span of control is wide.

Span of Control

- Span of control refers to the number of people that a manager can supervise.

- Span of control refers to the number of subordinates a superior has. The more the number of people reporting to a manager, the broader is the span of control and vice versa.

o Narrow Span of Control

o Broad Span of Control

Centralization and Decentralization of Authority

Centralization: This is systematic and consistent reservation of authority at central points within an organization. For example, suppose 1, 2, 3, 4, and 5 are subordinates of A and X, Y and Z are subordinates of 4. Here, X, Y, and Z depend on 4 for the decisions to be made and 4 in turn depend on A. Neither X, Y, and Z nor 1, 2, 3, 4, and 5 can make decisions without consulting A. This is called centralization of authority.

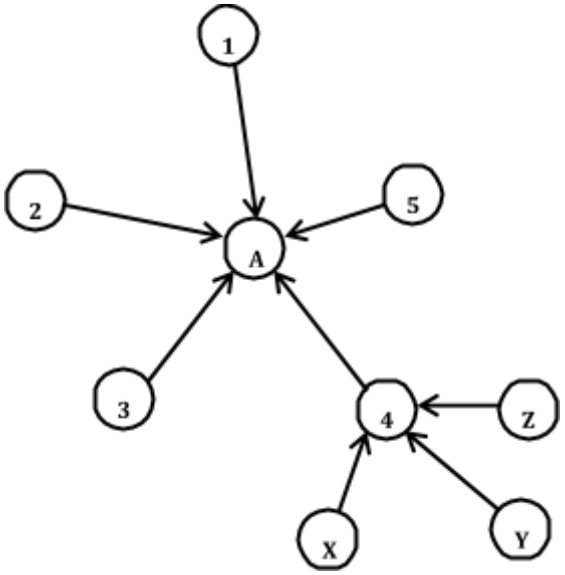


Figure: Centralization of Authority

Decentralization: This applies to systematic delegation of authority in an organizational context. For example, suppose 1, 2, 3, 4, and 5 are subordinates of A and X, Y and Z are subordinates of 4. Though X, Y, and Z are supervised by 4, they can take decisions on routine matters and depend on decisions to be taken by 4 only in case of important issues. A similar relationship exists between 1, 2, 3, 4, and 5 and A. Here, 1, 2, 3, 4, 5 and X, Y, Z also enjoy some part of authority apart from A. This denotes distributed authority. This is called as decentralization of authority.

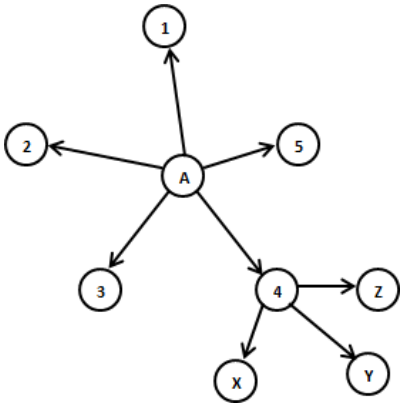


Figure: Decentralization of Authority

Directing and Controlling

Directing deals with the steps a manager takes to get subordinates and others to carry out plans. Directing is an incessant process following a top-down approach through organizational hierarchy.

Definitions

Directing concerns the manner in which a manager influences the actions of his subordinates. It is the final action of a manager in getting others to act after all preparations have been completed.

—J. L. Massie

Directing is telling people what to do and seeing that they do it to the best of their ability. It includes making assignments, corresponding procedures, seeing that mistakes are corrected, providing on-the-job instruction and of course issuing orders.

—Earnest Dale

Nature of Direction

1. Function of Management: Direction helps in attaining synchronization amongst multiple processes of the company. Operating with proper procedures and coordinating effectively is a by-product of good managerial directing.

2. Generality of Direction: Direction is a function that exists at every stage, location, and operation throughout a company and must be performed by every manager across the levels of the organization. For instance, Chief Executive Officer (CEO) of an organization delegates authority to the managers across the organization structure and provides direction to achieve the objectives and policies of the organization. The manager then instructs other managers and subordinates beneath him guiding them at every step to attain the goals.

3. Ongoing Process: Directing is a continuous activity where the manager must incessantly administer the instructions given to the subordinates by him and also motivate his subordinates. For example, the CEO of a manufacturing company has to direct the top management to continuously adapt to modern manufacturing industry best practices, such as agile and lean manufacturing, ISO 9000 and ISO 14000, process analysis and simulation, supply chain management, statistical process control, and statistical quality control in order to be at par with market competitors.

Need/Importance

1. Initiates Action: Through directing, employees understand what they are actually supposed to do in the organization.

2. Effective Utilization of Resources: Directing helps to make it clear to all the employees their duties and responsibilities. Thus, the scope for duplication and overlapping of work is reduced to a greater extent, leading to effective utilization of all the resources.

3. Motivation: One of the important elements of directing is motivation. The employee is not only made aware about the tasks to be performed but also motivated for better performance.

4. Helps to Achieve Organizational Objectives: As under the directing function, the manager guides, motivates, and supervises the subordinates, which ultimately helps to achieve the organizational goals.

5. Responding to Change: Every organization is affected by the changes in the environment in which it operates, it could be both internal and external environment. It is the human nature to resist a change. For example, in some circumstance, the company might be required to change over from the current technology and adopt a new one to sustain in the market. Here, the employees need to be convinced about the changeover.

6. Organizational Stability: The four elements of the directing function—leadership, communication, supervision, and motivation provide stability in the organization and maintain organizational balance. Thus, the organization exists for a long period and its divisions/departments work in an efficient manner.

Elements of Directing

1. Supervision: Supervision is the process of overseeing the work of subordinates. It is the responsibility of every superior to supervise his subordinates to ensure that they perform their tasks as desired.

2. Communication: Communication is the transfer of information from one person to another person. It is a way of reaching others by transmitting ideas, facts, thoughts, feelings, and values.

3. Leadership: Leadership is the ability to awaken in others the desire to follow a common objective.

4. Motivation: Motivation is the willingness to expand energy to achieve a goal or a reward. It means to inspire subordinates to work willingly and more efficiently towards the organizational goals. For example, financial (performance bonus) and non-financial (appreciation mails/letters).

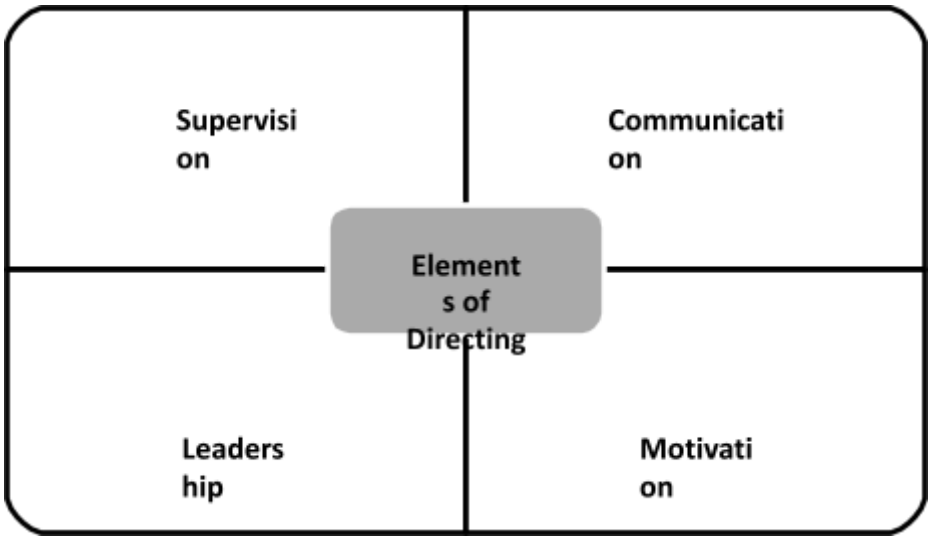


Figure: Elements of Directing

Principles of Directing

The Principles of Directing are basically dealt from the aspect of purpose and process. Under the purpose concept, the focus is chiefly on individual contribution, harmony of organizational objectives, and efficiency in direction.

Following are the principles that could prove to be useful for the manager while directing:

1. **Principles Relating to the Purpose of Directing**

   - Principle of Maximum Individual Contribution: The growth and development of an organization depend largely on the efforts of the individual employees working for the organization.

   - Principle of Harmony of Objectives: Every organization exists to achieve its predefined objectives. Also, all the employees working in the organization have their own objectives. It becomes very important for the management to direct the employees in such a manner, so that it would lead to the accomplishment of both, the organizational and individual objectives.

   - Principle of Efficiency of Direction: The sense of belongingness and commitment of the employees increases when they are given an opportunity to participate in the decision-making process. This would also lead to easy implementation of the decisions and increase in efficiency of the subordinates.

2. **Principles Relating to the Process of Directing**

- Principle of Comprehension: It is essential that the employees be communicated about what is to be done and the way in which it should be done.

- Principle of Unity of Command: This principle states that a person in the organization should get directions from one superior only. If directions are received from more than one, it creates misunderstanding, clash, and disorder in the organization.

- Principle of Communication: Managers should communicate the policies, procedures, plans, and responsibilities to the subordinates.
- Principle of Appropriateness of Direction Technique: Selecting the directing technique depends on various factors like degree of complexity of the situation, knowledge of the subordinates, and so on. The managers can select from the three available techniques: authorization, participative, or free-rein.

- Principle of Follow-through: Directing is not a one-time activity but an ongoing process. This principle states that only issuing the orders is not sufficient, and the managers should also supervise their subordinates to ensure that the instructions or orders are begin followed and guide them as and when required.

- Principle of Effective Leadership: While guiding the subordinates, superiors should exercise good leadership as it can encourage the subordinates positively without initiating disappointment among them.

For example, ABC's CEO has his own style of directing where he directs people of marketing and sales department to contribute maximum to the marketing of the surveillance camera which is an exclusive product of the company and has to be promoted hugely by the team. He also sees to it that his entire team is aligned to the objective of achieving sales growth by 10% in the current financial year, and for this, he has taken up the responsibility of being the one in command for the next two years. He believes that communication is the major key to success and that his team should be updated from time to time with the contract being taken, deals being made, and possible expansion plans of the company; to ensure connectivity and transparency with his employees, he meets with his team once a weak or once a fortnight and uses a participative style of directing technique where he lets employees come up with new product ideas and new strategies to capture the market in the security domain. He also tries to abide by the principle of follow-through for points discussed in the meetings and sees to it that they have been implemented. Recently, the Area Sales Manager of the company proposed that they should not only look at other businesses who would like to install security cameras on high priority but also propose the requirement of cameras to housing societies as well for enhancing the security aspect where control will lie on the security personnel and partly on the machinery which will not allow any unauthorized person to enter through the gates unless he shows the smart card at the entrance. The CEO having liked the concept adopted the practice of follow-through to understand whether the housing societies are being given free demonstration of the product or not.

Techniques of Directing

- Autocratic Technique: Superior issues orders to his subordinates without prior discussion with his subordinates. In this technique, the subordinates have no scope to take any initiative or put in their creativity. It can be referred to as 'do what I say' style.

- Consultative Technique: This technique implies that the instructions are issued after consulting the subordinates. It does not conclude that the superior is inefficient or incapable. The advantage of it is that increased employee morale is the outcome of this technique.

- Free-rein Technique: This is used when the subordinates are well qualified and efficient. Its advantage is that it emphasizes on encouraging the employees to work independently once the task is assigned.

Characteristics of Directing

- Directing is required at all levels of management.

- It commands, motivates, communicates, and supervises the employees and controls the organization.

- Directing is not a one-time activity but a continuous process.

- Directing function unearths the complexity in human behaviour mainly the unpredictability, thus increasing its level of significance.

- It facilitates in securing cooperation of the subordinates for achieving goals of the organization.
- Direction function initiates action leading to converting of plans into performance.

- It also provides the necessary leadership in the business.

Controlling

Controlling is the process of ensuring that actual activities conform to the planned activities. It is the controlling process that deals with setting up the standards and taking corrective action whenever the performance is deviated from the stated standards.

Definitions

'Control is checking current performance against pre-determined standards contained in the plans, with a view to ensure adequate progress and satisfactory performance.'**—E. L. F. Breach**

'Controlling is the measurement and correction of performance in order to make sure that enterprise objectives and the plans devised to attain them are accomplished.'**—Koontz and O'Donnell**

Need of Controlling

- Optimum Utilization of Resources: Control helps the organization to make optimum utilization of all the available resources which results in increased profit.

- Minimizes Deviation: Control means to keep a track on the deviations from the set standards and taking corrective actions, resulting in minimal deviations. For example, the Project Manager of IT Company kept a strict control on the deviations in cost and schedule of the project, so that they could show a 30% net profit from the project after its successful delivery.
- Increased Efficiency: Proper utilization of resources and minimal deviations due to the corrective measures bring about efficiency in the organization's processes. Its advantage is that the individual performance increases.

- Coping with the Changes: For an organization to survive in the market, it is essential to cope up with these changes and there are continuous changes in the social, legal, political, and technological environment in which the business operates. The advantage is that it helps the managers to respond to these changes as and when required.

- Value Addition: An organization that attempts to survive through competition should be able to add value to products or services so that customers prefer them over those offered by the organization's rivals. For example, students and staff of a particular institution are encouraged to attend courses and workshops which can add value to their existing skill sets and area of expertise. Recently, android, Hadoop, and Python Django are the technologies with brighter prospects in the coming years.

- Facilitates Delegation and Teamwork: Control process assists the manager to monitor his subordinates without impeding their creativity.

Characteristics of Control

- A Function of Management: Management function comprises of planning, organizing, staffing, directing, and controlling. Hence, control is an effective function of management.

- Exercise of Control is Futuristic: A Manager can take remedial action only of the forthcoming operations. For example, based on the current financial status of an organization, it is possible to formulate a budget for the forthcoming financial year.

- Control at Every Level of Management: People at lower, middle, and uppermost level of Management have to exercise control as per their role, responsibility, and authority, and the forms of control exercised would be in strategic, tactical, and operational control. For example, at the departmental level, the Unit Heads exercise controls on purchases, sales, and budget.

- Control is a Constant Process: Control has to be continuously exercised, and whatever plans have been devised and standards have to be adhered to need continuous monitoring. For example, RBI is trying constantly to reduce inflation rate and also make housing affordable for everybody in India.

- Alignment of Control to Planning: Planning and controlling are interrelated and organization has its own mission, vision, goals, objectives, policies, and procedures, and control is exerted to understand whether each activity

undertaken or task executed is conforming to the said norms of the practices adopted or objectives set. For example, once a plan for the project schedule is made, then control is exercised to let it not deviate majorly.

- Exercise of Control to Achieve Goal: Control is exercised on cost, schedule, quality, resources, processes, and quality to achieve organizational productivity as per the long- and short-term goals of the organization.

Steps in the Controlling Process

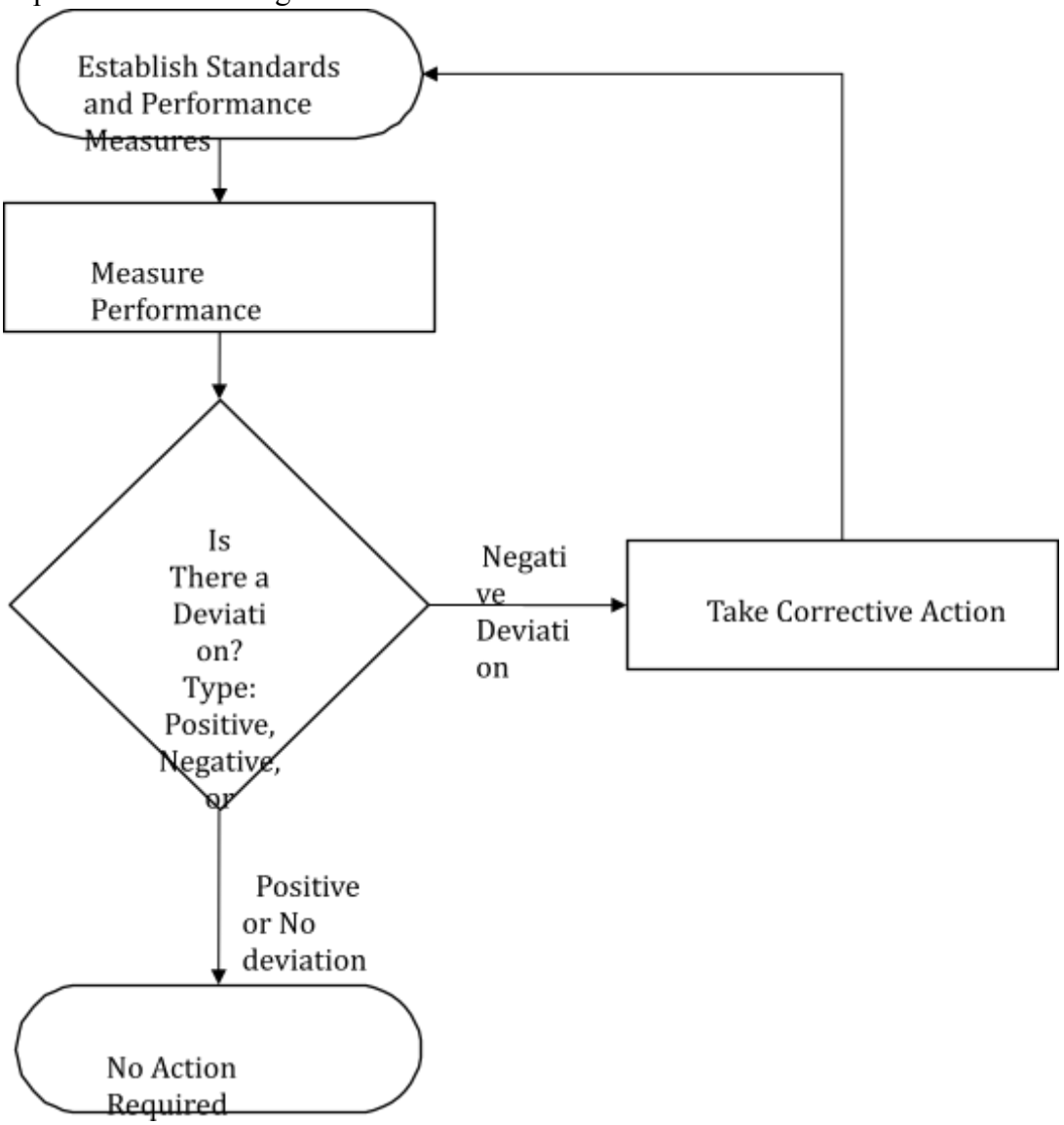


Figure: Steps in Control Process

The steps involved in the control process are explained in detail with examples as follows.

- Establish Standards and Performance Measures: A standard is a benchmark against which the actual performance is measured. The standards that can be defined and measured easily are called quantitative standards, for example, number of units manufactured, number of units sold, and so on. And the standards that cannot be defined and measured easily are called qualitative standards, such as the effect of training on the individual's performance, and so

on.

For example, the marketing department has established standard that 1,000 units of product 'A' should be sold in the east region, 2,000 units in the north region, and 1,500 units in the south region per month.

- Measure Performance: We then need to measure the actual performance of the subordinates.

  For example, after one month, it was observed that 700 units were sold in the east region, 2,200 units were sold in the north region, and 1,500 units were sold in the south region. These are actual performance output of the respective regions.

- Compare Actual Performance against Established Standards: Here, the actual performance is compared with the standard to identify the deviation, if any, so that necessary action could be taken.

Type of Deviation	Deviation?	Sold (Actual)	Target (No. of Units)	Region
Negative	Yes	700	1,000	East
Positive	Yes	2,200	2,000	North
None	No	1,500	1,500	South

Table: Performance comparison between actual and standard.

- Corrective Action: Comparing the actual performance with the established standards makes it clear whether corrective action has to be taken.

Examples of Corrective Action	Corrective Action Required?	Type of Deviation	Region
More advertising, training the sales executive, or establishing new standards	Yes	Negative	East
No action required	No	Positive	North
No action required	No	None	South

Table: Corrective action to be taken comparing actual performance with standard.

Resistance to Control

Many people are resistant to the concept of control for the following reasons:

- There are organizations whose structures are organic and these allocate authority to the teams to self-manage their tasks, thus empowering them with authority and decision-making, and allowing them to be more receptive and compliant to be in synch with the changing environment.

- Some are of the opinion that with change in the nature of the organization, nature of control exercised by the management should also change. In fact,

according to many, if organization exercises too much of control, then it affects the productivity of employees.

- Some management experts now prefer using the term coordinating instead of controlling since it has a pessimistic undertone, that is, it can sound dominating and heavy.

- Many a times, exercising control leads to reduction in freedom/autonomy, crunching innovativeness, and giving rise to the feeling of insecurity.

Design of Effective Control System

Designing an effective control system is the most essential and crucial task to be performed by the managers.

- Objective Oriented: Each organization has some predefined objectives which it strives to achieve. Thus, a control system should be designed based on these organizational objectives if it is to function as an effective control system.

- Suitability: The organization can frame the control system depending on its requirements. In order to design a control system, it is essential to know internal environment, nature of the business, employee requirements, and so on.

- Flexibility: The business environment is dynamic and undergoes changes continuously. While designing the control system, this should be kept in mind, and a system capable of accommodating all the changes or failures in plans should be prepared.

- Quick Action: The management gets the information from various line managers or supervisors about the deviation in standards, and these should be suggested to the planner to take a correct and quick action to avoid future wastage. Actually speaking, the success of control depends entirely on quick action and its implementation.

- Economical: The control system must be economical. In simple words, the cost of the control system should not go beyond its benefits.

- Capability to Foresee: The control system should be designed in such a manner that it helps the managers to keep a control on the operation in advance. If the errors and flaws can be determined in advance, it would reduce the occurrences of deviations, leading to smooth functioning of the organization.

- Enables Feedback: An effective control system is the one which provides reliable feedback so that the future activities can be planned accordingly.

- Provides Suggestions: A control system that only identifies the deviations is of no use. It should be capable of suggesting alternative actions.

- Timely Revisions: With the change in the organizational objective, the control system should also undergo revision to upkeep with the changing requirements.

- Employee Participation: The benefits of an effective control system can be

reaped only when it is implemented in the organization. For this reason, an active participation of employees is a must not only while implementing but also while designing the control system.

Types of Control

Controls can be of numerous kinds. These may be classified on the basis of (a) timing, (b) designing systems, (c) management levels, and (d) responsibility.

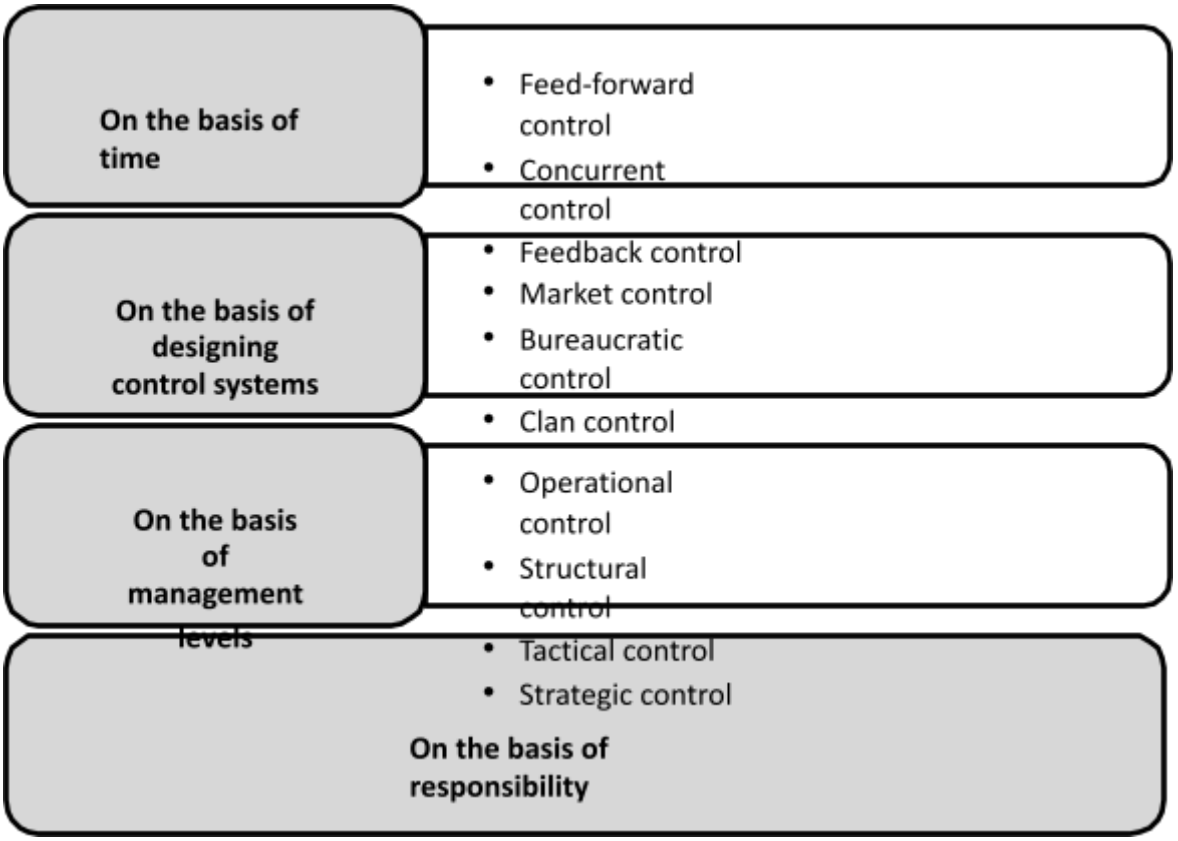


Figure: Types of Control

On the Basis of Time

Controls are classified into three different types depending on the time at which they are brought into action:

- Feed-forward Control: In an organization, before performing any task, planning is done. An attempt that is made to anticipate the deviations that can occur while realizing the plan is called feed-forward control. For example, some of the sugar industries have an additional manufacturing line apart from those operating on a daily basis. This extra line is set up so that the production can continue even if any of the line is under maintenance.

- Concurrent Control: It is an attempt to control the tasks while they are being performed. This type of control ensures that the work is being performed as per the plan, if not, corrective actions are taken. For example, a supervisor at the shop floor in a manufacturing unit monitors continuously that the tasks are

being performed as per the predefined methods and standards. If any deviations are noticed, corrective actions are taken by the supervisor.

- Feedback Control: Feedback control provides information stating whether the organizational goals are met. It is the basis on which further move of the organization can be decided. For example, if it is observed that the target was not met because some employees were not able to complete the tasks efficiently, then the organization could plan to carry out a training session for these employees.

On the Basis of Designing Control Systems

The three approaches under this category include:

- Market Control: This control is based on establishing a competitive approach in terms of price and market share. Using market control, managers take decisions in line with the market forces.

- Bureaucratic Control: Bureaucratic control focuses on power, policies, and procedures and it has been adopted by most of the Indian public sector undertakings. For example, a hospital cannot issue medicine unless prescribed.

- Clan Control: It focuses on the organizational culture through shared goals, objectives, norms, policies, and procedures, and exercises appropriate control. For example, for tele-workers, clan control can be used by their managers to exercise control on them for organization's benefit. It is suitable for organizations where technology changes very quickly.

On the Basis of Management Levels

Controls can be categorized as operational, structural, tactical, and strategic.

- Operational Control: The day–to-day control process at the lowermost level of the organization which also includes financial and quality control is part of the operational control activities.
- Structural Control: The structural control refers to the organizational structure and hierarchy where every individual is accorded a role and responsibility, and progress in tasks assigned is monitored for each individual thereby exercising control.

- Tactical Control: Tactical control implies meeting the departmental objectives, and the controls are exercised by middle management of the organization.

- Strategic Control: Strategic controls imply the effectiveness of a corporate, business, and functional strategies helpful for organizations to meet its goals.

On the Basis of Responsibility

Control can be internal or external. Internal means a person is self-motivated to exercise discipline on him/her. The external control means that the control is in the hands of manager,

and control is exercised using a formal approach.

Budget

Budget is a financial plan that is used to estimate the revenue and expenses over a specified future period of time.

Budgeting Process

The budgeting process involves the following procedure:

1. Define the Objectives of Organization: Management tries to set the organizational objectives. These would include identifying the profits, market share, and other targets to be achieved. The targets should be realistic that are made after studying the potential of the organization and the market situation.

2. Set Production, Marketing, and Financial Budget: These are three major functional budgets:
   - Production Budget: It is expressed in quantitative terms only and is geared to the sales budget. It involves costs of raw material, direct labour costs, costs of purchasing components, and so on. This is an expenditure-only budget.
   - Marketing Budget: It is a combination of both the income and expenses. It involves revenue from sales forecasted and expenses involved in actualizing the marketing strategy.
   - Financial Budget: The financial budget depicts projected cash flow. It helps to identify if the funds are in a proportion to cover the expenses or not. If not, the management can find alternatives to raise additional funds.

3. Fragmentation of Budget: Each of the above stated budgets is then broken down, so that there could be different budgets like training budget, sales budget, and so on.

4. Budget Monitoring Procedures Must Be Established: As per the business objectives and the internal environment of the business, appropriate budget monitoring procedures must be established.

5. Identify Variances: Any variances in the projected budgets must be identified and responded too.

6. Feedback: The experience and knowledge achieved while setting the budget for one period must be utilized while deciding on the budget for another period.

Advantages of Budgeting

- It helps to monitor and control operations.
- It provides a framework of delegation.
- It creates a sense of responsibility among the managers.

- It can improve communication system within the organization.
- It promotes forward thinking.
- It helps in coordination of different departments and align them towards shared objective.

Limitations of Budgeting

- It can demotivate employees if they do not get an opportunity to participate in the budgeting process.
- It is difficult to estimate all the revenues and expenditure in advance.
- It can result in building perceptions of unfairness.
- If budgets are inflexible, then it fails to reflect the necessary changes.
- It might result in competition among the departments for resources.

Variance Analysis

Variance analysis is the investigation of the difference between actual and planned behaviour. For example, if the budgeted sales are worth `1 crore and actual sales are worth `80 lakhs, then variance analysis yields a difference of `20, 00,000.

The variance can be either favourable (F) or adverse (A). The variance can be said favourable when:

- the expenditure is less than expected, or
- the revenue is greater than expected

or

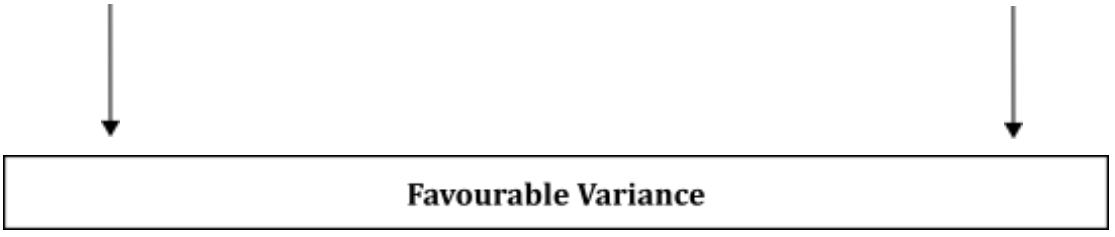


Figure: Favourable Variance

or

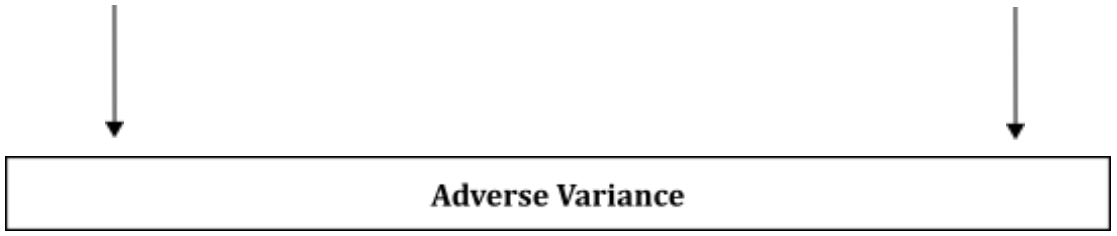


Figure: Adverse Variance

The variance can be said adverse when:

- the expenditure is greater than expected, or
- the revenue is less than expected

For example:

Variance(in R)	Actual (in `)	Budgeted (in `)	
150,000 (F)	850,000	1,000,000	**Cost of raw Materials**
5,000 (A)	550,000	500,000	**Labour cost**
800,000 (A)	4,200,000	5,000,000	**Sales revenue**
	655,000 (A)		**Total variance**

Table: Variance Actual Versus Budgeted

Control Techniques

These are categorized under financial control and non-financial control techniques:

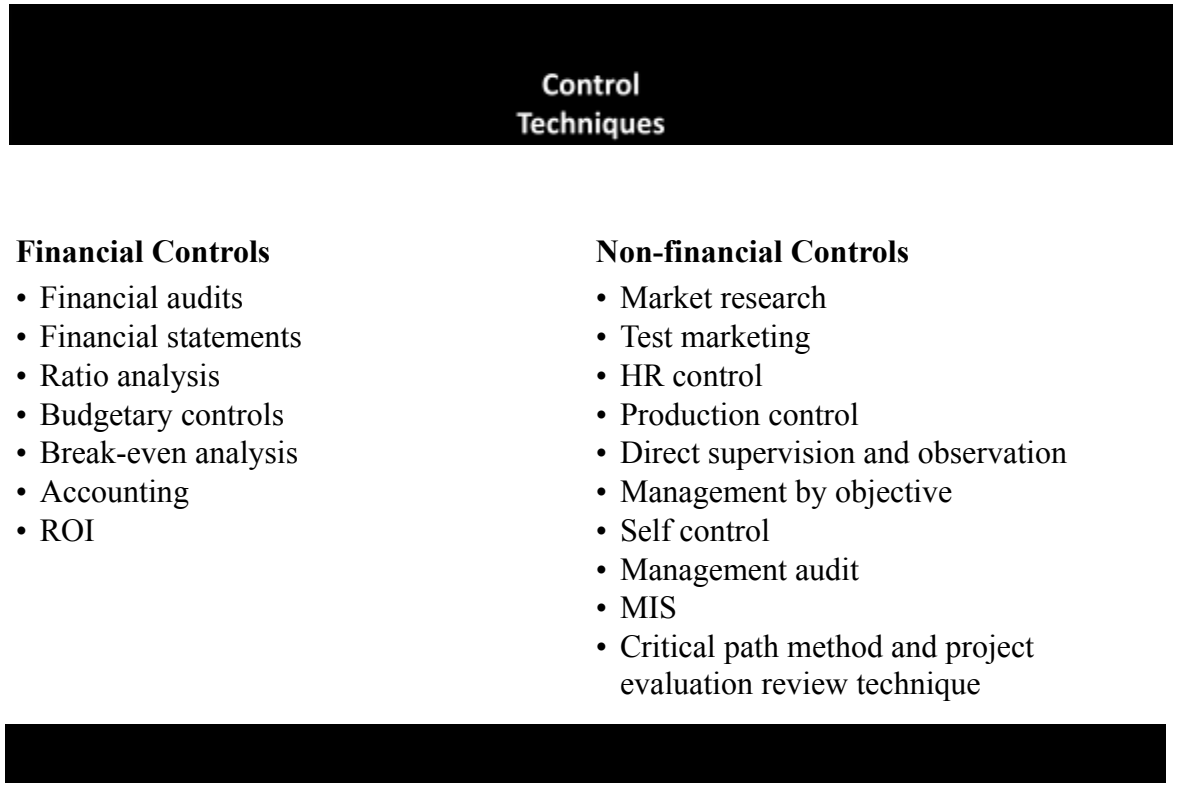


Figure: Control Techniques

Financial Controls

Managers of any organization exercise financial controls to monitor performance and calculate growth to achieve financial goals of the organization. Financial goals are achieved using:

1. Financial Audits: Financial audits are done in synch with financial policies, procedures, and laws.

2. Financial Statements: Financial statements are used by the stakeholders of the company to identify the financial stability of an organization. For example, balance sheet, profit and loss account, and so on.

3. Ratio Analysis: Financial Ratio analysis consists of five groups—structural, liquidity, profitability, turnover, and miscellaneous. Each of these have their own mathematical formulas, for example, Inventory turnover = Cost of goods sold/Average inventory.
4. Budgetary Controls: Budgetary control is the formulation of budget, comprising the expenditure forecast across item categories and then comparing actual expenditure with the planned expense.

5. Break-even Analysis: Break-even analysis determines the point at which revenue received equals the costs associated with receiving the revenue. Break-even analysis calculates safety margin, that is, the point above which the revenue is greater than

the cost. This is the amount that revenues can fall while still staying above the break-even point. Break-even analysis only analyses the costs of the sales. For example, if it costs `50 to make a box of crackers, and this box is sold at R200, the fixed cost associated is `2,000, then the break-even point would be as follows:

`2,000/(200–50) = (2,000(150)) = 13.5, and if it is sold at `300, then it will be

`2,000/(300–50) = (2000/(250)) =8.5.

This example shows that break-even point comes fast with increased price and decreased demand.

6. Accounting: Accounting is the measurement, processing, and communication of fiscal data about commercial units. It can be categorized as follows: financial accounting, management accounting, tax accounting, and auditing.

7. Return on Investment (ROI): This technique is used generally by the large organizations. ROI helps to identify the returns earned on the investments made. The investments include the assets and the capital. It gives a clear picture about the financial performance of the company and its divisions or departments.

   ROI is calculated using the following formula:

   ROI = Net income X Sales

   Sales Total Investment

Non-financial Controls

The controls exercised on the non-financial front are as follows:

1. Market Research: Market research is focused on gathering target customer information. It is a very significant constituent of business plan. It aims at gaining competitive edge over competitors. For example, Pizza Hut might use five local restaurants as test bed to introduce a special type of chicken pizza and monitor customer's acceptability on the same.

2. Test Marketing: It is a tool used by companies to project market success of a new product through effective marketing campaign. Test marketing evaluates performance of the product, product acceptance, and product distribution for full launch.

3. HR Control: Non-financial control attributes to control on human resources who are the performing assets of the organization for overall company's productivity. For example, performance appraisals and training programmes.

4. Production Control: To control production in the form of managing schedules, deadlines, quality, inventory, the techniques include inventory control, that is, Economic Order Quantity (EOQ), and JIT, and quality control, that is, inspection and parameter-based quality check. For example, under production control, parameters on which control is exercised are stock error rate, late delivery, slippage in production schedule, out of stock situations, purchase order errors, and inventory

turnover rate.

5. Direct Supervision and Observation: In this type, the manager or the superior monitors and controls his subordinates. This technique proves to be effective especially in cases where the subordinates are not capable of identifying the issues and controlling them.

6. Management by Objective (MBO): It involves goal formulation for individual employees, deciding the time frame during which the goals are to be achieved followed by recording the performance, and then monitoring it.

7. Self-control: This technique increases employees' morale since the employees are free to set their own targets and there is no close supervision. Using this technique, the superior can control the entire situation without enforcing any control on his subordinates.
8. Management Audit: Management Audits is an effective tool that can be used to examine the efficiency and effectiveness of the various organizational processes. For example, though it is said that management audit is intended to serve the purpose of the organization, even top management can also commit fraud if they are under the pressure to meet expectations of market analysts, debt covenants requirements, and/or to comply with tightly performance-based compensation programme. In that case, they do so by falsifying journal entries and recording transactions at the wrong time, overstating revenues, profits, and assets, and understating expenses, losses, and liabilities. So, there are auditors who do a total financial audit with regard to the number of facilities, the number of customer accounts, the number of employees and their turnover, and the number of products. This example appropriates the fact that there exists control over the top management as well.

9. Management Information System: For the process of planning and decision-making, it is important that the information available must be reliable so that the performance or output can be evaluated.

10. Critical Path Method and Project Evaluation Review Technique: CPM and PERT are techniques used to plan, schedule, and control many tasks associated with projects.

Decision-making

A decision is the selection of a course of action from two or more alternatives and decision-making is a sequence of steps leading to the selection of that alternative. There are three stages to decision-making—intelligence, design, and choice phase accompanied by a feedback phase. In the Intelligence phase, the problem is identified for which the decision has to be made, followed by a design phase where alternatives are constructed, and then in the choice phase, the most feasible alternative is chosen and implemented as a decision.

For example, the turnover of Aditya Birla Group of Companies increased from $US2 billion in 1995 to $US45 billion today due to the incorporation of value-added models. The company's expansion has skyrocketed because of organization restructuring and changes in reporting structures done by K. M. Birla, and now it operates across 41 countries with employee potential of 120,000 with increased meritocracy. The company has made 31 acquisitions in 20 years, a never-before-seen growth by an Indian multinational and this was

due to incorporation of modern management approaches. Summing up the case in context of decision-making, it is said that an incorrect decision can ruin an organization or make an organization fail, whereas correct decisions across all levels might enrich the organization in terms of growth, profit, and opportunities as can be seen from the Aditya Birla Group of Companies. In the succeeding section, we now explore the concepts associated with decision-making.

Decision-making Environment

The decisions made by managers are sometimes taken under certainty where outcome is known and sometimes the decisions are taken under uncertainty and the outcome is not known. When decisions are taken under risk, there can be several outcomes with probability that each outcome might occur. For example, let us consider a situation when decision is taken under certainty.

Decision-making Under Certainty

- The consequence of every alternative is known as shown in the example below
- Usually there is only one outcome for each alternative

The solution to such problems can be found out using LPP, assignment models, sequencing models, and so on.

For the below problem, it is seen that the decision to invest in policy II is the most optimal solution.

Alternative	Outcome
Invest in Policy I	**200,000**
Invest in Policy II	**250,000**
Invest in Policy III	**225,000**

Table: Decision-making Under Certainty

Decision-making Under Uncertainty

- All the possible states of nature or outcomes are known as shown in the example below
- Probabilities of the possible outcomes are not known

When decision is made under uncertainty, some criterion is followed.

Maximax criterion: It depicts the maximum value of the maximum outcome for each row. For example:

Alternatives	States of Nature Market Acceptability			
	Poor	Good	Excellent	Row Maximum
Shampoo I	8,000	10,000	12,000	12,000
Shampoo II	5,000	10,000	15,000	15,000
Shampoo III	2,000	7,000	10,000	10,000

Table: Decision-making Using Maximax Approach

Maximin Criterion:

In this, decision-making is also done using a pessimistic approach. For example:

Alternatives	States of Nature Market Acceptability			
	Poor	Good	Excellent	Row Minimum
Shampoo I	8,000	10,000	12,000	8,000
Shampoo II	5,000	10,000	15,000	5,000
Shampoo III	– 2,000	7,000	10,000	–2,000

Table: Decision-making Using Maximin Approach

When decision is taken by narrowing on alternatives whose payoffs are equally likely, then the approach followed is known as the Laplace approach. Therefore, the approach below depicts alternative I or the alternative II as the most feasible alternatives.

Alternatives	States of Nature Market Acceptability			Expected Pay-off = Sum of the Pay-offs / Number of Future States
	Poor	Good	Excellent	
Shampoo I	8,000	10,000	12,000	10,000
Shampoo II	5,000	10,000	15,000	10,000
Shampoo III	–2,000	7,000	10,000	5,000

Table: Decision-making Using Laplace Approach

Hurwicz Criterion: This criterion is a compromise between optimistic and a pessimistic decision and is also known as the criterion of realism. The coefficient of realism α if close to 1 allows the decision maker to be optimistic, and if close to 0 allows him to be pessimistic. Using the above criterion, one has to find out the maximum and minimum payoff for every alternative. The expected pay-off is calculated as:

Expected Pay-off = ✔ x (maximum pay-off) + (1– ✔) x (minimum pay-off)

Here ✔ = 0.8 1– ✔ = 0.2 expected pay-off is calculated as

Expected Pay-off = ✔ x (maximum pay-off) + (1– ✔) x (minimum pay-off) (Shampoo I) $0.8 \times 12,000 + 0.2 \times 80,000 = 11,200$
(Shampoo II) $0.8 \times 15,000 + 0.2 \times 5,000 = 13,000$

(Shampoo III) $0.8 \times 10,000 + 0.2 \times -2,000 = 7,600$

So while using Hurwicz criterion, the best option is to choose the second alternative.

Alternatives	Market Acceptability			Row Maximum	Row Minimum	Expected Pay-off
	Poor	Good	Excellent			
Shampoo I	8,000	10,000	12,000	12,000	8,000	11,200
Shampoo II	5,000	10,000	15,000	15,000	5,000	13,000
Shampoo III	–2,000	7,000	10,000	10,000	–2,000	7,600

Table: Decision-making Using Hurwicz Approach

Minimax Regret Criterion

The minimax regret approach requires the construction of a regret table. For each state of nature, the difference between each pay-off and the largest pay-off for that state of nature is calculated. The maximum regret for each possible decision is listed. The decision chosen is the one corresponding to the minimum of the maximum regrets. The regret matrix shows shampoo I or shampoo II as the alternative.

The Pay-off Matrix

Alternatives	Market Acceptability (States of Nature)		
	Poor	Good	Excellent
Shampoo I	8,000	10,000	12,000
Shampoo II	5,000	10,000	15,000
Shampoo III	–2,000	7,000	10,000

Table: Decision-making Using Minimax Regret Criterion

The Regret Matrix

Alternatives	Market Acceptability (States of Nature)			Row Maximum
	Poor	Good	Excellent	
Shampoo I	0	0	3,000	3,000
Shampoo II	3,000	0	0	3,000
Shampoo III	10,000	3,000	5,000	10,000

Table: Regret Matrix

Decision-making Under Risk

- All the possible states of nature or outcomes are known.
- Probabilities of the possible outcomes are known.

Decision-making criterion used for decision-making under risk is the expected monetary value (EMV). This is the best expected value among alternatives. Determine the expected

pay-off of each alternative, and choose the alternative with the best expected pay-off.

EMV (for *i*th alternative) = (pay-off of 1st state of nature) x (probability of 1st state of nature) + (payoff of 2nd state of nature) x (probability of 2nd state of nature) + … + (payoff of last state of nature) x (probability of last state of nature). Hence, the decision was to choose the second option.

Probabilities Alternatives				**Expected EMV**
	Poor 0.2	**Good 0.3**	**Excellent 0.5**	
Shampoo I	**8,000**	**10,000**	**12,000**	**10,600**
Shampoo II	**5,000**	**10,000**	**15,000**	**11,500**
Shampoo III	**–2,000**	**7,000**	**10,000**	**6,700**

Table: Decision-making Under Risk

Expected Profit with Perfect Information

The decisions taken by managers are more accurate when proper information is available. Also, the information should be available on time, be accurate, relevant, and understandable. Perfect information would tell us with certainty which outcome is going to occur. Having the perfect information before making a decision would allow choosing the best pay-off for the outcome. If proper information is available, an individual would be able to select the best pay-off for every state of nature. The EPPI is given as follows:

EPPI = (best pay-off of 1st state of nature) x (probability of 1st state of nature) + (best pay-off of 2nd state of nature) x (probability of 2nd state of nature) + (best pay-off of 3rd state of nature) x (probability of 3rd state of nature).

EPPI = 8,000 x 0.2 + 10,000 x 0.3 + 15,000 x 0.5 = 12,100

Probabilities Alternatives	**Market Acceptability (States of Nature)**		
	Poor 0.2	**Good 0.3**	**Excellent 0.5**
Shampoo I	**8,000**	**10,000**	**12,000**

Shampoo II	**5,000**	**10,000**	**15,000**
Shampoo III	**–2,000**	**7,000**	**10,000**

Table: Decision-making Using EPPI

Expected Value of Perfect Information (EVPI)

It is the increase in the expected profit that would result if one knew with certainty that if the alternative was chosen, it would give the highest pay-off.

EVPI = EPPI – EMVmax, where EPPI = Expected profit with perfect information, EMVmax = maximum EMV. For the above example, we have EVPI = 12,100 – 11,500 = 600.

Types of Decisions

1. Programmed Decisions: When managers take decisions for simple and straight forward problems (structured problems), the decisions are known as routine or programmed decisions. The programmed decisions adopt solutions from the past. For example, increase in pay to the employees or performance rewards and sanctioning leave requests made by employees.

2. Non-programmed Decision: When managers have to take decisions which are not routine but unique in nature for unstructured problems and are not supported by proper information, they bear certain risks. Such types of decisions are known as non-programmed decisions. For example, after the Satyam fiasco, the strategy of Tech Mahindra to go for a Mahindra–Satyam merger.

3. Strategic Decisions: The decisions taken by the top-level management to fulfil organizational goals and objectives are said to be strategic decisions. For example, expansion of business or diversifying into other business areas.

4. Tactical Decisions: Tactical decisions are allocation of roles and responsibilities to employees, and formulating the budget for the department.

5. Major and Minor Decisions: Some examples of major decision include acquisitions of organizations or mergers or diversifying into other business area, and minor decisions might range from granting leave to an employee to preparing monthly budget for the unit's expenditure.

6. Individual and Group Decisions: Group decision-making generally outperform individuals who make decisions in isolation but in some instances, individual decision-making can work wonders in an organization when group fails to arrive at a consensus.

Decision-making Models

There are decision-making models which stress on the approach of decision-making, and these models have specific assumptions. For example, the classical model of decision-making assumes that managers are logical and they will work for the best interest of the organization.

1. Classical Model: The classical model states that managers have access to all possible types of information to reach a decision. If there is more than one alternative, the manager ranks the alternatives. He implements the best alternative and it is assumed that the manager knows what is best for the organization.

2. Rational Model: This model assumes that there exists a problem, for which a decision has to be taken by first understanding the problem, identifying alternatives constrained by legal and ethical norms, and technology, resource, and budget constraints.

3. Evaluate the outcome: All the above steps have been explained above by taking an appropriate example under the section of decision-making concepts.

4. Administrative Model: The administrative model states why classical model is not used by managers while making the decisions. The reason being that most of the times a decision taken is accompanied by risk and uncertainty, mainly due to incomplete or ambiguous information.

5. Political Model: According to the political model, an individual seeks to take decisions with an aim to satisfy their own or organization's interest or goals such as the stakeholders of the company.

Herbert Simon's Model of Decision-making

According to Herbert A. Simon, the decision-making process is basically divided into three branches:

- Intelligence
- Design
- Choice

- Intelligence Phase: In the intelligence phase, raw data is collected and processed to generate information, which, in turn, is analysed to generate intelligence. General intelligence consists of proper analysis of problem. Analysis consists of identification of problems, types of problems, proper understanding of problem, and pattern of problem.

- Design Phase: Design phase is the next step after the analysis phase. After proper understanding and analysis, effective steps are designed to solve the problems. The action on problem solving is present in the design phase. Model of decision-making is constructed, tested, and validated.

- Choice Phase: Actual action is performed in this phase. Decision is taken in this phase only. If the person has some choice to solve some problems, it means that person is making decision to move in one direction. Choice makes direction of decision. And it depends upon the previous understanding of problem or perceptions.

Common Difficulties in Decision-making

Decision-making becomes difficult due to the following reasons:

- When the information is inadequate or incomplete
- When there is a lack of information on political, social, and economic variables
- To arrive at a rational decision, it is mandatory for a decision maker to be an expert in the respective domain, should be highly intelligent, and have farsightedness for future situations, which generally is a rare occurrence.
- Decisions should be impartial and closely align to organization's goals and objectives. Individual preferences and attitudes often come in the way of decision-making.

- Decisions taken by managers are always accompanied by compromise and adjustments, for example, a compromise on the cost of a service delivered can directly bring in a compromise on the benefits obtained from that service so that decisions are balanced.

Decision-making for Organizational Effectiveness

Decision-making needs to be done for organizational effectiveness because effect of too poor and slow decision-making can generate negative ripples throughout the organization. Hence, decision-making needs to be defined and refined at frequent intervals. Decision-making is closely related to control, and is used for managing trading issues that require organizational decision-making. Effective, decision-making empowers individuals to make the right decisions at the right time.

Decision-making Styles

1. Autocratic: The leader takes up the entire responsibility of making the decisions. The outcome being good or bad, the leader is fully responsible for the same. Generally, managers who imbibe autocratic style do not take suggestions from others. An advantage is that it results in quick decision-making.

2. Participative: The leader involves the members of his team to take the decision, though the total control resides with him.

3. Consultative: Consultative decision-making is when a leader gives up total control of the decision to his team. The advantage of this is that the decision is more accurate because the skill and the brain of every individual are put in. Its disadvantage is that this style is strenuous.

4. Democratic: A leader allows his team to vote for a decision. The alternative which gets the majority of the votes is taken as the final alternative.

Quantitative Techniques for Decision-making

Business managers depend on their knowledge and intuition to make robust decisions. They show substantial interest towards analytics from interpretation of the data. These methods also help managers to project future business conditions, enabling them to adjust their strategies as needed. Its advantage is that this is useful for managers to take decisions on levels of inventories or optimizing inventory carrying cost for big manufacturing organizations which is explained below.

Deterministic or Economic Order Quantity (EOQ) Model

Red Herring is the distributor of lipsticks, nail polishes, deodorants, and perfumes. From a central location in Basel in Germany, Red Herring supplies nearly 1,000 retail stores with cosmetic items. The total inventory for the cosmetic company for perfumes averages approximately 50,000 units with an average of $US10 per unit. The total inventory carrying cost estimates to $US500,000. Since the carrying cost is an exceptionally large amount, the head of inventory decided to do a detailed study of the inventory costs associated, with the purpose to arrive at how-much-to-order and when-to-order decisions that will result in deriving the lowest possible total cost. So, he started collecting demand figure from the inventory manager.

Let the average demand per week be 412 units of shampoo. Based on the model, the prediction for the demand is seen to be a constant, an impossible situation under business conditions. Now, to compute the number of units to be ordered, the manager has to take decisions to do the following:

- Keep small inventories and order frequently (high ordering costs).

- Keep large inventories and order at long intervals (high inventory costs).

So, to find an optimal compromise between the two, the total cost is taken into account which constitutes the ordering cost and the holding cost.

Holding costs include the cost associated for maintaining or carrying a given level of inventory (small/large); these costs depend on the size of the inventory and are usually calculated on a percentage basis.

Ordering costs which are fixed covers the preparation of the voucher and the processing of the order including payment, postage, telephone, transportation, invoice verification, receiving, and so on. It has been seen that Red Herring spend on an average $US20 per unit of shampoo, irrespective of the quantity ordered.

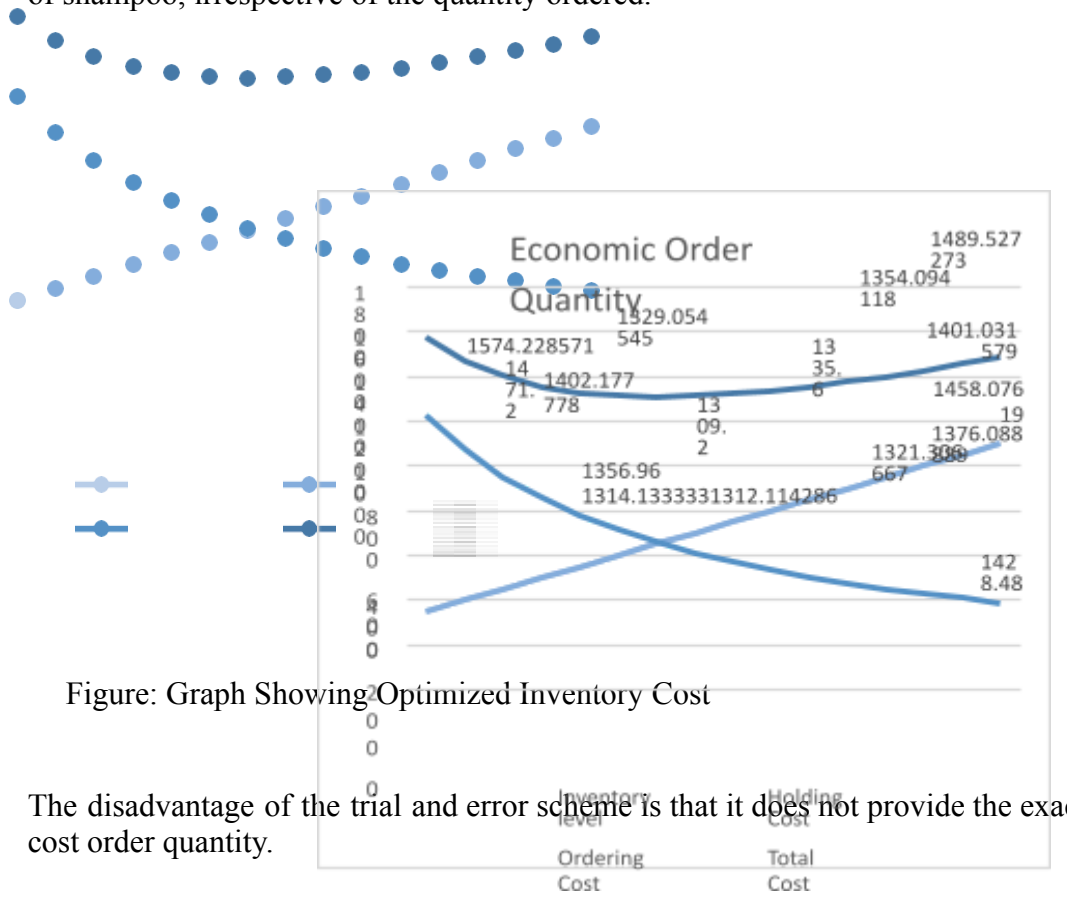


Figure: Graph Showing Optimized Inventory Cost

The disadvantage of the trial and error scheme is that it does not provide the exact minimum-cost order quantity.

For example, demand for a commodity is 15,000 units/year. Holding cost per year/unit is R 1.20 and the cost of one procurement is R 300. Find EOQ?

$$EOQ = \sqrt{\frac{2DCo}{Ch}}$$

$$= \sqrt{\frac{2*15,000*300}{1.20}}$$

$$= 2738.61 \text{ units}$$

Actual Revenue	>	Expected Revenue
Actual Expenditure	<	Expected Expenditure
Actual Revenue	<	Expected Revenue
Actual Expenditure	>	Expected Expenditure

The ideal order level is 2738.61 units. At this level, we can minimize ordering and carrying costs.

Justin-time Manufacturing (JIT)

It also known as 'lean manufacturing', which refers to manufacturing of products which are ordered and paid for companies that have successfully implemented JIT, which include companies such as Toyota and Dell. The objective is to control unnecessary wastage to avoid, reduce, reuse, recycle, recover, treat, and dispose.

For example, Toyota's production strategy is highlighted by the fact that raw materials are brought to the production floor only when an order is received and this product is ready to be built. Neither the raw material nor subparts are ordered until a requisition is received. This philosophy has allowed Toyota to keep a minimum amount of inventory, thus reducing the inventory capital. This also means that Toyota can adapt quickly to changes in demand without having to worry about disposing of expensive inventory.

- Small amounts of raw material inventory are kept at each node in production for use.
- Precision of forecasting is important for implementation of the just-in-time concept, and Toyota has acquired the desired precision.

Material Requirements Planning (MRP)

MRP, a computer-based inventory requirement planning, is used to manage manufacturing processes.

Objectives of Material Requirements Planning

- Ensures material availability for production to avoid shortages.
- Reduces waste by maintaining lowest possible products levels in stock.
- Helps manufacturing company in planning, scheduling, and controlling inventory for raw materials and products.

Benefits of Material Requirements Planning

- Helps to identify what is required, when it is required, and quantity of raw materials.
- Helps to reduce purchasing cost, freight cost, manufacturing cost, and so on.
- Helps in reducing lead time.
- Helps in reducing inventory levels.
- Helps in enhancing customer service.
- Improves productivity.

Disadvantages of Material Requirement Planning

- Dependency on forecasts
- Costly implementation
- Time consuming

Decision-making Tools

It is said that organizational effectiveness comes with effectiveness in decision-making, which is a trait to be compulsorily possessed by the managers taking strategic, tactical, and operation decisions within the organizations.

Cost–Benefit Analysis

This is a technique in which the values of the benefits of a course of action are added, and the costs associated with it are subtracted to determine the net result. For example:

Costs					**Benefits Per Annum**	
Category	**Item**	**Quantity**	**Price (in R)**	**Total (in R)**	**Category**	**Total (in R)**
Material resources	Workstation	5	20,000	100,000	Electronic advertisement	120,000
	CSS Software	5 licenses	150,000	150,000	Lead conversion	85,000
	Server	1	80,000	80,000	Customer retention and enhancing customer base	60,000
	LAN infrastructure	1	50,000	50,000	Data accuracy	25,000
					Process improvement	40,000
Training	CSS Software	5	30,000	150,000		
Maintenance (yearly)	Updations and support		40,000	40,000		
Others	Sales lost during transition and hiring people for technical support		60,000	60,000		
Total				630,000		330,000

Table: Decision-making Using Cost–Benefit Analysis Tool

In this example, we see that the costs incurred sum to an amount of **R**630,000. This is a one-time cost excepting the maintenance cost which is to be incurred by the company year on year. The benefits to be incurred every year would sum up to **R**330,000, which makes the fact

evident that in subsequent years, the company would incur profit if the system is implemented.

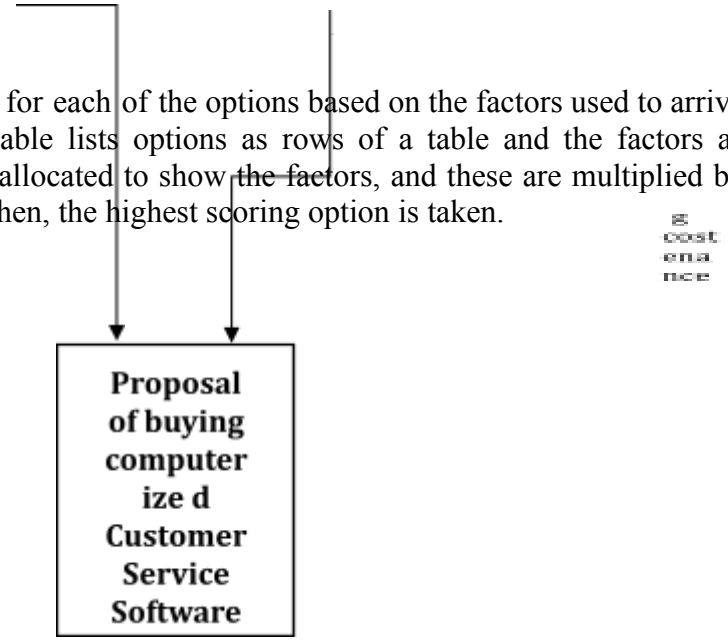
Force Field Analysis

This is a technique for looking at all the forces for and against a decision. It differs from the pros and cons method by identifying ways to strengthen the forces that support the decision and reduce the impacts of the opposing decision on it. For example:

Table: Decision-making Using Force Field Analysis Tool

Grid Analysis Method

It is a technique for doing analysis for each of the options based on the factors used to arrive at a decision. The grid analysis table lists options as rows of a table and the factors as columns of the table. Weights are allocated to show the factors, and these are multiplied by the ratings to each of the options. Then, the highest scoring option is taken.



For example, a student of a certain Institute of Pune got three offers from three Pune-based companies. He used the grid analysis method to decide which company to join after getting an offer.

Factors	Role and Responsibility	Salary Structure	Company Profile	Location Category	Other Benefits
Weights	4	5	3	2	2
First insight	3	3	2	4	2
Bitwise	4	3	3	4	3
Persistent	4	4	4	4	4

Factors	Role and Responsibility	Salary Structure	Company Profile	Location Category	Other Benefits	Total
Weights	4	5	3	2	2	16
First insight	12	15	6	8	4	45
Bitwise	16	15	9	8	6	54
Persistent	16	20	12	8	8	64

Table: Decision-making Using Grid Analysis Method

The immediate inference is that the student should take up the offer of Persistent from the three.

Decision Trees

A decision tree is a way of representing various decisions and its combinations for specific situations and mainly aims at representing action sequences. The decisions taken are based on the conditions, and then actions are executed. To understand or draw a decision tree, follow

or draw the 'branches' of the tree, the 'branches' being the lines that connect the process to the conditions and actions.

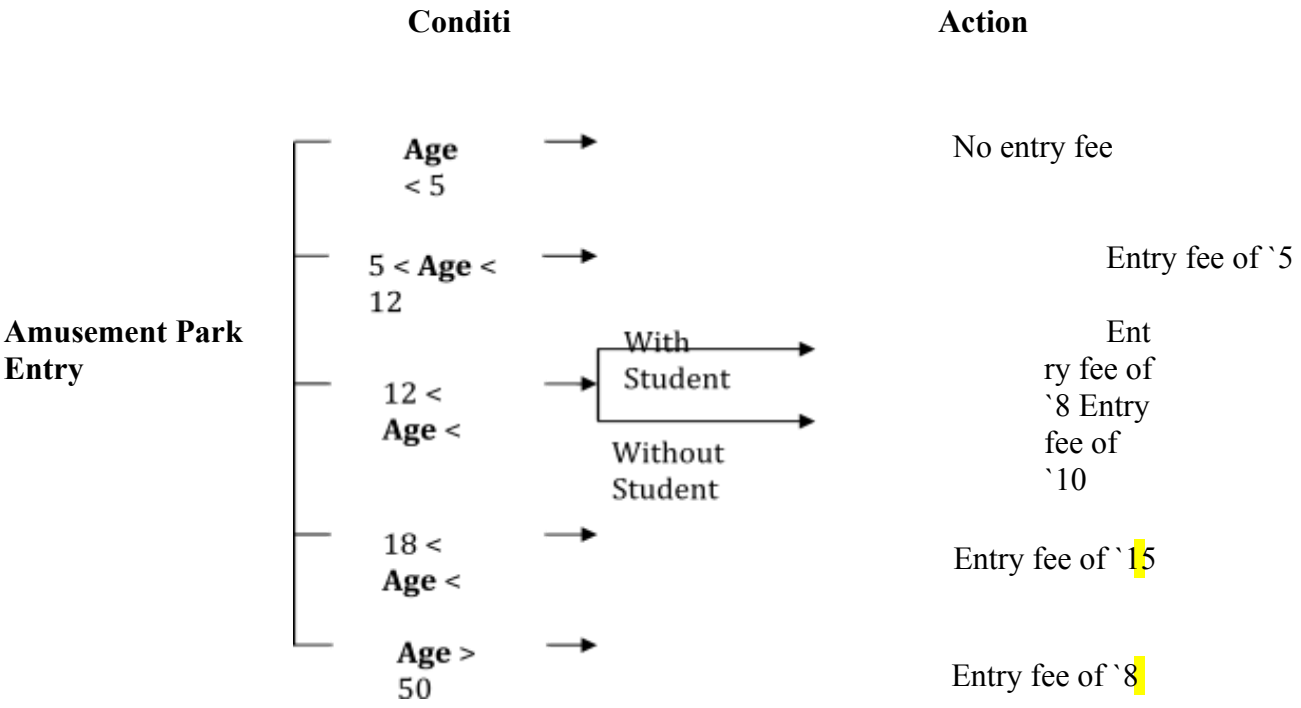


Table: Decision Tree to Calculate Entry Fee

Decision Table

A decision table represents all possible conditions and actions. The table comprises of the conditions, actions, and rules. Rules may be represented with ticks and crosses or with YES/NO symbols or words. To see which action to take, the user locates a tick or YES (true) in a row corresponding to a condition. If the column is traversed down to the lower section which displays the action, a tick in the row equivalent to an exacting action indicates the act to be carried out.

For example:

Conditions	**Rules**					
< than 5 years	√	×	×	×	×	×
> than 5 years and <	×	√	×	×	×	×

than 12 years						
> than 12 years and < less than 18 years with student identity	×	×	√	×	×	×
> than 12 years and < less than 18 years without student identity	×	×	×	√	×	×
> than 18 years and less than 50 years	×	×	×	×	√	×
> than 50 years	×	×	×	×	×	√
Actions						
Free Entry	√	×	×	×	×	×
Entry Fee of R5	×	√	×	×	×	×
Entry Fee of R8	×	×	√	×	×	×
Entry Fee of R10	×	×	×	√	×	×
Entry Fee of R15	×	×	×	×	√	×
Entry Fee of R8	×	×	×	×	×	√

Table: Decision Table

Paired Comparison Analysis

This technique is useful when our priorities are not very discrete, the core data on which the decision has to be taken are missing or there are too many options which have to be ranked.

For example, to choose from among a group of students who can be nominated for anchoring a specific event, the nominations stood as follows: Pramod, Richa, Manpreet, Priyanka, Makrand, Arpit, and Abhinav.

Options	**Pramod**	**Richa**	**Manpreet**	**Makarand**	**Arpit**	**Abhinav**
Pramod		R, 2	Man, 2	Mak, 2	A, 1	P, 1
Richa			R, 1	R, 1	R, 2	R, 2
Manpreet				Man, 1	Man, 2	Man, 2
Makrand					Mak, 1	Mak, 1
Arpit						Ab, 1

Abhinav						

Table: Paired Comparison Analysis–I

First row compares Pramod with everyone else. So, Richa exceeds Pramod by 2 points, Manpreet by 2 points, Makrand by 2 points, Arpit by 1 point, and Pramod scores over Abhinav by 1 point.

Pros and Cons Method with Benefits

This technique allows one to check on whether or not a course of action will actually improve the situation and is worth taking. So, along with pros and cons to a particular decision, there are benefits aligned with the decision. An example will make the scenario clearer.

For example, a student wants to opt for an MCA course.

Pros	**Cons**	**Benefits/Loss**
Professional course (+4)	Three-year PG Degree course (–2)	Skill sets will include proficiency in programming languages (+2)
Job opportunities are moderate (+3)	Graduate engineers and MCA's are considered at par (–3)	Salary of fresh recruits 0.3 million per annum (+3)
Course approved by AICTE and universities across India (+4)	Investment for the course 0.45 million per annum (–4)	Considered to be at a second grade in comparison to engineering courses (–3)
+11	**–9**	**2**

Table: Pros and cons method decision style

The option should be to pursue MCA course by the student.

Break-even Analysis

Break-even analysis helps business managers take decisions related to goal setting, achieving targets in terms of revenue, production, sales, and cost optimization, and so on. A break-even analysis is the analysis of total cost versus the total revenue of a business. If the total cost equates to the total revenue, then the business has achieved its break-even point.

For example, a shopkeeper sells flour at the rate of `50 per kg. He uses a flour grinding machine to grind the wheat which he buys for `20 per kg and requires 500 kg for every month. Let the grinding machine cost be `100,000 in which he had invested at the onset of the business, and the monthly electricity amounts to `10,000. If he can sell 500 Kg flour monthly, then the estimated time in which he will achieve break-even is as follows:

Fixed cost	Machinery cost (in `)	100,000
	Electricity cost per month (in `)	5,000
	Transport cost per month in (`)	2,000
	Packaging cost per month (in `)	2,500
Variable cost	Price of 500 Kg wheat @ `20 per month	10,000
Sales	500 kg flour @ `50 per month	25,000
Profit/loss statement	Per month profit in INR	5,500
No. of months required to extract the machine cost from the profit earned		100,000/5,500 = 18.18 months

Table: Break-even Analysis

From the above example, it is seen after 18 months, the trader will come to a break-even (no profit/no loss scenario) since he would have extracted `100,000 of the machine cost by then and after 18.18 months, he will start making profit assuming all other conditions are stable.

Project Evaluation and Review Technique (PERT)

PERT is a quantitative decision-making tool which allows the decision maker to take decisions under conditions of uncertainty. It is based on the probabilistic approach. This probability distribution of activity time is based upon three different time estimates made for each activity. These are as follows:

- to = the optimistic time, it is the shortest possible time to complete the activity if all goes well.
- tp = the pessimistic time, it is the longest time that an activity could take if everything goes wrong.
- tm = the most likely time, it is the estimate of the normal time an activity would take. If only one time was available, this would be it. Otherwise, it is the mode of the probability distribution.

The to, tm, and tp are combined statistically to calculate the expected time *te* of an activity. The fundamental assumption in PERT is that the three time estimates form the end points and mode of Beta distribution.

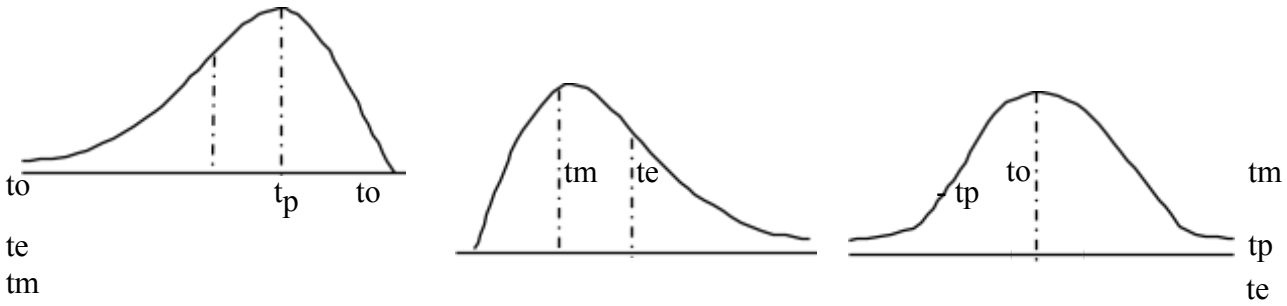
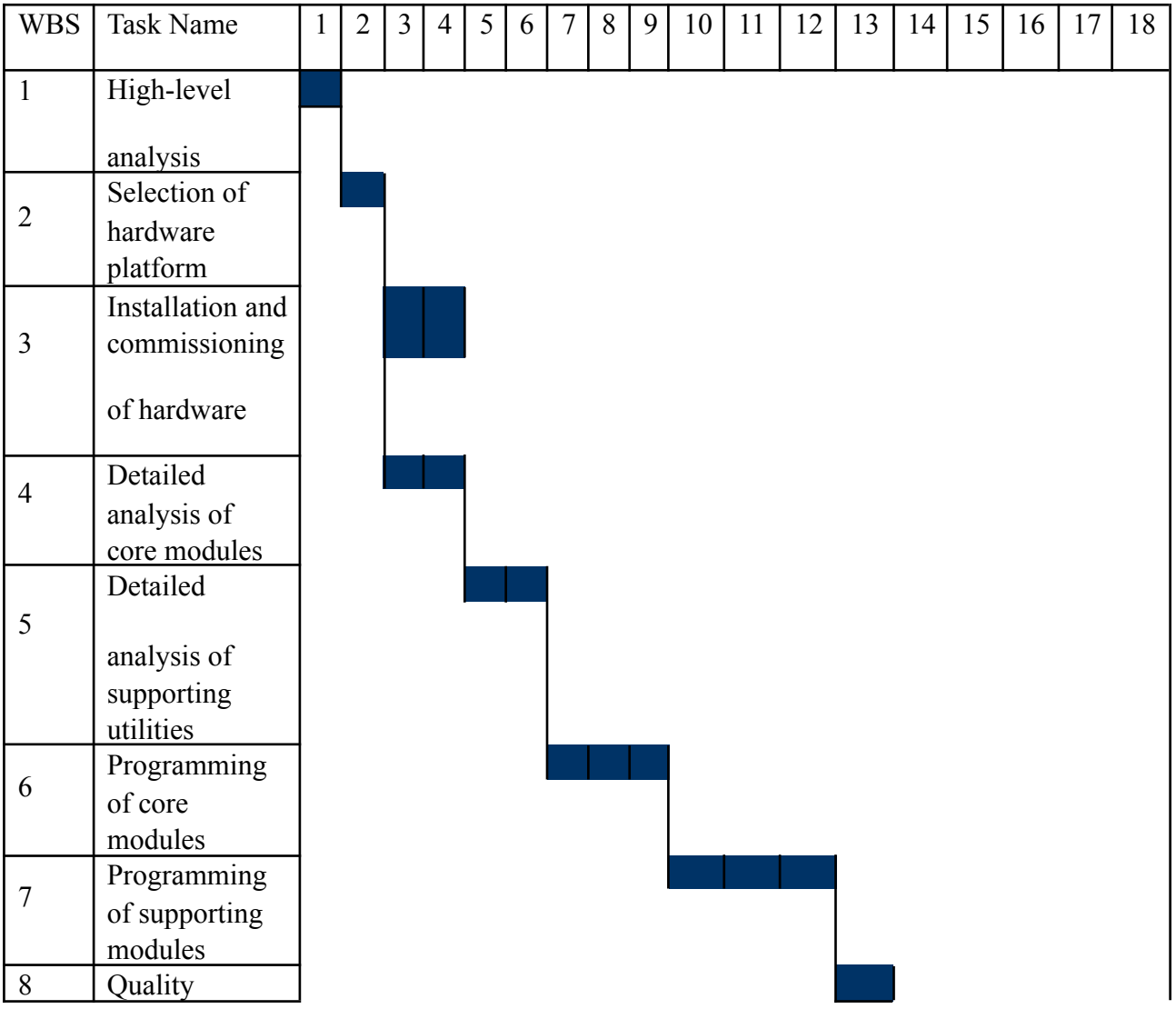


Figure: Time Estimates

GANTT Charts

A Gantt chart is a matrix or an essential production control tool which helps in planning, tracking, and controlling specific project tasks. The chart lists on the *y*-axis all the tasks to be performed. Each row contains a single task, and the work break-down structure consisting of a number and name. The horizontal axis indicates estimated task duration or skill level needed to perform the task and the name of the person assigned to the task followed by one column for each period in the project's duration. Each period may be expressed in hours, days, weeks, months, and other time units.

Weeks in Progress



WBS	Task Name	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18
1	High-level analysis																		
2	Selection of hardware platform																		
3	Installation and commissioning of hardware																		
4	Detailed analysis of core modules																		
5	Detailed analysis of supporting utilities																		
6	Programming of core modules																		
7	Programming of supporting modules																		
8	Quality																		

	assurance of core modules
9	Quality assurance of supporting modules
10	Core module training
11	Development of accounting reporting
12	Development of management reporting
13	Development of management reporting
14	Detailed training
15	Documentation

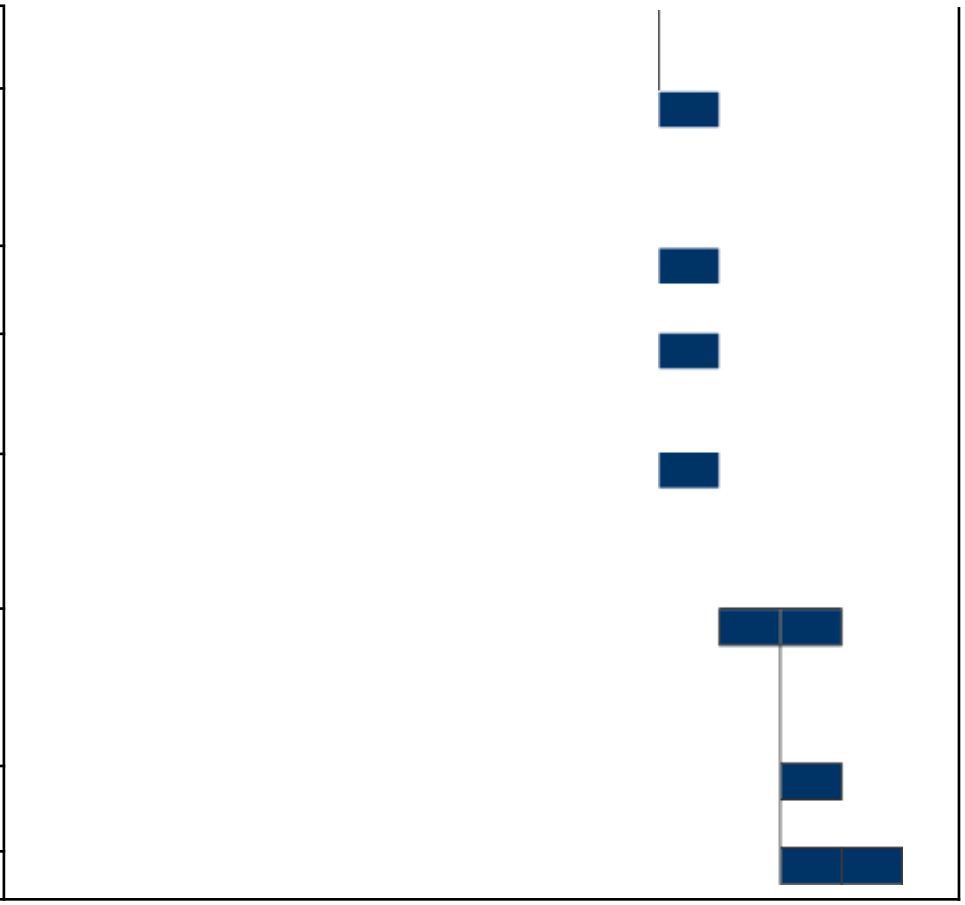


Table: Gantt Chart

Organizational Behaviour

Organizational behaviour can be defined as the understanding, prediction and management of the human behaviour, which affects the performance of the organizations.

Definitions

Organizational behavior is the study and application at knowledge about the how people - as individuals and a groups - act within organization. It strives to identify ways in which people can act more effectively.

—Keith Davis

Organizational behavior can be defined as the understanding; prediction and management of the human behavior affect the performance of the organizations.

—Luthans

Levels of Analysis

Organizational behaviour involves the study of organizations' behaviour across levels as follows:

- Micro organizational behaviour refers to an individual's behaviour or group behaviour.
- Macro behavioural theory studies organizations as a whole, their adaptability, and the policies, structures, and possibilities that guide them.
- Meso-scale organizational structures involve control, culture, and people network, and the analysis of people's interaction within the organization.

Organizational Behaviour and Its Contributing Disciplines

Organizational behaviour is an applied field of behavioural study and has evolved from the following fields:

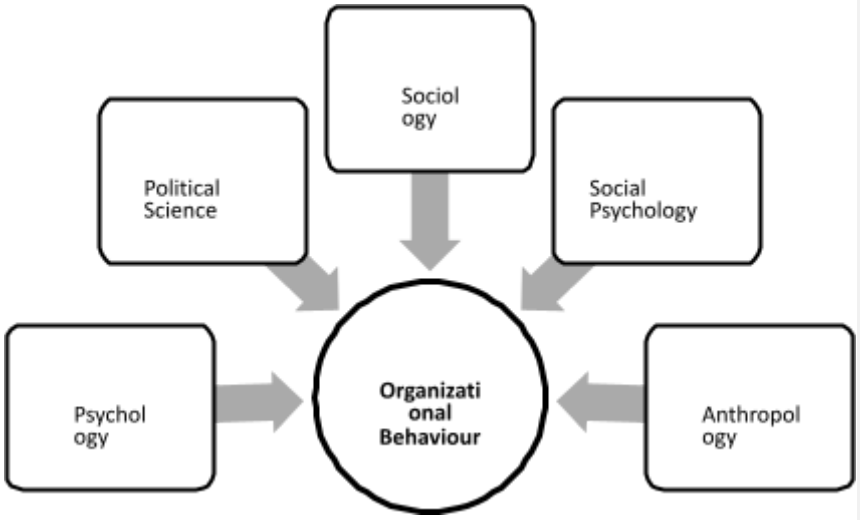


Figure: Contributing Disciplines of Organizational Behaviour

1. Psychology: It is the study of behaviour and mental process of a human being that are affected by the physical, mental, and environmental conditions, which can impede the work performance of an individual because of fatigue, boredom, stress, and unfavourable working conditions.
2. Political Science: Political science is the study of behavioural sciences in political environment, and focuses on disputes within the group and intra-organizational politics and authority issues.
3. Sociology: This discipline contributes significantly through the study of group behaviour in complex and recognized organizations.
4. Social Psychology: Social psychology integrates sociology

and psychology and discusses the barriers and acceptances across groups or individuals within and across the organizations.

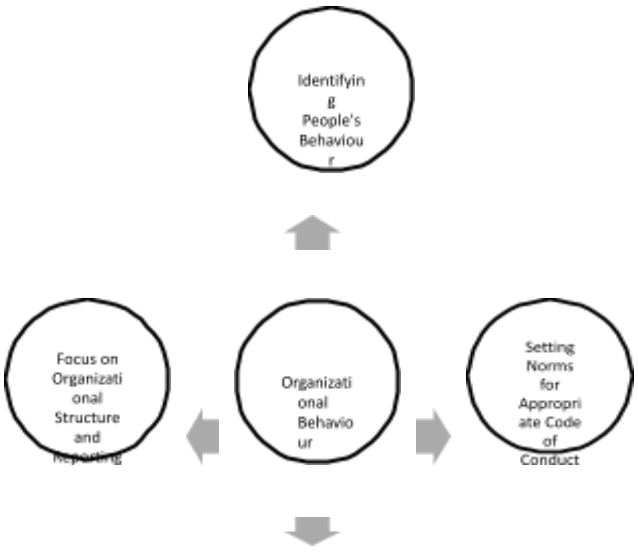
5. Anthropology: Anthropology focuses on comparative attitudes, values, and cross- cultural analysis, which has a lasting impact on organizational culture and surroundings.

Organizational Behaviour—Span and Nature

Organization is nothing but a group of people working together for some common purpose within a predefined structure. Organizational behaviour is the study of behavioural aspect of individuals within the organizations. Organizational behaviour comprises the study of intrapersonal behaviour, interpersonal behaviour, and organizations. Intrapersonal behaviour comprises the study of aspects like personality, attitude, motivation, and perception. Intrapersonal behaviour covers group dynamics, team management, conflict management, and so on.

Goals of Organizational Behaviour

Organizational behaviour which is a scientific field of study focuses on




Focus on
Inter- and
Intra-
organizati
onal
ips

Figure: Organizational Behaviour Goals

Goals of organizational behaviour strongly accentuate the responsibility of a leader in relation to behavioural aspects and a proper reporting structure of the organization. An organization has three elements:

- People
- Structure
- Technology

For managing these elements, an appropriate organizational structure is extremely important, together with incorporation of management principles, such as:

- Principle of unity of command
- Delegation of power and responsibility
- Formulation of objectives

Managing the Elements of Organizational Behaviour

The four vital elements of an organization are people, infrastructure, technology, and environment, in which the organization operates.

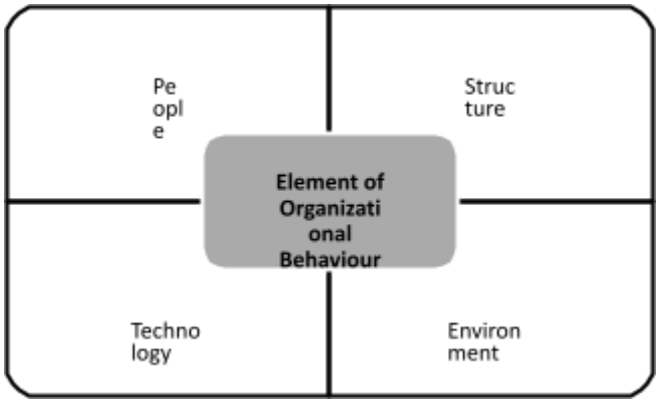

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Figure: Elements of Organizational Behaviour

1. **People:** They are characterized by their personal goals and aligning personal to professional goals and group goals. Groups may be small, large, formal, or informal and work together to achieve organizational objective.

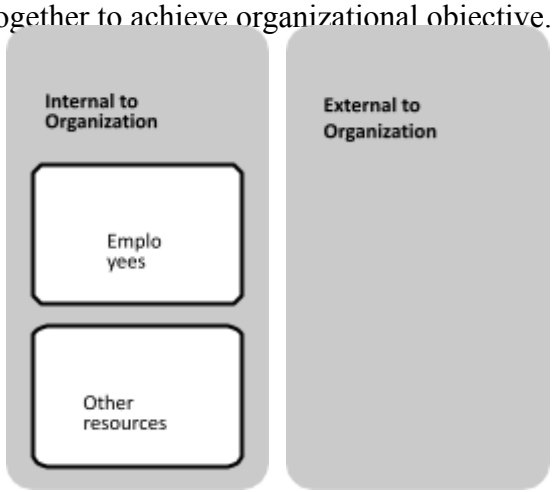


Figure: The People Element of Organizational behaviour

2. **Structure:**

Informal organization (does not have structure)

Organizational structure (formal stucture)

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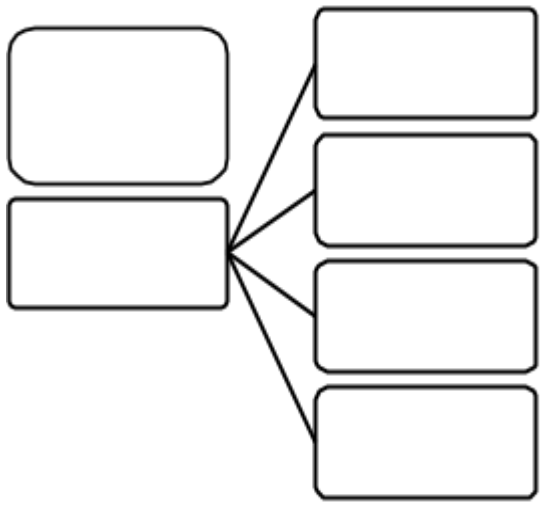
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Geographical presence

Figure: The Structure Element of Organizational Behaviour



There are two types of organizations—formal and informal organization. At each level of organization, people work towards a specific organizational objective. Organizational efficiency is dependent on effective communication, concrete information flow, well laid out rules, policies and procedures, and system, which are known by operational, transactional, tactical, and strategic level management.

3. **Technology:** It enables people to do increased amount of work that too in an effective manner. Machineries, equipment, and work procedures are the resources with which people work and this also affects the tasks that they perform. For example, in an institute, web enabled student and staff information system will constitute student attendance, admission, examination, accounting records as well as staff workload record, leave record, research record, and so on for quick retrieval, update, search, reporting, and analytics.

4. **Environment:**

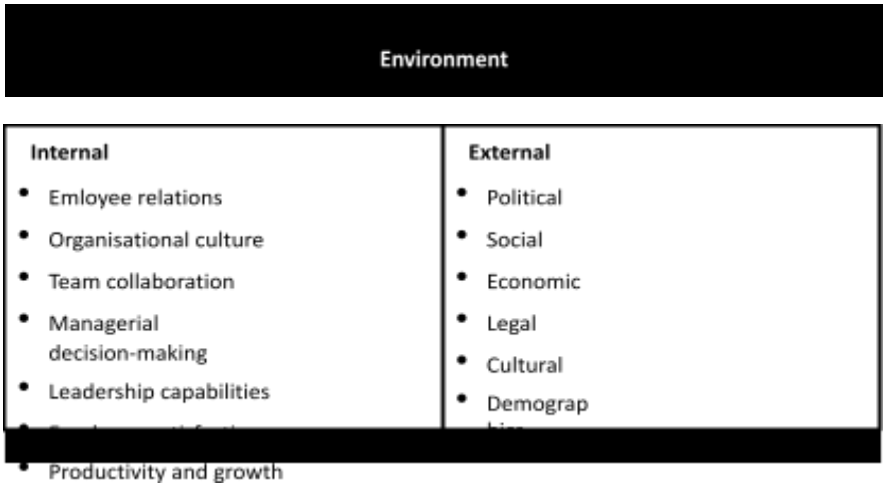


Figure: The Environment Element of Organizational Behaviou

Every organization has its own internal environment and operates within an external environment. There is always an interaction of the organization with the bigger system comprising of other organizations and the government, which mutually

affect each other in a multidimensional manner across economic, cultural, social, legal, political, government policies and procedures, and demographics.

Importance of Organizational Behaviour

- Provides guidelines to the management in regard to the way in which human element should be emphasized.
- Provides an outlook to management to analyse behaviour of individuals and suggests an effective direction.
- Answers to the questions like why and how human beings behave in a particular manner which in turn helps in building cordial relations in the organization.
- Gives an insight to the managers to understand the behaviour of their subordinates.
- Helps the managers to select the most effective style of leader
- Helps in effective conflict management, better decision-making, commitment to ideas, teamwork, and so on.

Approaches to Organizational Behaviour

The four major approaches to organizational behaviour are as mentioned

1. **Human Resources Approach:** This approach recognizes the fact that human resources are the greatest assets of any organization, and is also concerned with the growth and development of people towards higher levels of competency, certainty, and fulfilment.
2. **Contingency Approach:** According to this approach, the methods or behaviour that work in one situation will not

necessarily work in all situations. Therefore, the identification of the variables that are effective and efficient is necessary.

3. **Systems Approach:** This approach considers the organization as a system that consists of various interrelated parts. It is necessary to make sure that every part of the system is working in coordination.

4. **Productivity Approach:** Productivity is the ratio of the unit of output to the unit of input. It is generally calculated in economic terms. The higher the value of the ratio, the higher will be efficiency.

Models of Organizational Behaviour

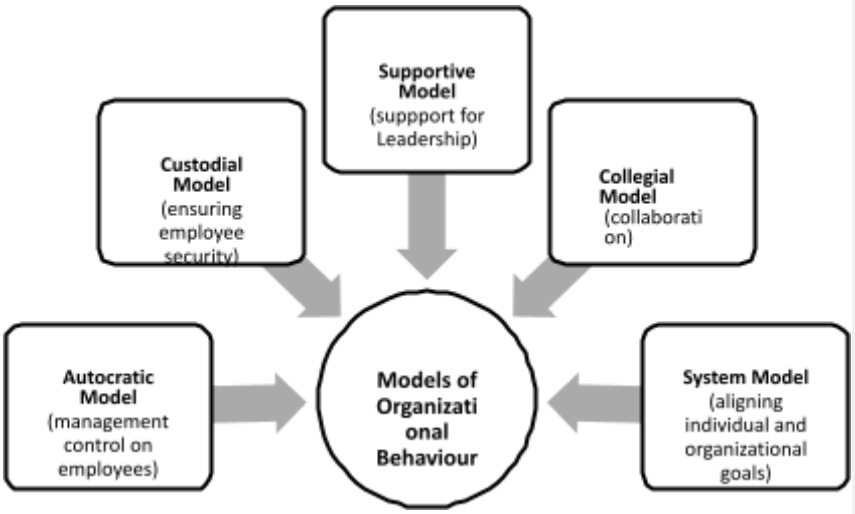


Figure: Model of Organizational behaviour

Autocratic Model

The traits of the autocratic model are as follows:

- The control of the organization lies with the management, which can direct and exude authority over the employees of the organization.
- Key decisions lie with the top management of the organizatio
- The lower-level employees have little expertise/control over t
- The top management of the organization has substantial

expertise and the middle- and lower-level management are fully guided by the top management.

- This model was used in factories during the Industrial Revolution.

Custodial Model

- This model promotes financial security for the employees by incorporating a rewards and benefits programme for keeping the employee motivation high.
- Other benefit programmes include health insurance and benefits, accommodation allowances, company vehicles, stock options, and so on to retain worthy staff.
- Using this model, organizations want to keep intact skilled resources with good knowledge and expertise.

Supportive Model

- This model is focused on promoting leadership traits amongst
- It works in opposition to the autocratic model, as it enforces that employees are self-motivated, have sufficient knowledge, and decision-making power, and apart from being in an operational role, can create, innovate, and implement ideas.

Collaborative Model

- It is a collaborative model where every employee is a colleagu
- It does not consider status and designation of the employees, though hierarchy is maintained and every individual is encouraged to contribute to build a better organization.
- Role of the manager is to encourage teamwork, create a positive work environment, and make all the members of the team perform well.
- This is very advantageous for organizations that have to work constantly on innovation, creation, and find new approaches, that is, research and development, designing

new services, and so on.

System Model

- This model ensures alignment of an individual's goal to an organization's goal, and every individual's partners with the organization or team and works towards common goal.
- It considers that individuals have varied potential, skills, and t
- Positive factors of this model which impact the individuals are good remuneration, job security, and positive work culture, where the organization provides value-added service to its customers.

Current Trends in Challenges and Opportunities of Organizational Behaviour

Upgrading Employees' Skills

The skills can be broadly categorized as under:

- Technical Skills: These include technology-based skill sets and are acquired by people at the operational and transactional levels, and training programmes are arranged to refine the skills.
- Managerial Skills: These include planning, organizing, motivating, leadership, and decision-making skills, which can be refined and updated by conducting series of training programmes and workshops.

Enhancing Value and Output

Enhancing value, or in other words quality, is to achieve a minimal defect or defect-free situation and attain a stage where customers' needs and expectations are surpassed in relation to product or service quality or value. For example, a customer who wants to purchase a mobile might look for features, such as fast response time, good sound and picture quality, faster download, and so on, and if his expectations are met, then the customer perceives that

the product is of good quality and if not he will perceive the quality of the mobile phone as poor.

Total Quality Management

It aims at continuous customer satisfaction through incessant enhancement of all organizational processes and quality, measurements with precision, and empowerment of employees. For example, TQM was implemented in Ford Motor Company in the 1990s to provide increased customer satisfaction, stable work environment for the employees, and profitability for the company. For this, it joined hands with ChemFil, a PGP group of Industries, for quality paint designs since that was foremost in their TQM approach. Ford, along with ChemFil, structured the entire production process based on surveys from the customers.

Business Process Re-engineering

Business Process Re-engineering employs a methodology that reduces work process to their core optimum and dramatically improves performance. Both functional and cross-functional processes are assessed through workflow investigation and event-based pricing. For example, Ford's account payable process was slow and inefficient, now they have a faster and more efficient Accounts Payable System.

Managing Workforce Diversity

Employee mix can be across multiple traits, and to manage a heterogeneous collection of employees is a challenge for the managers and must be done very efficiently by addressing their needs, views, and work styles for greater employee retention and productivity.

Impact of Globalization

Many new businesses and business models have come into existence along with intra- and inter- industry partnership venture. Low cost and competitive pricing has tremendously encouraged businesses to spread across the globe. For example, a French wine seller can sell wine online at a lower price and to a greater audience. Similarly, more German, Japanese, and Korean car companies sell various car models across the globe, and this has become easier because of high visibility, flexible EXIM strategies, and faster modes of transport.

Empowering People

Empowerment is defined as putting employees in charge of what they do by eliciting some sort of ownership in them. Managers are going considerably further by allowing employees full control of their work. A manager must encourage employees to participate in work- related decisions, which may also enhance the commitment of the employees to their work.

Coping with Temporariness

In the recent years, one thing that everyone in the organization faces permanently is temporariness. The concept of continuous improvement implies constant change.

Stimulating Innovation and Change

In today's world, to be successful, the organization must come up with various innovative ideas. To survive in the competitive market, the organization must maintain flexibility and improve their quality of product and services. Managers need to stimulate employees' creativity and tolerance for change.

Emergence of E-organization

- E-Commerce: Electronic commerce (or e-commerce) is the electronic exchange of information pertaining to various businesses using Electronic Data Interchange (EDI) and

associated technologies.

- E-Business: In e-business, information and communications technology is used to enhance one's business performance with a vision towards improving service and reducing costs. For example, an organization in Peru by the name of 'Tortas Peru' is doing e-business in the segment of bakery products. This organization is reaching out to groups of women in Peru, who have proficiency in cake baking and dessert making, and establishing a bigger chain of suppliers. It has till date catered to eight provinces in Peru and is mainly consumed by Peruvian emigrants. The e-business functions carried out by this team are as web-based marketing, online bakery store with item display, online ordering and online payment.

- E-organizations/E-governance: E-organization/E-governance is the arranging of state governance based on electronic tools for collecting, processing, and dissemination of information, and providing of government services to all groups of population and businesses by electronic tools.

E-commerce versus E-business

E-business is one stride ahead of e-commerce. E-commerce is all about using information and communications technology (ICT) for various types of transaction, be it transactions between organizations or business-to-consumer transactions focusing mainly on:

- Marketing and selling of products

- Buying of products and services over the Internet

In e-business, ICT is used to enhance one's business performance with a vision towards improving service and reducing costs. The processes, wh are enhanced using ICT, are:

- **Production processes**, which include material

procurement, ordering, and replenishment of stocks (i.e., inventory control), processing of e- payments, and online association with suppliers and vendors.

- **Marketing and selling processes,** which include promotional and marketing strategies for making a sale of the product over the Internet, processing of customers' purchase orders and payments, and customer support.

- **Internal organizational processes**, which include employee services, training, internal information sharing, video-conferencing, recruiting sales people, and training them to improve productivity.

Growth of E-business

The concept of e-business has become prominent in the last 10 or 15 years and has been growing at a rapid pace with 40% of the total worldwide internet users buying and selling goods using internet. This concept facilitates:

- Reduction in operating, administrative, inventory, and procure

- Increase customer satisfaction

- Improved and efficient interaction with employees, vendors, customers, and strategic partners

- Productivity, competitiveness, and growth

- Reduction in business environment barriers

- Reduction in poverty

E-business can be accelerated by implementing the following changes:

- Continued reforms in ICT infrastructure, trust and security regulations, and policy reforms

- Government-to-business ventures to reduce transaction costs and expand growth
- Training programmes to enrich knowledge on e-business.
- Inclusion of micro-business firms for doing better business by reaching out to low-income groups.

Impact on Managers

The managers should be open to accept ever-changing technology and to refine their skills and knowledge with the technological changes, ensuring that the team also complies with adopting and learning technology innovations. The paradigm of e-governance is to make it citizen-centric, hence the manager and his team, in charge of development and implementation, are exposed to a large base of customers, much larger than private customers or clients.

Citizen-centric Governance

Amongst the successful implementations of the e-government practices, one of the most successful attempts has been the implementation of eSeva in Andhra Pradesh that has become a success story because of deft handling of change management issues.

Code of Ethics

Employees should follow code of ethics while executing their tasks. For example, should the chemical company employees report to appropriate authorities that discharging its untreated sewages into the river is contaminating its water resources? Are managers biased about some subordinates they like and evaluate their performance accordingly?

ATTITUDE

Meaning of Attitude

Attitude can be described as a trend to react positively or negatively to a person or situation. For example, the ABC group of hotels has maintained its trends on retaining staff and high quality of service provisioning for customers by keeping in focus personnel recruitment with correct attitude and code of conduct. They have started working with passion, dedication, and attitude. Another break through which the ABC group achieved using this performance management system was that they were able to conduct an online test for the new hires and a scenario was given to the prospective recruits to provide solutions based on which decision to hire was taken based on the behavioural analysis of the candidate. So, even if the candidate did not possess the right set of skills, the hotel group hired him/her if he/she had the right attitude because people are better equipped and more willing to go the extra mile for customers and have high probability to be with the company for an extended time period, which is a major problem faced by the hotel industry.

Definition of Attitude

An attitude is mental state of readiness, learned and organized through experience, exerting a specific influence on person's response to people, object and situation with which it is related.

Attitudes are learned predispositions towards aspects of our environment. They may be positively or negatively directed towards certain people, services or institutions.

Types of Attitude

Attitude can be referred to as a combination of emotions and thought processing. It represents the degree to which an individual likes or dislikes a person, place, job, thing, or event. Attitude is of following types:

5. **Positive Attitude**: People with positive attitude are optimistic. In order to encourage such kind of attitude among individuals, positive attitude are often rewarded.
6. **Negative Attitude:** People with negative attitude are pessimists who feel that they are often surrounded by problems and difficulties and also view all the individuals and situations as unfavourable.
7. **Neutral Attitude:** People with a neutral attitude do not feel like giving suggestions with respect to an event or feel that there is a need to change.

Components of Attitude

Every attitude has three components that are represented in what is called the ABC model of attitudes:

- A for affective
- B for behavioural
- C for cognitive

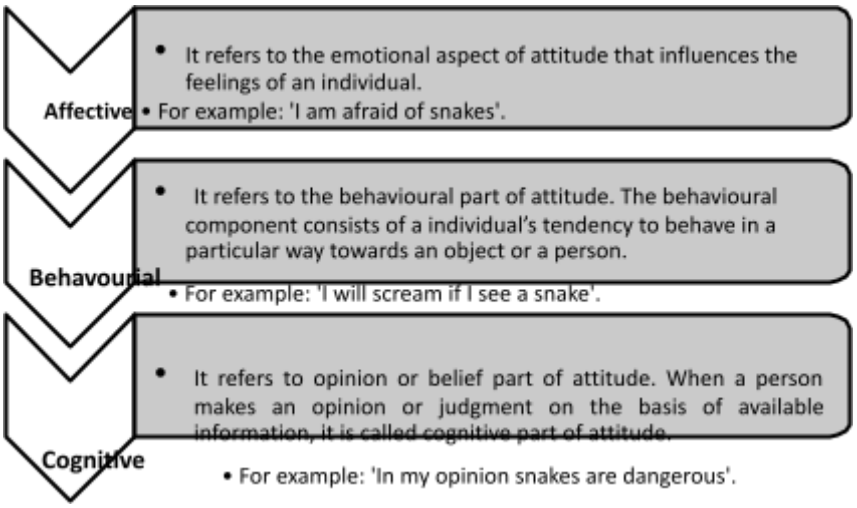


Figure: Components of Attitude

Attitudes and Behaviour

- Individual Attitudes and Behaviours: Attitudes and behaviours correlate to a considerable extent. A person possessing positive attitude spreads positivity in the environment for his colleagues. These people are always active as well as productive and perform better.

- Organizational Attitudes and Behaviours: Attitudes can have significant impact on the behaviour of individuals and those around them. Organizations must therefore create a conducive work environment, job satisfaction, some type of reward or bonus, and code of conduct amongst the employees in an organization.

Classification of Attitudes

Attitudes of people are classified into four different groups based on the

- Utilitarian: This refers to the attitude of an individual

which has been created through self- or community-interest.

- Rationale and knowledge: Understanding the rationale behind why a task is being allotted to a particular individual or a group, or why the organization has devised a specific type of strategy is another means by which people form attitudes, which are positive dispositions of the form and is better for the organizations' environment.

- Ego-defensive: Usage of attitude to protect the ego results in negative attitude. For example, a manager's criticism of an employees' work without offering suggestions for improvement can evoke a negative response from an individual.

- Value-expressive: People develop central values over time and it is the responsibility of the managers to understand the importance of values from employee perspective.

Impact of Attitudes on Workplace

Workplace attitudes have an impact on every person in the organization. Workplace attitudes aim at developing employee confidence, efficiency, and team-building abilities.

- Validation: The workplace attitude contributes substantially to the events that happen within the organization. For example, if there is a sales drop in a particular product for an organization, then an organization with a negative attitude will try to be defensive about the same, while the one with a positive attitude will immediately find out the causes behind the sales drop.

- Competition: Attitudes, in general, boost the competitive environment at the workplace. A negative attitude is responsible for creating mistrust among employees, whereas in a workplace with a positive attitude, inducing competitiveness is taken positively, which inspires

employees to perform better.

- Innovativeness: Employees feel that their ideas will contribute towards the achievement of organizational goals. A negative attitude restricts inventiveness as employees do not feel obliged to contribute to company growth.

- Withholding: Employee retention is being impacted by the attitude in the workplace. An organization with positive attitudinal environment makes the

employees feel that they have a big role in the contribution towards organizational success. A negative attitude leads to loss of experienced employees, which degrades the company's growth.

Changing Attitudes in the Workplace

Negative attitudes within the workplace impact customer satisfaction and decrease employee morale, leading to lack of productivity and efficiency. It is extremely crucial to exhibit positive attitudes at the workplace so that they lead to a healthy business environment.

- Setting Example: The mindset, thought process, and the communication by the manager often sets the tone of the unit or the office, and to display positive attitude is the initial responsibility of the manager or the company stakeholder.

- Identify Motivators: There are people in the organization who are motivated by either goals or rewards. The management of the company should identify them and find out what works best for each individual so that the workforce remains positive and motivated.

- Eliminate Troublemakers: An employee with a bad attitude can ruin the atmosphere of the organization and inject negativity amongst the people and their attitudes. It is highly recommended that these employed should be encouraged to participate in attitude-building workshops, and if they respond negatively to such strategies, then it is better to eliminate them from organizations.

- Proper Ambience: Neat and clean office surroundings contribute in building positive attitudes amongst employees in the organization. Also, the office décor contributes a lot to the building of attitude.

- Recognition: Employees should be praised and encouraged for good attitude and also rewarded for

promoting enthusiasm amongst others, and such groups should be steered to work towards the company's goals and objectives.

- Support: Offer support for employees going through difficult periods. Wherein employees bearing positive attitude exhibit negative behaviour, then there

should be a mechanism and communication channel where they can discuss their problems with the managers of the organization.

- Learning: Learning is a change in personality self-described as a new pattern of reactions in the form of skills, attitudes, habits, intelligence, or an understanding.

Perception

Perception can be defined as a process by which individuals select, organize, and interpret their sensory impressions, so as to give meaning to their environment.

Perceptual Process

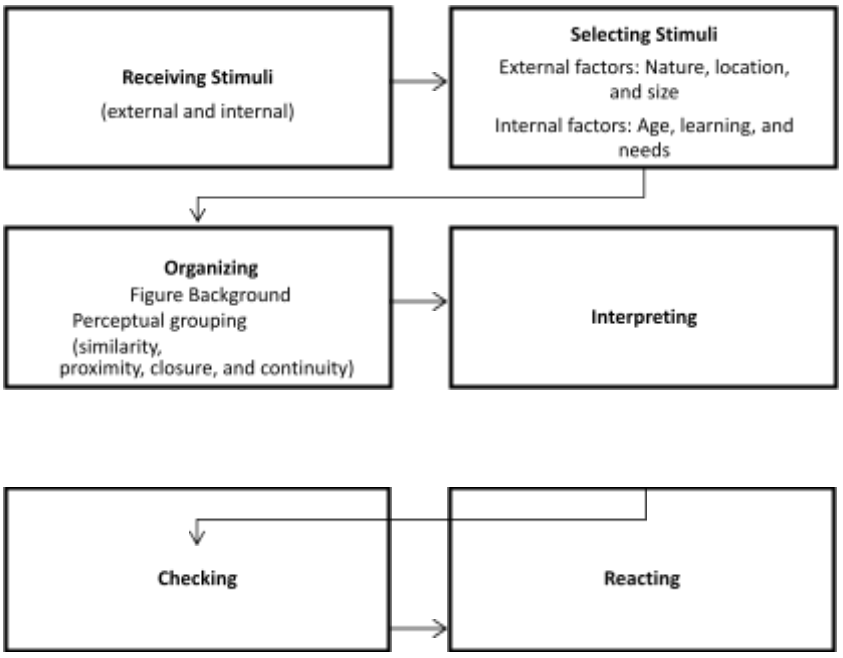


Figure: Perceptual Process

The perceptual process consists of six phases that have been explained i

- Receiving: The process of perception begins with the reception of stimuli from the environment. These stimuli may be received from different sensory organs. The sensory organs receive data regarding both physical and non-physical objects.

- Selection: It deals with separating the significant and insignificant data so that the relevant data can be processed further. The selection phase is influenced by external and internal factors.

- External factors: These factors include size, intensity, motion, repetition, location, familiarity, and so on.

- Internal factors: These factors include age, personality, motivation, learning, and so on.

- Organizing: Once the data is selected, it needs to be organized systematically so that it becomes meaningful. Following are the magnitudes of perceptual organizing:

- Figure background: This principle states that the correlation of an object to its background influences perception. According to this principle, the object stands out separately from their background.

- Perceptual grouping: The principle of grouping includes the fo

    - Similarity: The greater the similarity of stimuli, the greater would be the tendency to consider it as a group

    - Proximity: It refers to considering the factors that are close to each other as a group.

    - Closure: It means to perceive the whole part when nothin

    - Continuity: It refers to individual's ability to perceive continuous lines or patterns. It refers to an individual's capability to perceive some features of an object as remaining constant, regardless of variations in the stimuli.

- Interpreting: In this phase, the perceiver assigns meaning to the information. There are three major factors that affect the process of interpretation. These include the perceiver, the perceived, and the situation.

- Checking: The next phase checks whether the

interpretations made are right or wrong.

- Reacting: The last phase of the perceptual process is reacting. In this phase, the perceiver takes an action in response to the perception. The action taken is

influenced by the perception made. It means that the action will be positive, if the perception is favourable and negative, if the perception is unfavourable.

Factor Influencing Perception

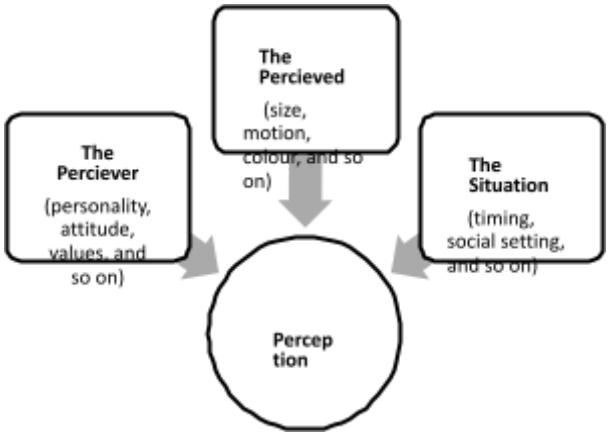


Figure: Factors Influencing Perception

- The Perceiver: The personal characteristics of the perceiver play a crucial role in the process of interpretation. Some of the personal characteristics of the perceiver that influences the process of perception include the perceiver's personality, attitude, values, beliefs, habits, and so on.

- The Perceived (Object): Characteristics of the object or target being observed also influence a person's perception. No object is perceived in isolation. Since every object has a relationship with its background, it is one factor that plays an important role in perception.

- The Situation: The physical, societal, and organizational setting of the situation also dominates a person's perception. The time at which an object or event can influence attention are light, heat, location, or any number

of situational factors.

Perception and Decision-making

As people's behaviour is based on their perception of what reality is and not on reality itself, it is possible that two persons can see the same thing but interpret it differently.

Based on the above, the following are some factors that affect perception and hence, it affects decision-making process:

- **Selective Perception:** People selectively interpret what they see on the basis of their interest, background, experience, and attitudes. This factor allows people to speed-read others but not without the risk of drawing an inaccurate picture. Hence, people's decision will be impaired by wrong perception.

- **Halo (Horns) Effect:** People draw a general impression about an individual on the basis of a single characteristic. This will negatively affect their decisions.

- **Contrast Effects:** It is evaluations of a person's characteristics that are affected by comparisons with other people recently encountered who rank higher or lower on the same characteristics. This factor also affects the quality of decisions.

- **Stereotyping:** It involves judging someone on the basis of one's perception of the group to which that person belongs. This will affect the decision-making process.

- **Rationality:** People are usually content to find an acceptable or reasonable solution to a problem rather than an optimal one.

- **Bounded Rationality:** Individuals make decisions by constructing simplified models that extracts essential features from problems without capturing all their complexities. This may not ensure the best decisions.

- **Intuitive Decision-making:** Intuition is often used when there is a high level of uncertainty. It may be used in the decision-making process when all given factors are ambiguous.

- **Overconfidence Bias:** We tend to be overly optimistic especially when our intellect and interpersonal abilities are low. This wrong perception will lead to wrong decisions.

- **Anchoring Bias:** It is a tendency to focus on initial information as a starting point. This occurs because our mind appears to place a disproportionate amount of emphasis on the first information it receives. This, in turn, does not help to take the optimal decisions.

- **Confirmation Bias:** We tend to selectively seek out information that reaffirms our past choices and discount information that contradicts our past judgments. This could happen even if we are not sure that this is the optimal choice.

- **Availability Bias:** The tendency of people to take decision on the basis of information readily available to them, whatever be this information. Is it enough to make the best decisions or not.

- **Representative Bias:** The tendency to assess the likelihood of an occurrence by drawing analogies and seeing identical situations in which they don't exist. This will lead to making decisions on a very weak base.

- **Escalation of Commitment:** An increased commitment to a previous decision in spite of getting negative information often leads to wrong decisions in decision-making process.

- **Randomness Error:** We tend to create meaning out of random events which is not enough to ensure the optimal decision-making process.

- **Hindsight Bias:** We tend to falsely believe that we would have accurately predicted the outcome of an event, after that outcome is actually known. This will confirm the situation, even if we believe that it was a wrong decision.

- **Personality:** Many personal characters like conscientiousness and self-esteem may affect perception and hence, affect the decision-making process.

- **Gender:** Women tend to analyse a decision prior to and after the fact more than men. This difference in length of thinking leads to more accuracy in making decisions, and also much time is consumed for taking a decision by women.

- **Cultural Differences:** There are differences in what problems to focus on, the depth of analysis, importance of logic and rationality, and preference for individual versus group decision-making.

PERSONALITY

Personality Definitions

Personality is the set of psychological traits and mechanisms within the individual that are organized and relatively enduring and that influence his or her interactions with, and adaptations to, the intrapsychic, physical, and social environments.

Factor Influencing Personality

The factors influencing personality are as mentioned below:

- **Biological Factors:** Biological factors are primary determinants of personality. These include heredity, physique and physical stature, nervous system, and so on.
- **Family and Societal Factors:** Family and societal factors are also responsible to a great extent in the formation of an individual's personality. The size of family and relations among the members of the family may be a major factor in deciding the personality of a person. Society also leaves a mark on the personality of an individual.
- **Situational Factors:** A person's personality is also influenced by situational factors. The effect of surroundings on personality is fairly strong. Mostly the actions of a person are influenced by situation, rather than his behaviour.

Big Five Personality Traits

- Extraversion and Introversion: People who are talkative and like to be surrounded by people are referred to as extroverts. People who prefer being alone and are not interested in what is going on around them are referred to as introverts.

- Agreeableness: This trait refers to a person's ability to adjust in all the situations and non-reluctance to change. They accept the changes whole heartedly and try

to overcome problems and help others. Individuals scoring high on this trait are friendly and accommodating than those scoring low on this trait. This trait includes characteristics such faith, selflessness, sympathy, friendliness, and so on.

- Conscientiousness: Individuals with this trait think in detail before coming to any decision or acting.
- Neuroticism: People high on this parameter have a pessimistic view about life. They tend to see only the negative things in life and often suffer from depression.
- Openness: People with this trait have a liking for creativity and are active. These people prove to be good at learning due to their readiness to learn and experience new things.

Myers–Briggs Type Indicator (MBTI)

The Myers–Briggs Personality Type Indicator is used to identify a person's personality type, fortes, and preferences. The goal of the MBTI is to allow respondents to explore further down the levels, their own personalities, including their likes, dislikes, strengths, weaknesses, career choices, and compatibility with other people.

The questionnaire is made up of four different scales:

8. **Extraversion (E)–Introversion (I):** Extraverts are 'outward-turning' and tend to be action-oriented, enjoy more frequent social interaction, and feel energized after spending time with other people. Introverts are 'inward-turning' and tend to be thought-oriented, enjoy deep and meaningful social interactions, and feel recharged after spending time alone.
9. **Sensing (S)–Intuition (N):** People who prefer sensing tend to pay a great deal of attention to reality, particularly to what they can learn from their own senses. They tend to focus on facts

and details and enjoy getting hands-on experience. Those who

prefer intuition pay more attention to things like patterns and impressions. They enjoy thinking about possibilities, imagining the future and abstract theories.

10. **Thinking (T)–Feeling (F):** People who prefer thinking place a greater emphasis on facts and objective data. They tend to be consistent, logical and impersonal when weighing a decision. Those to prefer feeling are more likely to consider people and emotions when arriving at a conclusion.
11. **Judging (J)–Perceiving (P):** The judging–perceiving scale helps describe whether you extravert when you are taking in new information (sensing and intuiting) or when you are making decisions (thinking and feeling).

Motivation

Motivation is the process of attempting to influence others to do your will through the possibility of gain of reward. It is the driving force that creates an urge to take action to achieve our desired goals. There is always a motivating force behind anything we do, and it is the intensity of our motivation which determines how well and how fast we succeed at obtaining what we wish to achieve.

For example, READY IT wanted a considerable increase in sales of their product Fastsol GIS App. So, the management decided to engage and motivate the sales and marketing team with an incentive. Employees who achieved their goals won five per cent of salary as their incentive. All the employees then were engaged in further upheaval of sales in that quarter. Around 98 per cent of the employees signed up for their 'Track and locate' feature campaign. The company's sales jumped to 13 per cent over the quarter.

Definitions

Motivation is the willingness of an individual to respond to organizational requirements in the short run.

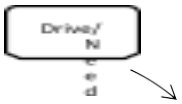
—Hodge and Johnson

Motivation is a reported urge or tension to move in a given direction or to achieve a certain goal.

—Shartle

Process of Motivation (Cycle of Motivation)

Forces for	Score
Management wants to go for implementation	**5**
Improved quality	**4**
Increase in work efficiency	**4**
Total	**13**
Forces against	**Scor**
Staff does not want to go for the implementatio n	**5**
Purchasing & Trainin (one time) and Maint cost	**5**
Acquiring people for tech support	**4**



Total	14
Customers	
Competitors	
Regulatory bodies	
Stakeholders	
NGO's	
Government	

The motivation process starts with a need, an individual's perception of a deficiency that triggers behaviour or drive that is intended at a goal. For example, an employee might feel the need for promotion, recognition, appreciation, challenging work environment, and so on. In order to satisfy these needs, the employee might decide on a particular course of action. If the employee's selected option leads to desired outcome, he/she might feel motivated by the reward to act in a similar manner in the future.

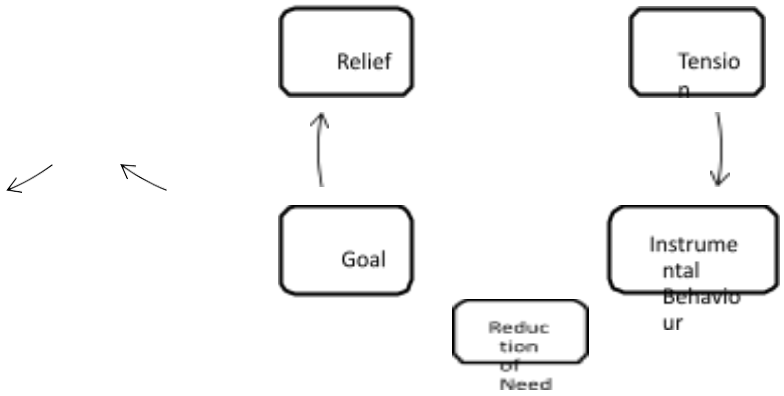


Figure: Cycle of Motivation

Stages of Motivational Cycle

The process of motivation begins with a drive which is often referred to as the driving state. A drive is created when an individual feels the need for something that he/she lacks and this creates tension in the individual. This tension in turn creates a driving state in an individual.

This urges an individual to behave in a particular manner such that the need can be satisfied.

The second stage of the motivational cycle is the instrumental behaviour. It is instigated by the tension caused due to the driving state. When instrumental behaviour leads to achievement of goal, the need is satisfied which leads to a temporary period of relief. This is the third stage of the motivational cycle.

Nature of Motivation

- **A psychological concept:** Every individual needs to be motivated in order to get the work done from him/her. However, before motivating the individual, it is very essential to understand his/her psychology so that appropriate motivational techniques can be used to create individual's interest in the assigned work. For example, a child can be made to concentrate on lessons at school, if the lessons are taught in a playful manner, which instantaneously arouses the interest of the child.

- **Continuous process:** The needs of organization (goals and objectives) also keep on changing. Accordingly, the manager has to keep on motivating the subordinates to achieve these changing needs. Thus, we can say that motivation is a continuous process. For example, for sales to go up, the organization wanted extra hours of effort from the employees and in return gave them five per cent compensation in salary for those who could achieve the target.

- **Considers whole individual:** An individual has different needs and all these needs are interrelated. Thus, the individual as a whole is to be considered for motivation.

- **It may be financial or non-financial:** Depending on the employee to be motivated, they can use either financial or non-financial type of motivation. Financial motivation includes hike in salary/wages, allowances, bonus, and so on. Non-financial motivation includes increase in responsibility, recognition, participation in the process of decision- making, and so on.
- **It may be positive or negative:** Positive motivation includes rewards for encouraging employees to perform better. For example, promotion, salary, hike, and so on. Negative motivation makes individuals perform better as they fear being punished, if the performance is not as per the expectation. For example, demotion, penalties, and so on.

Importance

- **Effective Utilization of Resources:** All the resources in the organization involve a cost and thus it is essential that these resources be utilized effectively. Motivation enables the employees to convert physical/financial resources to products/services. This is how motivation helps in effective utilization of resources.
- **Achievement of Organizational Goals:** Every organization exists to achieve some pre-determined goals and objectives. Thus, it becomes necessary that all the individuals working in the organization are motivated to put in their efforts towards achieving these organizational goals.

- **Improves Efficiency of Employees:** The work performance depends on the ability of the employee and his/her willingness to work unless it is converted into action. Motivation creates willingness as well as encourages the employees to initiate actions that help achieve the organizational goals.

- **Reduced Employee turnover and Absenteeism:** Motivation creates a willingness to work and to perform better. The employees would be satisfied with their own performance and the rewards/appreciation they would get from the organization. This satisfaction further leads to reduced employee turnover and absenteeism.

- **Cordial Organizational Relations:** A good motivation system can be developed by offering improved working conditions and framing effective incentive plans. Existence of a good motivation system will lead to job satisfaction. This will create an environment of confidence among the employer and the employees. Thus, there would be no or very few conflicts which would in turn lead to cordial organizational relations.

For example, Tata Steel has a course named as 'Aspire Knowledge Manthan', which facilitates knowledge sharing among supervisors and workers. Its objective is to motivate workers to perform better and to enhance their capabilities.

Types of Motivation

- **Intrinsic Motivation:** It refers to the motivation that arises from inside an individual rather than from any external rewards, such as monetary incentives or promotion. For example, a real-world example of intrinsic motivation which drives competence is the learning app 'Duolingo' which keeps users occupied. It uses progress visualization (known as skill trees) to show users their advancement in the lessons. As users become better, they earn experience points which are used to unlock the next level.

- **Extrinsic Motivation:** It refers to the incentives that are external to the individuals like monetary benefits, promotions, and so on. It basically talks about the motivation that develops from external rewards (like praise, award, and so on), or reinforcers (like policies and procedures, disciplinary actions, and so on). For example, a word of appreciation or hike in salary encourages a person to perform better.

- **Financial Motivation:** It means encouraging the employees to perform better, by offering monetary incentives. Monetary incentives increase the purchasing power of an individual and lead to satisfaction, since people can satisfy their material needs. For example, bonus, increment in salary, profit sharing, and so on.

- **Non-financial Motivation:** Apart from monetary incentives, there are several non-monetary incentives that can help in motivating the employees. For example, job security, recognition, job enrichment, delegation of authority, promotions, and participation in decision-making.

- **Positive Motivation:** Positive motivation is the process of attempting to influence the psychological needs of the employees. Positive motivation is based on an optimistic approach. For example, salary hike, perks, promotions, recognition, and praise.

- **Negative Motivation:** Negative motivation is the process of attempting to influence others to do your will through the possibility of punishment. It involves using negative incentives in threatening the employees to complete the given task. For example, demotion, dismissal, transfer, fine, and penalties.

Theories of Motivation

Case Study—This is an example of the conceptual model of Maslow's theory applied to a real situation. There was a manufacturing plant in which most of the managers possessed degrees in engineering, finance, and pharmacy. These mangers had very little or no training regarding human behaviour. Maslow's model acted as a blueprint and helped them to address the problems of lower productivity, issues of lost productivity, and unhappy labourers. With the help of this model, managers could identify not only the reasons behind the employees' behaviour, but also the actions necessary to change the undesired behaviour.

One day, a consultant who presented Maslow's theory to the management team of a manufacturing unit. Maslow's hierarchy of needs was used to identify the needs of labours. From the study, it was revealed that the labours had a decreased regard towards the traditional techniques of management and that the needs of employees had changed over the years, which in turn wad causing unrest among the labours. It was

noticed that the older employees were on a lower level of Maslow's scale (physiological and safety needs). However, when the newer generation of employees entered the unit, the management started facing resistance since the new workers had a higher level of education as compared to the older employees. The newer employees no longer sought satisfaction of their lower level survival needs. The newer generation had needs that correspond to the higher level needs of Maslow's hierarchy, for example, recognition and personal growth. The consultant then revealed the findings of his study to the management of the firm. These finding helped the management team to solve the problems and settle the unrest.

1. Maslow's Hierarchy of Needs:

Abraham Maslow proposed a theory 'Maslow's Hierarchy of Needs', in a paper titled 'A Theory of Human Motivation'. To describe the array of human motivation, Maslow used the terms physiological, safety, belongingness and love, esteem, and self-actualization.

Maslow's hierarchy of needs is usually depicted in the form of pyramid that has five layers, most basic needs being at the bottom. The first four layers are known as 'deficiency needs' or 'd-needs'. According to Maslow, if basic needs are not met, the individual will not have a strong craving for the higher level needs.

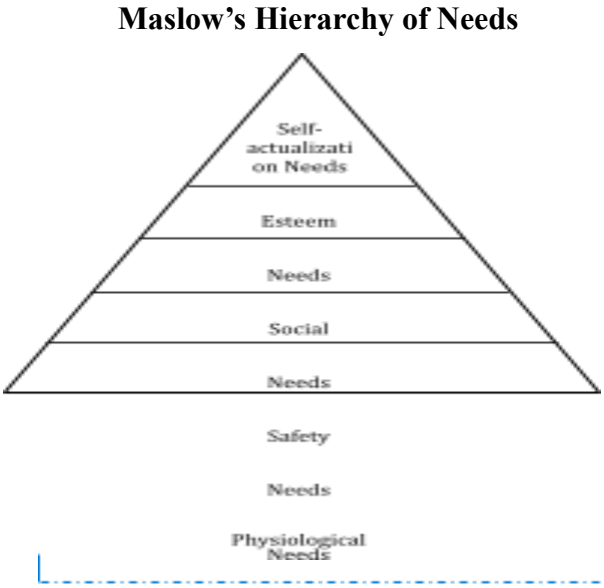


Figure: Maslow's Hierarchy of Needs

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The five layers are explained in detail below:

- **Physiological Needs:** If these needs are not fulfilled, the human body cannot function properly, and going further human survival also becomes impossible. Thus, these needs are considered to be most vital and must be fulfilled first.
- **Safety Needs:** Once the physiological needs are satisfied, the safety needs start dominating the behavioural aspect of an individual. Safety needs include physical safety, economic safety, environmental safety, emotional safety, and so on.
- **Social Needs:** This layer portrays the social needs of

an individual. Social needs are related to relational aspects and involve a sense of

belongingness. Social needs include need for love, need for belonging, and so on.

- **Esteem Needs:** After a person experiences a sense of belongingness, the desire to feel valued develops. Esteem needs may be either internal or external. Internal esteem needs include confidence, self-respect, freedom, and so on. External esteem needs consists of social status, recognition, and so on.

- **Self-actualization:** It is the journey of accomplishing one's full potential as an individual. Unlike the other level needs, self-actualization needs are never completely satisfied; with the psychological growth the need for excellence also increases.

Need	Examples
Self-actualization	Justice, wisdom, truth, and so on.
Esteem	Self-respect, independence, self-confidence, and so on.
Social	Love, affection, care, belongingness, friendship, and so on.
Security	Job security, health security, and so on.
Physiological	Air, water, food, shelter, sexual instinct, and so on.

Table: Examples of Maslow's Five Basic Needs

Limitations of Maslow's Hierarchy

- It is over simplified and is based only on human needs.

- All the employees may not have similar needs.

- Every employee may not follow the similar pattern.

- With the growing needs of the individuals, the assumptions of this theory may not hold well in today's context.

- Maslow's writings are more philosophical than scientific.

2. Two-factor Theory (Herzberg's Two-factor Theory)

The two-factor theory is also known as Herzberg's motivation-hygiene theory or dual-factor theory. This theory determines that some specific factors lead to job satisfaction, while there are other job factors that prevent dissatisfaction. According to Herzberg, the contrasting of 'Satisfaction' is 'No satisfaction' and the contrasting of 'Dissatisfaction' is 'No Dissatisfaction'. Herzberg classified the job factors into hygiene factors and motivating factors, and suggested a two-step approach to understanding employee motivation and satisfaction.

- **Hygiene Factors:** These are basically the factors that do not actually act as motivation, but if absent, results in demotivation. For example,
  working conditions, job security, fringe benefits, company policies, and so on.

- **Motivational Factors:** The presence of these factors creates a positive job satisfaction. For example, recognition, responsibility, status, personal growth, and so on.

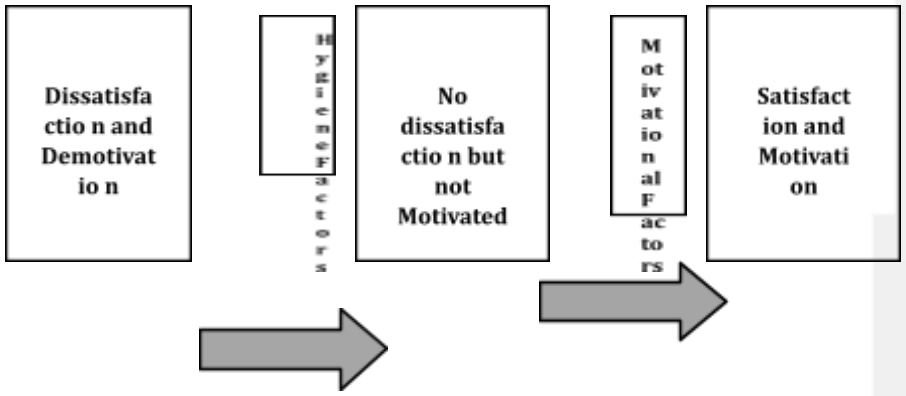


Figure: Herzberg's Two-step Approach.

Limitations of Two-factor Theory

- It does not take into consideration the situational variables.
- The theory assumes that, if there is greater satisfaction, there is greater productivity.
- The theory ignores blue-collar workers.
- No comprehensive measure of satisfaction was used. An employee may find his job acceptable, regardless of the fact that he may dislike a portion of his job.
- The two-factor theory is not free from bias as it is largely based on the reaction of the respondents. For example, an individual might blame external factors, such as salary structure, company policies, and peer relationship for dissatisfaction. On the other hand, he/she might also give credit to oneself for the satisfaction at work.

3. McClelland's Learned Needs Theory

Psychologist David McClelland proposed a motivational theory in 1960s known as 'need theory' or 'three needs theory', or McClelland's learned needs theory. This motivational model explains how the needs for achievement, power, and affiliation influence the actions of individuals in a managerial context. According to McClelland, all individuals have three types of motivation regardless of age, sex, race, or culture. These motivators fall under three categories such as achievement, affiliation, or power.

- **Need for Achievement:** Individuals with a high need for achievement aspire to excel and thus have a tendency to stay away from both low-risk and high-risk situations. They avoid low-risk situations since they believe success that is achieved easily, is not worth. According to achievers, high- risk projects are outcome of luck rather than one's efforts. Achievers expect regular feedback with an intention to keep an eye on the progress of their achievements.

- **Need for Affiliation:** Individuals having high need for affiliation call for sound associations with other people and feel the need to be accepted by other people. They believe in collaborating with other group members, rather than competing with them. Individuals having a high need for affiliation prefer tasks that provide noteworthy personal interaction.

- **Need for Power:** An individual's need for power may be of two types, either personal or institutional. Those with a need for personal power wish to direct others. Such a need can be perceived negatively by other group members. Individuals with a need for institutional power, wish to direct the efforts of others to achieve the goals of the institution. Individuals

desiring high need for institutional power are likely to be more effective than those with a high need for personal power.

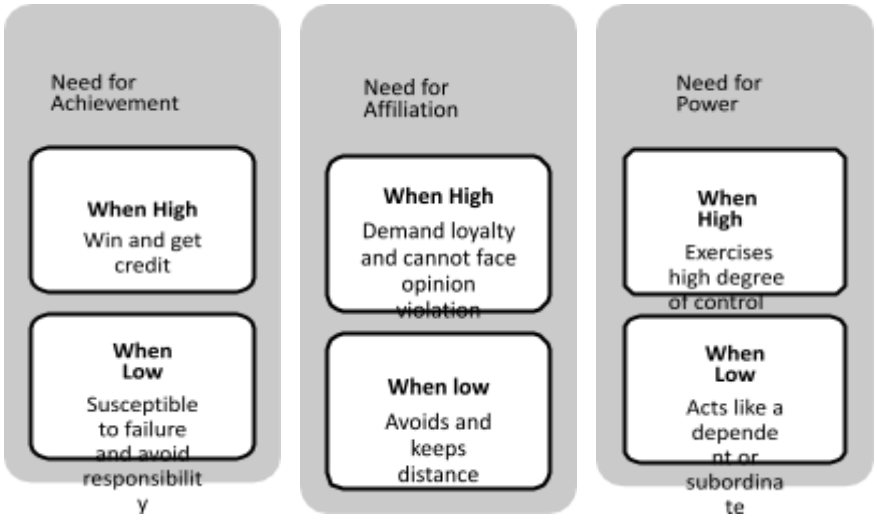


Figure: McClelland's Learned Needs Theory.

4. Alderfer's ERG Theory

Alderfer's refined Maslow's hierarchy of needs theory to synchronize with his research. His theory is called ERG theory of motivation. He compressed Maslow's hierarchy of needs into three simpler classes of needs, namely, existence, relatedness, and growth (ERG).

- **Existence Needs:** These include basic material needs of an individual. In simple words, existence needs include the physiological and safety needs of an individual. The diagram below depicts how these needs map to Maslow's hierarchy of needs. For example, if an individual is working and needs the financial security in order to improve other costs and expenses, they might be in the 'Existence' needs of the model.

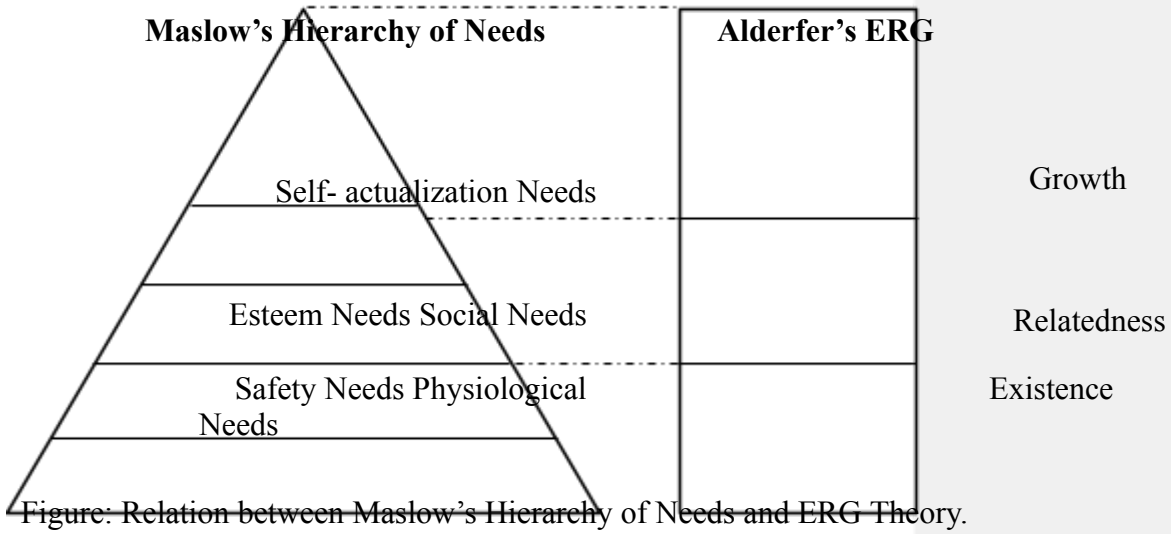


Figure: Relation between Maslow's Hierarchy of Needs and ERG Theory.

- **Relatedness Needs:** These include the desires possessed by individuals to maintain significant interpersonal relationships, receiving fame and recognition. Maslow's social needs and external component of esteem needs fall under this class of need. For example, for an employee who prospers on interpersonal connection and acknowledgement from others, their needs are in the 'Relatedness' sector.

- **Growth Needs:** These needs are related to needs for self-improvement, personal development, and growth. Maslow's self-actualization needs and intrinsic component of esteem needs fall under this category of need. For example, the needs for reflective 'Growth' indicate that an individual has reached a level where they desire to grow personally in the sphere of professional development and enhancement.

ERG theory and Maslow's theory differ on three key points:

- Unlike Maslow's theory that suggests progression of needs from one level to another, ERG theory suggests that an individual can be motivated by needs from more than one level at a time.
- ERG theory acknowledges that the significance of the needs may differ from person to person, depending on circumstances.
- It has a 'frustration–regression' element. This means that if the needs at one of the higher levels remain unsatisfied, individuals get frustrated, and go back to pursuing lower level needs again.

5. Self-determination Theory

The self-determination theory of motivation was developed by Edward Deci and Richard Ryan. According to this theory, people are driven by a need to grow and achieve fulfillment. The basic assumption of self-determination theory is that individuals are activity directed towards growth.

- **Competence:** Try to control the outcome and experience mas
- **Relatedness:** It is the universal desire to interact, be connected to, and experience a sense of belongingness.
- **Autonomy:** It is the universal urge to have control on one's own behaviours and goals.

According to Ryan and Deci, when people understand these three things become self- determined and feel intrinsically motivated to pursue the th that interest them. In order to

fulfill these needs, it is necessary to realize that the psychological growth described by SDT does not occur automatically.

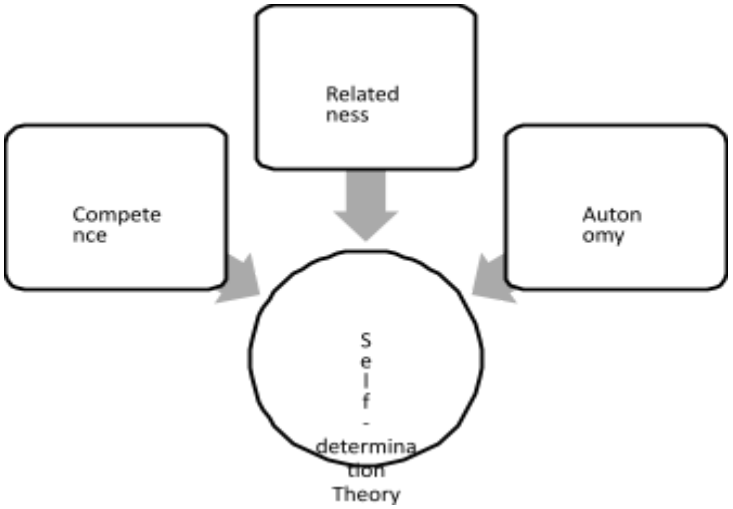


Figure: Self-determination Theory

6. Temporal Motivation Theory

Piers Steel and Cornelius J. Konig developed an integrative motivational theory known as Temporal Motivation Theory (TMT). This theory emphasizes *time* as a crucial motivational factor and focuses on the impact of deadlines on the allocation of attention to particular tasks. According to this theory, the perceived worth or benefit of an activity increases exponentially as the deadline nears. TMT is particularly useful for understanding human behaviours like procrastination and goal-setting.

The theory suggests that an individual's motivation for a task can be derived using the following formula:

Motivation = (Expectancy * Value)/1 + (Impulsiveness * Delay), where Motivation = the desire for a particular outcome

Expectancy = probability of success Value = reward linked to the outcome
Impulsiveness = individual's sensitivity to delay, and Delay = time for realization

B. Process Theories of Motivation

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Process theory is a commonly used form of scientific research study, in which events or occurrences are said to be the result of certain input states leading to a certain outcome (output) state, following a set process. (source: https://en.wikipedia.org/wiki/Process_theory)

Process theory proposes that if an outcome is to be duplicated, the process that originally created it also needs to be duplicated and that there are certain constant essential conditions to achieve the outcome. The process theories provide an explanation for 'how' something happens.

1. Equity Theory by Adams

John Stacey Adams developed equity theory of motivation in 1963. The structure of equity at the workplace depends on the ratio of inputs to outcomes. Inputs are the contributions made by the employees towards the organization.

Individual's outcomes/individual's own inputs = relational partner's outcomes/relational partners inputs.

Inputs: Inputs that a participant contributes to a relationship can be either assets (entitling him/her to rewards) or liabilities (entitling him/her to costs). Inputs typically include effort**,** time**,** determination**,** enthusiasm, loyalty, adaptability, flexibility, commitment, tolerance,

skill, personal sacrifice, support from co-workers and colleagues, education, experience, hard work, ability, and trust in superiors.

Outcomes: Outcomes are defined as the positive and negative consequences that an individual perceives a participant has incurred as a consequence of his/her relationship with another. Typical outcomes include job security, salary, expenses, recognition, responsibility, sense of achievement, praise, employee benefit, and Reputation.

For example, suppose there are two employees Rahul and Vijay. Rahul was given hike in salary and Vijay received higher hike for the same amount of work. Rahul would assess this change, notice an inequality, and be unhappy. However, if Rahul considers that Vijay was given more responsibility which means more work, and had hence received a higher hike in salary, then Rahul may assess the change and conclude that there was no loss in equality status, and hence he would not resist the change.

Propositions of Equity Theory

- Individuals try to capitalize on their results (where results are rewards minus the expenses.
- Groups can capitalize on joint rewards by developing systems for justifiably distributing rewards and expenses among its members. A system of equity develops within groups, and members try to convince other members to agree and adhere to these systems. The only way groups can persuade members to justifiably behave is by showing the advantages of behaving equitably. Thus, groups will generally compensate members who treat others justifiably and raise costs for those members who treat others inequitably.
- Individuals tend to get highly disturbed, if they find themselves in inequitable relationships. According to equity theory, a person who gets ‘too much’ and the person who gets ‘too little’ feels distressed by an equal measure, be it

guilt, shame, anger, or humiliation.

- Individuals who perceive that they are in an inequitable relationship, attempt to eliminate their distress by restoring equity. The greater the inequity, the more distressed people feel, and the more they try to restore equity. (Walster, et al., 1978)

Three Primary Equity Theory Assumptions Applied to Most Businesses

The three primary assumptions are as follows:

- Employees expect a return in proportion to their contribution, referred to as the 'equity norm'.
- Employees determine what equitable returns based on the efforts expended and outcomes achieved in proportion to their co-workers. This perception is known as 'social comparison'.
- Employees who recognize as being in an inequitable condition will establish inequity either by distorting their efforts and/or outcomes, otherwise known as cognitive distortion and this they do by directly altering inputs/outputs, or by leaving the organization. (Carrell & Dittrich, 1978)

Implications for Managers

Equity theory has several repercussions for business leaders:

- People weigh the totals of their contributions and rewards. This means the mother of an infant may settle for lower monetary reward in return for more flexible working hours.
- Different employees might attach different perspectives to contributions and results. For example, two or more employees having equal experience and skills and

contributing for the same work and for the same pay may have varied insights in the equality of the deal.

- Employees also adjust to the purchasing power and local market conditions. Thus, a car driver living in a small town in India may accept lower compensation than a driver living in the metro cities, such as Mumbai, Hyderabad, Bangalore, and so on.

- Although it may be acceptable for more senior level employees to receive higher pay, there are boundaries to the equilibrium in the scales of equity and employees can find disproportionate executive pay discouraging.

- Staff's perception on contributions and results may be incorrect, and observations need to be managed effectively.

- An employee who thinks he is getting overpaid may also adjust the values that he attributes to his own personal inputs and might internalize a sense of supremacy, which can actually decrease his efforts.

2. Expectancy Theory of Motivation

Victor Vroom from Yale School of Management proposed an expectancy theory in 1964 which emphasizes on outcomes and the results, and not on needs unlike Maslow and Herzberg. It states that employee's motivation is an outcome to what extent the employee wants to get rewarded (valence), the added efforts will lead to expected performance (expectancy), and the expected performance will finally lead to the reward (instrumentality). In brief, valence is the importance for the employee about the expected outcome. It is just the expected and not the actual satisfaction that an employee expects to receive after achieving the goals. The expectancy theory concentrates on the following three relationships:

- **Effort–Performance Relationship:** What is the probability that the individual's effort be recognized in his performance appraisal?

- **Performance–Reward Relationship:** It indicates how much the employee believes to get a fair performance appraisal and the organizational rewards.

- **Rewards–Personal Goals Relationship:** It is said that rewards also encourage employees to work towards their personal goals. Vroom stated that motivational force can be calculated using the formula given below:

Motivational Force (MF) = Expectancy x Instrumentality x Valence

For example, Let us consider the sales target to be achieved for a particular product, as we have talked in the starting example for the company **READY IT**. Sales and Marketing team getting a five per cent salary rise on achieving sales target was an attractive option (valence 0.9) and (expectancy 0.9) for the employees, and they were highly optimistic that it would work out based on their previous attempts.

By applying the formula, we see that the motivational force is very st

Motivational Force = 0.9 x 0.9 = 0.81

The range for the various components of motivation are as follows:

Component	Range	Range Definition
Expectancy	0 to 1	0 = perform unsuccessfully 1 = f perform successfully
Instrumentality	0 to 1	0 = outcome independent of performance 1 = outcome dependent on performance

Valence	-–1 to +1	–1 = avoidance of outcome 0 = indifference +1 = satisfactory outcome

Table: Expectancy Theory: Components of Motivation and Their Range.

Vroom's view states that the employees consciously decide whether to perform or not at the job. This decision completely depends on the employee's motivation level which instead depends on three factors, namely, expectancy, valence, and instrumentality.

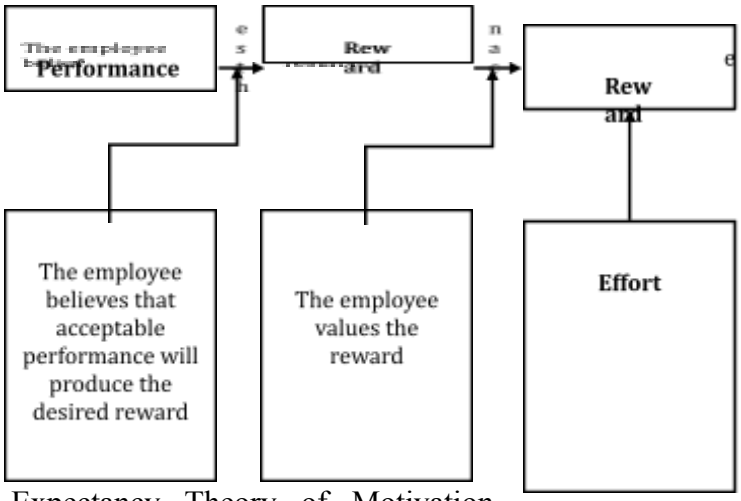


Figure: Expectancy Theory of Motivation

Advantages of Expectancy Theory

- It focuses on the expectations and perception; the real and act
- It highlights the rewards, pay-offs, or the other related aspects
- It focuses on psychological indulgence where the final notion of an employee is to achieve.
- It provides extreme benefits and least discomfort.

Limitations of Expectancy Theory

- It seems to be idealistic as very few individuals attain high degree correlation between performance and rewards.

- Its application and implementation is limited as reward is not directly correlated with performance in many organizations. It is also relevant with other parameters, such as position, effort, responsibility, education, and so on.

Implications of the Expectancy Theory

- Managers can synchronize the expected outcomes to the desired performance levels.
- Managers must make sure that the employees achieve their aimed performance levels in a simplistic manner.
- On the basis of performance evaluation, the deserving employees must be rewarded for their exceptional performance.
- The reward system must be free from partial and biased decisions, ultimately making it fair in an organization.
- Organizations must evolve into designing dynamic and challenging tasks for the employees. The employee's motivation level should be persistently evaluated and analyzed through various techniques, such as questionnaire, personal interviews, and so on.

Goal-setting Theory of Motivation

The goal-setting theory of motivation was introduced by American psychologist, Edwin Locke. This theory states that higher and better task performances are a result of contribution of complex and challenging goals along with appropriate feedback. In other words, goals

display and give path to an employee about what needs to be done and how much efforts are required to do it.

The important features of goal-setting theory are as follows:

- The willingness to work towards achieving a particular goal is the root source of job motivation. Clear, specific, and complex goals are great motivating factors than simple, general, and unclear goals.
- Specific and clear goals lead to greater result and best performance. Non- messed, easily measurable, and clear goals along with deadline for completion avoid misunderstanding.
- Goals set should be realistic as well as challenging. This provides assurance that one can gain a certain amount of pride and success on achieving them, which sets him up for success of the next goal.
- Feedback on outputs gives direction to the employee behaviour and also contributes to better performance than the absence of feedback. It is very useful in getting employees to work with more dynamism and leads to greater job satisfaction.
- The participation of employees in goals is not always desirabl
- Goal-setting plays an important role in making a goal acceptable and it leads to more involvement.

Certain Eventualities of Goal-setting Theory are:

- Self-efficiency: Self-efficiency is one's belief and faith that he/she has the capability of doing task. Higher level of Self-efficiency assures the greater involvement of efforts by individual when doing complex tasks. While, lower level of self-efficiency means less involvement of efforts by individual.

- Goal commitment: The theory assumes that the individual is involved to the goal and will not leave the goal. The varied factors on which the goal commitment is dependent upon are:

o Goals are made open, known, and broadcasted.

o Goals should be self-implied and not assigned by another indiv

o Goals made by an individual should possess the consistency and vision of organizational goals.

Advantages of Goal-setting Theory

- The theory is a kind of mechanism which can raise the incentives of employees to get work done with increasing speed along with steady effectiveness.

- Goal-setting raises performance levels by producing increasing motivation and efforts, but also through increasing and improving the quality of feedback.

Limitations of Goal-setting Theory

- - At times, organizational goals and managerial goals do not match. And ultimately, it has hampering effect on performance, if it is used to spread incompatible action drift.

- Setting of difficult and complex goals leads to danger zone.

- Employee with lack of skills and competency to perform work to be done for goal affects the success of the goal-setting and performance goes down.

- There is no strong justification or evidence to prove that goal-setting theory, by Locke, is responsible for improving job satisfaction.

Theory X and Y of Motivation

Human behaviour, like perception, has two contradictory aspects, a pessimistic (negative) behaviour of the employee and an optimistic (positive) one. The former is called Theory X and the latter is called Theory Y. It was initiated in 1960 by Douglas McGregor.

Assumptions of Theory X and Theory Y

Theory X (Pessimistic Views)	**Theory Y (Optimistic Views)**
Negative Attitude: Don't like work and find it boring	**Positive Attitude:** Like work and take interest in learning
Direction: To be forced to take effort	**Direction:** To take effort by oneself
Responsibility/Ownership: Avoided	**Responsibility/Ownership:** Self-imposed
Motivation: Material gains lead to motivation only	**Motivation:** Self-motivated under healthy environment
Creativity: Not encouraged by self and others	**Creativity:** Encouraged by self and others

Table: Theory X and Theory Y of Motivation.

Assumptions: Theory X

- On an average, employee resists work and will try avoiding it whenever possible.
- Employees emphasize on job security as being less ambitious.
- For the dislike of employee towards his work, he must be mandated with protocols and warned with punishment, so as to achieve desired goals and targets. Managers adopt a more dictatorial style.
- Employees do not easily accept change.
- Employees usually dislike responsibilities.
- An average employee always expects a formal guidance.

Assumptions: Theory Y

- Employees can perceive work as normal and utilize physical and mental efforts in an inherent manner in their jobs.
- Employees may not always need to be threatened by external control, but a sense of self-direction and self-motivation exits, if they are committed to achieve the organizational objectives.
- Rewards at job are motivating, leading to more loyal employe
- An employee can learn to identify and uphold the responsibility and sometimes to obtain the same.
- The employees may explore their skills and competencies.

- Their logical capabilities may lead to having a resourceful and worthy employee for identifying and resolving multiple issues, rising in and out of the organization.

Implications about Theory X and Theory Y

- Employees being the most valuable assets of the organization, Theory X is less preferred today. Theory X leads to exercising tight control and supervision. It indicates the reluctance of the employees towards the organizational changes. Hence, it does not encourage innovation and creativity.

- Plethora of organizations today is using Theory Y. As Theory Y implies that the managers should encourage an optimistic work environment providing opportunities to employees for taking initiative and being self-motivated. Employees should be given equal importance and opportunities towards the contribution to organizational enhancement.

- Theory Y expresses a distributed sense of power, teamwork, and participative decision-making in an organization. Theory Y elaborates on how an employee can make noteworthy contributions in an organization. It synchronizes and harmonizes employee's needs and aspirations with organizational needs and aspirations.

- This Module summarizes on the need and importance of motivation and also clarifies the theories of motivation as laid down by the management gurus.

Group and Group Dynamics

A group is defined as a number of individuals who join together to achieve a goal. People join groups to achieve a goal that cannot be achieved by them alone. A group consists of any number of people who:

- interact with each other,
- are psychologically aware of one another, and
- perceive themselves to be a group.

Group dynamics is referred as the 'field of inquiry dedicated to advancing knowledge about the nature of groups'.

Definitions

A group is defined as a number of individuals who join together to achieve a goal. People join groups to achieve a goal that cannot be achieved by them alone.

—Johnson & Johnson

A group consists of Any no. of people who:-

- *Interact with each other*
- *Are psychologically aware of one another*
- *Perceive themselves to be a group*

—Schein

Meaning of Group

A group is defined as a minimum of two or more than two people who in collaboration undertake tasks to achieve certain goals. These individuals come together either via an organization or through some societal bodies. The groups can be categorized into formal and informal groups and have common ideas, principles, and goals. In a group, these individuals can be given a collective identity.

Group Characteristics

The characteristics of a group are:

- Assembly of a minimum of two people with no upper limit
- Group Identity ascertains the identity of the group, which becomes the identity of members
- Collaboration and communication means sharing ideas and opinion through a certain communication medium
- Common goal of the members is to work towards a common objective

Classification of Groups

A group can be classified into two types:

Formal • Team groups • Work groups • Technology groups • Committees • Status groups • Command groups	**Informal Groups** • Friendship groups • Interest groups • Reference groups • Membership groups • Cliques

Figure: Classification of Groups

Formal Groups

Any type of committee formed by the organization can be considered as a formal group. For example, Research and Development Group, Placement Group, and so on.

Under formal groups are **permanent** and **temporary** groups, where permanent groups can be any departmental unit and temporary groups are formed to perform a specific task such as an event management group. Under formal group, there is the **command** group which constitutes a boss and his immediate subordinates and the chain of command is defined by the power and accountability accorded to the individual as per his role. The leader plays an important role and sets the objective for the group. The military groups are the command group. Formal groups include:

1. **Team Group:** The members within the team group have interchangeable roles and work in a specific project as a team.

2. **Task Group:** Here, the group is formed and members are allocated a specific task and nobody is in command of the group. Employees are not constrained to report to their immediate superior, or to seek approvals and bring the task to completion.

3. **Technological Group:** The team has to work as per the laid down goals, roles, and responsibilities.

4. **Status Group:** Members of a particular group enjoy special privileges, such as members of an elite club, and so on.

5. **Committees**: A group of people who are allocated a particular task or function. The committees are generally formed to address issues such as grievance redressal committee and investigate the issue and provide solutions for the same.

6. **Command Group:** This group consists of a manager and his team of members. The members of the group work on a project, and the progress status is monitored

by the manager from time to time. Membership of each employee in the group is directly correlated to his/her designation.

Informal Groups

An organization's informal groups are the groups that evolve to meet social or affiliation needs by bringing people together on the basis of shared interests or friendship. Thus, informal groups are alliances that are neither formally structured nor organizationally determined. The most obvious example is the friends group.

1. **Friendship Groups:** Groups often develop because the members within the groups are compatible to one other with similar opinions, thought process, common interest, and wavelengths and are known as social alliances. We call these formations 'friendship groups'.

2. **Interest Groups**: Groups that work for a specific objective or for a common cause is said to be having common interests.

3. **Reference Groups:** Comparing, analysing, and then taking decisions or forming opinions keeping in view a specific group; such groups are termed as reference groups. These groups are internal or external to the organization and for many one obvious example is the reference group.

4. **Membership Groups:** They are members of formal and informal groups. Members of this group are allocated roles and responsibilities and they enjoy benefits from the groups achieving a particular goal.

5. **Cliques:** These are groups which have people from different professions and are permanent in nature and informal in type. Here, employees develop opinions about each other, exercise some form of control, and establish norms regarding productivity and relationship with superior, peer, and subordinate.

Formal Groups versus Informal Groups

Parameters	Formal Group	Informal Group

Source/Evolution	− It possesses a structure and works for the organization. − Members of the group report to the manager and they are dependent on one another due to operational aspect.	− Voluntary formation. − Formation of such groups happens in formal organization. – Groups are formed from informal interaction between people of different units and work locations, where they share and exchange sentiments and views which give them social satisfaction not cared for by the organizations.
Authority	− Authority is allocated to a member as per the organizational hierarchy − Top management delegates authority to the individual.	− Authority is allocated to the person based on his seniority, age, and capability.
Communication	− Communication happens in a top-down or a bottom-up approach but strictly through the designated authority.	− There is no organizational hierarchy where communication is concerned, though people are connected with one another informally and information flows from every person to every other person.
Behavioural Trends	Employee's behaviour is controlled by organizational rules and regulations to attain productivity and efficiency. In case of any violation of the rule, the group member is subjected to punitive actions.	For an informal group, it is the moral value of any member to prevent himself/herself from breaking the norms. If the member still continues breaking the norms, then he/she is forced to exit the group.

Size	They are groups of large size.	They are smaller and close-ended groups.
Stability	These groups are stable for longer time frames.	These groups are unstable due to high level of emotions and sentiments attached.
Performance Rewards	May be financial or non- financial.	Non-financial and rewards in terms of status and prestige.
Group Dissolution	As per group dissolution directive from the management.	Group dissolution might lead to disintegration into different groups.
Number of groups	Organization is divided into smaller units or spread across locations, and these units or locations can be treated as formal groups.	In case of informal groups, they can be within or outside organizations and members can belong to various groups as well.

Table : Formal Groups Versus Informal Groups

Why Do People Join Groups?

People join groups for the following reasons:

- It provides a sense of security.
- It enables more interaction by work closely with one other, exchanging information, and sharing knowledge.
- It helps the individual to understand his/her own potentials.

- To improve their social status.
- To understand self-importance and worth.
- To understand the importance of group thinking and group decision.
- Goal achievement.
- Groups are associated with regulatory bodies.

Models of Group Development

Five-stage Model

The Five-stage model of group development was proposed by Bruce Tuckman in 1965 and the stages of group development are as follows:

- **Forming:** In the first stage, the members of the group try to acclimatize with one other and start learning new techniques and methods to work and interact with the teams. Since the team is newly formed, there is very little difference in opinion amongst the members.
- **Storming:** In the second stage, disagreements and differences within the group members arise as they try to showcase the validity of their opinions and objectives. At this stage, identification of roles and proper allocation of responsibilities to the individual members within the group are allotted.
- **Norming:** This stage is characterized by incorporating problem solving strategies and concepts and resolution of conflict. At the norming stage, the team learns to make decisions and implement course of actions.
- **Performing:** The teams are engaged in identifying their strengths and weaknesses while accomplishing the objectives. Teams become flexible in terms of taking up roles and responsibilities and the team is able to evaluate its effectiveness.
- **Adjourning:** A well-integrated group disintegrates after the task is accomplished to

- reform task oriented groups once again. These groups are given schedules and deadlines to perform the tasks. For example, the cabin crew of Air India who were strangers at the very first instance on a flight to Paris from Delhi, in few minutes had become a high-performing group. The organizational framework provides the rules, task descriptions, data, and resources required for the group to execute efficiently.

Punctuated Equilibrium Model

This type of group model is for transitory groups with deadlines, and the formation of the group does not follow the five-stage process. They go through transitions, that is, for some duration they are active and then they switch to inactive modes. Mostly during the mid of their tenure, they experience rise in productivity levels. A good example of punctuated equilibrium can be found in our own evolution. Homo erectus originated in Africa and migrated to places as far as China and Java, but persisted largely unchanged for nearly 2 million years, before becoming extinct shortly after modern humans migrated out of Africa about 60,000 years ago. Homo sapiens, in turn, originated in Africa about 150,000 years ago. There are certainly some changes in modern humans since some of us migrated out of Africa, but these changes are minor, and are certainly part of the 'stasis' part of punctuated equilibrium. Currently, with relation to group development models, there are two phases attributed to this punctuated model.

Phase 1

The group's direction is set first. Then, they are in the inactive mode locked in fixed course of action until a transition takes place when they have reached the midway.

The midpoint then becomes an indicator which urges the group to act fast and implement changes if need be in short bursts, with replacement of old arrangements and implementation of new viewpoints. The course of action goes in for revision and transits to Phase 2.

Phase 2

This period again starts with inactivity and the group executes plans created during the transition period. The model attributed to temporary groups with deadlines follows the sequence as prescribed below:

- First meeting assigns group's direction.
- Then there is a transition to phase 2.
- Before onset of phase 2, half of the time is used up.
- A transition takes place which initiates major changes in the second phase.
- Last meeting of the group is characterized by activities taking place at quick pace.

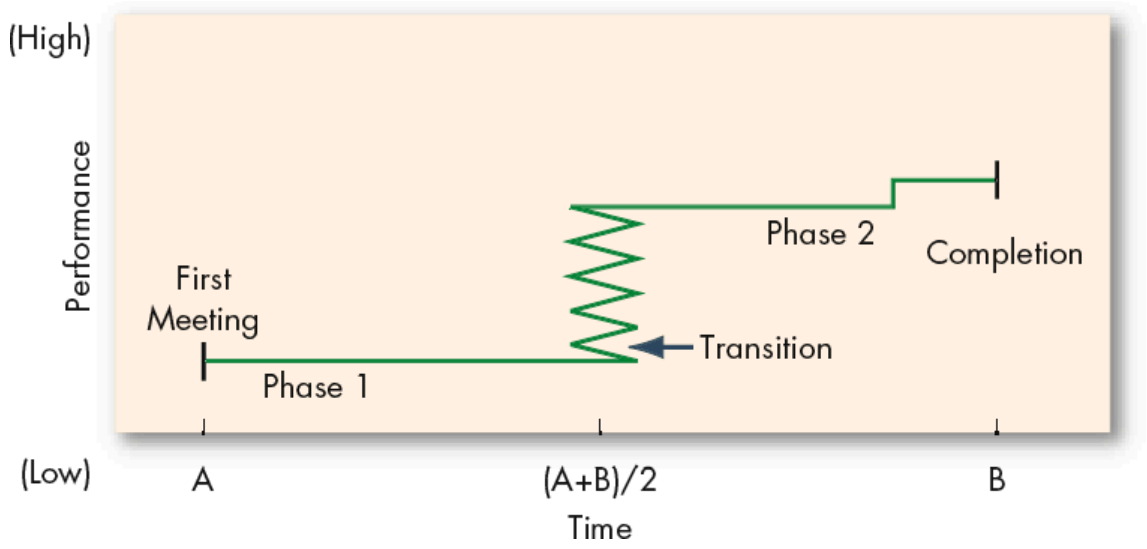


Figure: Punctuated Equilibrium Model

Meaning of Group Dynamics

Group dynamics basically relates to a group's formation, structure, interaction between people of that group, the processes followed by the group, and so on. The processes followed by that group can be task-centric, where the individuals in that group might concentrate on

collating information, summarizing it, drawing up an analysis for the same, or focus can be on societal aspects which include bringing a harmony amongst two different groups of the society, entertaining masses, encouraging groups, and so on.

Group Size

- Small groups varying from 2 to 10 people are very effective because every member of the group can actively participate and perform the tasks.
- Large groups do not allow every member to participate and their turn comes in sequence and a lot of time is wasted in structuring out processes. A member's satisfaction is of lesser importance in large groups because they do not get the opportunity to show their own skills very often and experience unity with others.
- Based on the size of the group, the behaviour of the group also changes in terms of frequency of conflicts, group norms, unity, and decision-making.

Group Rules

A role means a set of expected behaviour pattern attached to a position or post in a social unit.

Group Role

The role of an employee within the organization entails the responsibility the candidate is entrusted with along with the position title. Similarly, group roles are entrusted to the formal groups within the organization.

Types of Group Roles

There are three important group roles:

1. **Work Roles:** These roles are assigned to accomplish a specific task. For the said tasks, strategies are devised, tasks are assigned, and progress is evaluated. For example, during the semester, staff members are assigned the role of academic coordinator whose responsibility is to monitor the conduction of lectures in a smooth manner.

2. **Maintenance Role:** These roles help maintain participation and obligation to group by the group members on an emotional level. Examples of these roles may be encouraging other fellow members to participate, fawning and recompensing other members for their excellent contribution, and the like.

3. **Blocking Roles:** These roles are harmful for the group and tend to disrupt the group. The traits of a group assigned such roles are being dominant, aggressive, disruptive, and distracting other group members.

Role Identity

People shift roles rapidly when there is a change in situation and demand for change is also recognized. For example, when the union leaders were promoted to foremen positions, their attitudes changed from pro-workers to pro-management within a month of their promotion.

Role Ambiguity

Role ambiguity refers to the discrepancy between the defined role and perceived role.

Role Conflict

A person is confronted by divergent role expectations; this is called ‘role conflict’. For example, one performs the role of the servant, but when the same person is off the job, he performs roles like a husband, a father, a brother, and so on

Role Expectations

Role expectations are what other people believe one should behave in a given situation. For example, a teacher plays a role of a humble guide, being sincere and is always seen as a

guardian. Whereas, a manager is expected to be strategic, controller, and inspirational for his employees.

Group Cohesiveness

Group cohesiveness refers to the extent to which members interact with one another in the group, are influenced by thought process of the members within the group, and the extent to which they have faith and belief in the group, which enthuse them to remain the part of the group and work towards a specified set of objectives.

Advantages of Group Cohesiveness

- More of team work.
- Less difference in opinion.
- Improved dialogue with team members.
- Productivity of a cohesive group is high compared to non-cohesive groups.

Disadvantages of Group Cohesiveness

- Many a times, the ultimate goal stays aside for the fear of member separation from the group.

Group Decision-making Process

Group decision-making process is similar to a normal decision-making process constituting of the following steps:

- Problem identification
- Information retrieval
- Evaluation of alternatives

- Selection of an alternative
- Implementation of the alternative
- Result concluded from the implementation

For example, the production team at ABC Steel received a huge assignment for Hot Rolled Steel bar. They needed to come up with this new version for launch into the market in three months. The production team is working on its design and discussing it with all the members of the group, which is group decision-making.

Benefits of Group Decision-making Process

- With group formulating the decision, chances that the decisions are stoic and bold has a high probability considering the criteria, effect, and alternative. Overall integrity of the group also changes.
- Group decision-making also promotes tapping into a large information base where people who provide such types of information are experts in their own domain.
- Group decision-making can enhance the complexity of the entire decision process because there are too many alternatives and ideas made available by the people.
- If a decision is taken by a group, there is greater acceptance by the relevant authority and implementation of such decisions is much faster.
- People hold themselves more responsible and accountable in their own arena and of the decisions they have taken.

- The participants and the implementers of decision-making are the same, so commitment in people to see the implementation to success is also high.

Disadvantages of Group Decision-making

- With too many opinions and absence of a consensus group, decision-making might lose its effectiveness.
- In group decision-making, time required to take the decision is more which can indirectly affect the productivity of the group.
- Incorrect groupthink might make group decision-making less effective.
- Responsibility taken up by the members of a group may not be equally distributed within the group.
- Conflicts may arise within the group refraining it from being productive.
- Decisions can have high degree of polarization leading to problems.
- Group decision-making enhances cost in terms of money, time, and resources.
- Competitions can arise within the group members.
- Groups without a leader lack focus and the decisions taken by that group are vague.

Group Decision-making Strategies

Group decisions can be autocratic, democratic, or can be made by consensus.

- – **Autocratic** form of group decision-making implies that decisions are taken solely by the leader of that group and the success or failure of implementing that decision lies with the leader himself. Decision-making is fast and less time consuming. For example, Leona Helmsley of Helmsley hotel chain used autocratic style which made the hotel chain popular, but employees were bogged up due to her demand for perfection.

- **Democratic style** of group decision-making is a strategy in which a leader allows his team to vote for a decision. The alternative which gets the majority of the votes is taken as the final alternative. For example, it is said that Steve Jobs followed a democratic style of leadership, wherein he actively involved the top management group to make key decisions with regards to product designs and manufacturing.

- **Consensus style** of group decision-making strategy is where a decision is reached only after a group consensus. Though this is time consuming, it is highly effective since the decision is a blend of many ideas and information. Here, the consultation might be one to one or with the group itself. For example, in small business partnerships, where one partner is leaning towards inducting people from his previous organization, while another partner did not accept it, using a consensus process could help both partners arrive at a joint decision, and feel supported, respected, and trusted by one another.

Impact of Group on Individual's Behaviour

Individual behaviour is influenced by the group where he belongs to. For example, religious fanatic groups actually mould an individual's mind from a negative aspect. The three key phenomena of group influence are as follows:

- **Groupthink:** It is basically a group decision-making process where smooth and quick decision-making is the key without having focusing on more result oriented options.
- **Groupshift**: This is a phenomenon where a person loses his sanctity and identity and acts in accordance with the group.
- **Deindividuation**: It is the loss of a person's individuality that tends to undertake activities as dictated by the mob or the group.

Impact of External Factors on Group Behaviour

The external factors impacting group behaviour are as follows:

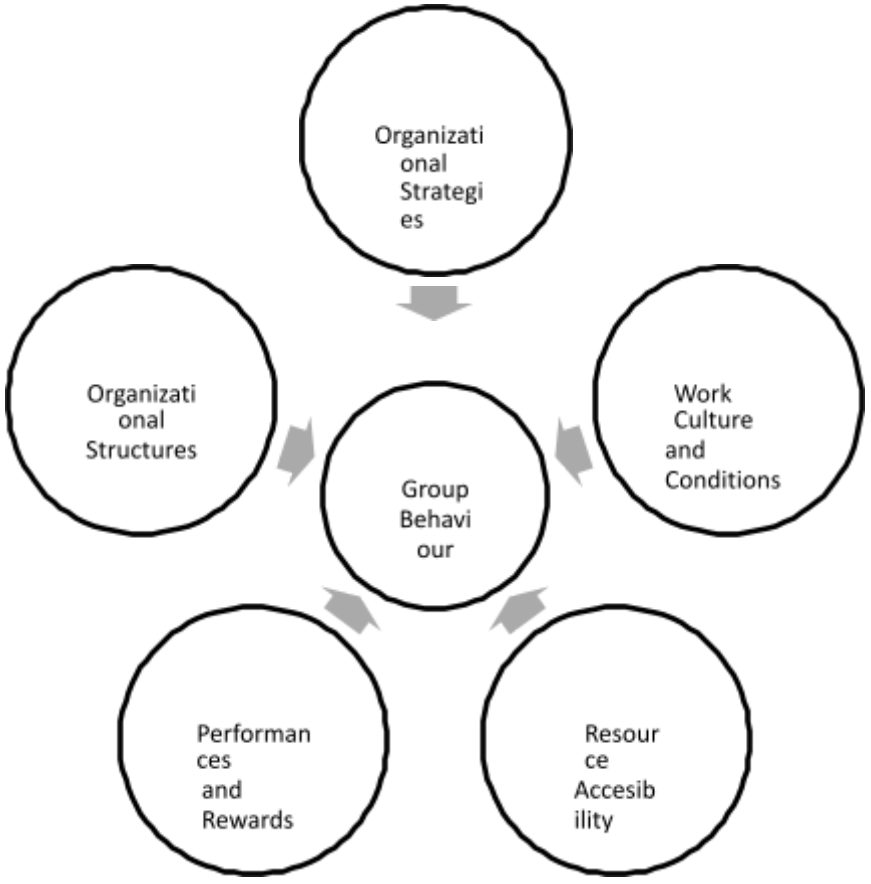


Figure: External Factors Impacting Organizational Behaviour

To provide a more detailed description of the various external factors impacting group behaviour within the organization, the following points have been summarized:

- The organization's strategy will actually evaluate the authority of task groups which will further enable the management to decide the allocation of resources to respective task groups to perform the desired tasks.
- Organizations use proper reporting structures which shows who reports to whom and who all are empowered with the authority of decision-making.
- Organizations formulate rules and regulations, policies and procedures, job roles, responsibilities, and descriptions to standardize employee behaviour.
- Availability and allocation of schedules, deadlines, material resources, and machineries also dictate the behaviour of the group within the organization.
- The behaviour of the group is also attributed to rewards and benefits accorded by the organization to its employees.
- Organization culture defines standards of acceptable and unacceptable behaviour for employees and they have to align themselves to the organization's culture.
- The physical infrastructure in the organization provides barriers and opportunities for task group interaction.

Team and Teamwork

Nature of Teams

Teams consist of a small number of people with complementary skills working towards a common goal or objective and hold a mutual accountability. Teams include individuals having different skills. All the members may not have common skills, but when put together, these diverse skills would help accomplish the desired output. All the members of a team work towards the achievement of a common goal and hold mutual accountability unlike in groups.

It is essential that the team does not have a large number of members as it would make the process of communication and influencing more difficult.

Team Characteristics

- **Clarity of Goals and Objectives:** Teams generally have goals and objectives, which are essential as these will help the team members to have better clarity about the vision and purpose of the team.

- **Communication**: Communication is a critical element in any situation. Communication among the team members plays a crucial role in the success of the team. No problem can be solved unless it is discussed considering different viewpoints.

- **Clarity of Roles**: One of the important characteristics of a team is clarity of roles. Each member has a clear understanding of the role to be played and tasks to be carried out by him/her.

- **Suitable and Situational Leadership:** Every team has a formal leader. However, the unique characteristic of the team is that the role of a leader can be performed by any other team member, if the circumstance so demands. In such

cases, the formal leader monitors appropriate behaviour and facilitates in creating positive norms.

- **Participation:** Opinions are valued and taken from the members whenever required. The leader specifies what kind of participation he expects from the members. Leaders help to create a climate of participation.

- **Open Discussion and Conflict (Functional Conflict):** In a team, members express their viewpoints and opinions on the ways of operation as well as the various functions of the team without any hesitation. There may be some hidden agendas as well. During this process, there can be disagreement among the team members. Such disagreements are taken positively by the team; thus the conflict turns out to be a functional conflict.

- **Consensus Decisions:** For important decisions, the goal is substantial but it is not necessarily a unanimous agreement through open discussion of everyone's ideas, avoidance of formal voting, or easy compromises.

- **Valued Diversity:** Each member of the team may have different skills or talent. Also, they might have diverse ideas, thought processes, and problem solving skills. These diversities are valued in a team.

- **Continuous Self-assessment:** While performing assigned tasks, the team stop in between to assess how well it is performing. Also, the team tries to identify roadblocks that interfere with its effectiveness.

Teams versus Groups

Sr. No.	Teams	Groups
1	Performance depends on individual as well as collective efforts.	Performance depends on individual members.
2	There exists both individual as well as mutual accountability.	Members of a group are accountable only for their individual work.
3	There is a focus on team goals.	Each member focuses on his own goals.
4	Teams are self-managed.	Goals are set by the management.

5	Members of the team possess complimentary skills.	Members of the groups possess diverse skills.
6	Team members are aware of the contributions made by other members of the team and they all contribute to achieve the result.	Group members are unaware of the accountability possessed by other members.
7	Team members bond with each other and resolve the conflict mutually and bring the manager into picture only when it is needed.	During conflict, members are quick to bring out what other members default at and allocate responsibility to the manager to solve the disputes.
8	Communication is open and benefits from different perspectives are appreciated in finding solutions to the problems.	Communication is closed in case of groups and level of trust is not so high as with that in the teams.
9	Effective management of teams encompasses idea generation, implementation, and control by the manager as well as members of the group to achieve the objective.	In groups, management is done only by the manager and others are instructed to perform a task, reducing them to a position where they can only take instructions.
10	Members of the team are trained in professional and technical aspects and team dynamics.	Developing the group members' skills required to execute the task.
11	Good performance is celebrated by all the members of the team.	Feedback is given when a member has committed a mistake and success is claimed by the manager only.
12	Teamwork is often a vital part of the business and a collaborative effort has always helped in the growth of the company.	For groups, it is only a short-term goal achievement.

Table: Teams versus Groups

Teamwork

Teamwork is the process of working in collaboration with a group of people in order to achieve a business goal. Here, people cooperate using their individual skills and provide combined effort, despite any personal grievances against any person or authority. Teamwork

helps employees build trust amongst them to reduce burnout and help the company in attainment of goals.

Benefits of Teamwork

Working in teams provides several benefits, some of which are mentioned below:

- **Effective Utilization of Resources:** Duplication of work is avoided when people work in teams. This leads to effective utilization of organizational resources.
- **Better Decisions:** When individuals work in teams, each of them gets an opportunity to share their ideas. Thus, before arriving at a decision on any of the issues, most feasible and effective ideas can be selected from an array of ideas.
- **Motivation:** The motivation level is higher when people work together as a team to accomplish any goal, rather than when they try to achieve it individually.
- **Self-development and Growth:** A team consists of people with different skills. Thus, while working as a team, members get an opportunity to upgrade and acquire skills that would lead to self-development and growth.
- **Organizational Enhancement:** Teams help the management through organizational enhancement that comprises of flexibility, increased innovation, and creativity.

Benefits of Teamwork from Organizational Perspective

- Higher productivity from a collaborative approach results in quality output.
- Consensus-based decision-making always generates better decisions.
- A consortium of ideas is generated when a team is there.

- Different perspectives expose team members to the broader concepts.
- Group discussions help team members to clarify issues and provide optimal solutions.
- In a team, problem solving becomes an easy task.
- Team members focus on the team's goals for longer periods of time.
- Seamless knowledge transfer between members and collaboration of skills result in formulation of innovative concepts which benefits the business.
- Team effort enables projects to get completed within deadlines and schedules.
- Implementation of a project plan, which includes allocation of team members to the project, allocating tasks to the team members, checking their project progress, and milestones definitely helps the manager to execute the project in a structured manner and makes it more achievable.

Benefits of Teamwork from the Perspective of an Individual

- Teamwork provides a rich work experience because of the exposure to diverse skill sets of others and is a source of motivation for every individual.
- Team members help in providing mutual support which enables an individual to attain goals, and the support can be in the form of work assistance or encouragement.

- A greater sense of accomplishment is perceived when there is an outcome from the collective effort expended for a task which was unachievable for a single individual.

- Greater and broader set of business benefits can be achieved through effective teamwork.

Disadvantages of Teamwork

- Some people do not enjoy working in a team.

- Equal level of job satisfaction might not be there for members working in a team.

- Conflicts might arise amongst the team members.

- Decision-making is a team effort but may be time consuming because every individual's approval is sought.

- Groupthink can dwarf a team's creativity and decision-making capability.

- Every member's performance is the team's performance, which suggests that if somebody is underperforming, then he gets a free ride to success if the team is successful.

- In case of personnel replacement or transfer from a team, getting another member into the team becomes awkward if the team has stayed in the project for a long time.

Processes of Teamwork

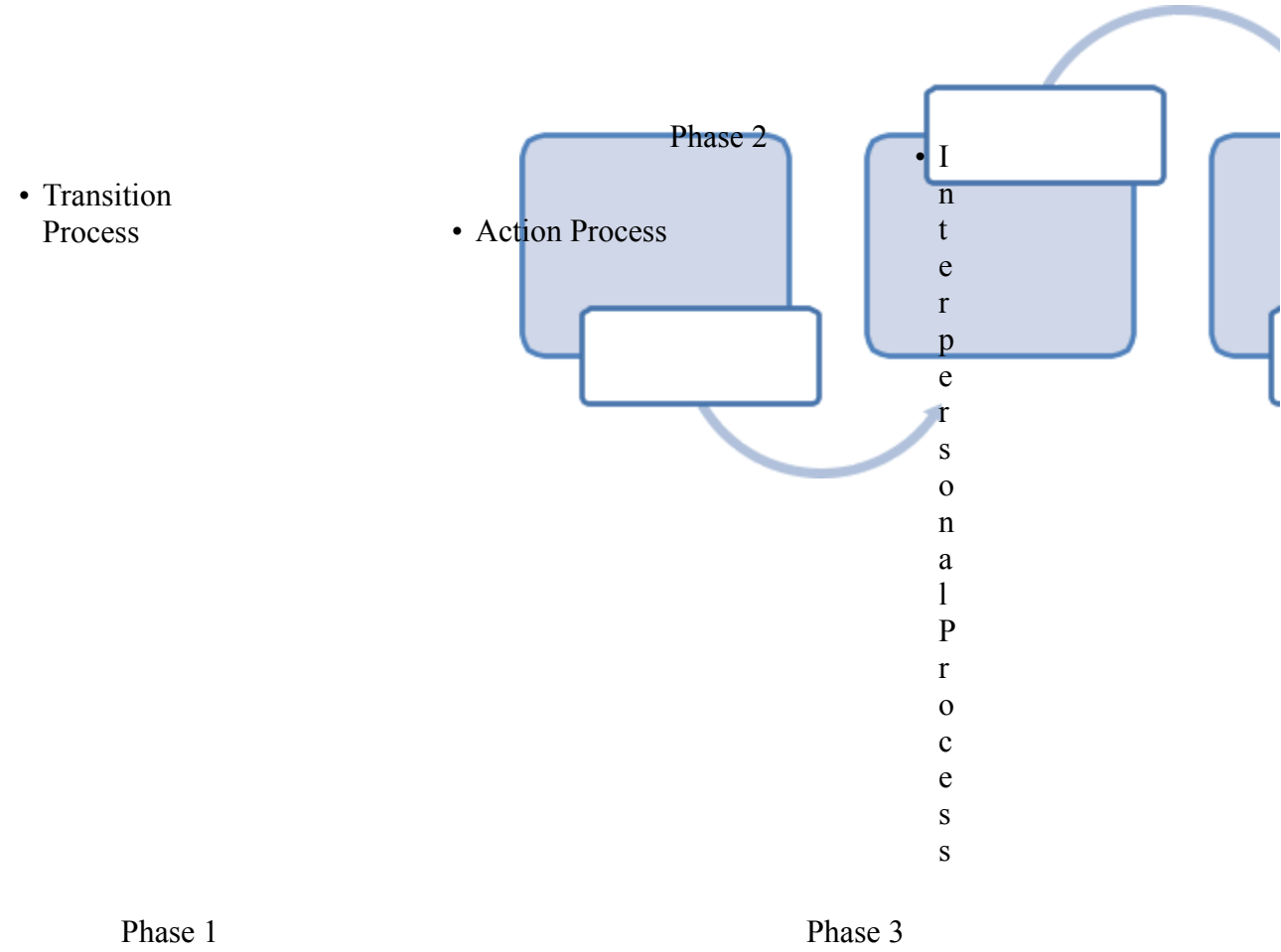


Figure: Processes of Teamwork

Transition Process: It deals with formation of the team and formulation of the mission, vision, goals, and strategies the team is devising.

- Mission of a team is basically laying down the objectives of the team. If the team is an organization of people, then it will be the objective of the organization.
- Goal specification is the identification of tasks and prioritizing them to achieve the objective.
- Strategy formulation is developing a sequence of deeds to attain the goals and accomplish the mission.

Action Process: It is the phase when the team performs its task or, in other words, executes the project it has been allocated.

- Tracking project progress toward completion of tasks and activities.

- Tracking and monitoring the use of technological, human, and informing resources.

- Coordinating the workflow and information flow between the various tasks and activities.

- Mentoring of the team members by providing extensive coaching and feedback on their performance.

Interpersonal Processes: It includes activities that occur during the transition and action processes. These include the following:

- Issue or conflict management to manage difference of opinions and avoid disagreements amongst the members.

- Motivate the team to work towards the common goal or achieve the organizational objective.

- Control of emotions by the various members of the team while working together.

Types of Teams

The types of teams can be classified on the following basis:

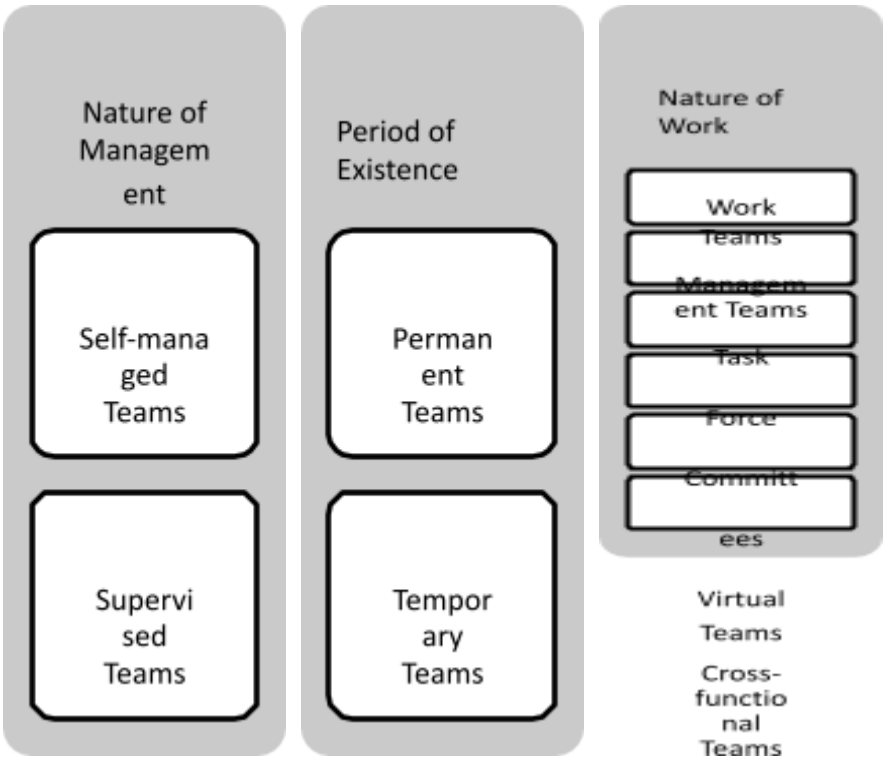


Figure: Types and Classification of Teams

Nature of Management

Classification of Teams

4. **Self-managed Teams:** These teams include a group of employees assigned to accomplish a particular task for the organization. Every individual member is responsible for his/her performance. A self-managed team is the one where the responsibility of operating lies on the team itself to achieve the target. The members of self-managed teams have considerable amount of autonomy and respect, the boundaries in which they are scheduled to operate as are decided by the management. Decisions taken by the self-managed team are the independent decisions with very less interference from the management. An organization in itself is a self-managed team.

5. **Supervised Teams:** The leader/supervisor sets the goals to be achieved and monitors the performance of all the team members. The leader is responsible for the overall performance of the team.

Teams Classification Based on the Period of Existence

- **Permanent Teams:** Functional departments like Human Resource department, finance department, operations department in an organization are best examples of permanent teams. These teams are not dissolved when one purpose is over. For example, Ronita and Janet were a part of a branding team with a leading company, and their task was to promote their brand and increase the brand value along with coming up with innovative marketing strategies for increased sales and turnover. They were extremely focused and ambitious, and managed to achieve their yearly targets along with keeping their team spirit high and motivating the members at frequent intervals. In addition, they mentored the members well, and for the last 10 years, the team was not dissolved at any point of time. Such teams are called permanent teams.

- **Temporary Teams:** Temporary teams are generally formed to assist the permanent teams. These teams exist for a short period of time and are dissolved once the task is over. When organizations have excess of work, they generally form temporary teams, which work in association with the members of the permanent team for the accomplishment of the task within the stipulated time. For example, during natural calamities, such as earthquake, floods, or tsunami, many temporary teams evolve that look after the provision of food, shelter, clothing, and security of the people living in these affected areas.

Teams Classification Based on the Nature of Work Performed

6. **Work Teams:** The work teams are predominantly concerned with the work done by organizations like manufacturing products, providing services, developing new products and services, and so on. The prime function of these teams is effective utilization of the organizational resources. This lesson identifies the different types of work teams commonly found in contemporary organizations, including functional, cross-functional, and self-directed teams. For example, functional teams handle specific functions, such as production, finance, and so on and cross-functional teams having members from finance, production, marketing, and so on put forth the perspective for a common problem from various angles. For example, Northwestern Mutual, a life insurance company in the early 1950s brought in people from the financial, investment, and wealth management sectors to understand the role of information technology and information systems (IS) on the business world and went on to create an IS repository that gave the organization a large competitive advantage over its peers.

7. **Management Teams**: These teams consist of individuals of managerial positions. They are permanent in nature since the purpose of these teams does not end with the end of a specific project or problem. The two major responsibilities of these teams include:

   - Providing guidance and counseling to other teams

   - Coordinating the work of interdependent teams

Employees who are on the board of management of any company comprise the management team of the organization.

8. **Task Force:** The organizations may sometimes form special teams in order to deal with a particular situation or solve a specific problem; such teams are called task force or problem-solving teams. These teams are temporary in nature and are dissolved once the purpose is served. For example, the Bangalore Metropolitan Task Force was entrusted with the responsibility of better protection of government property and lakes, rivers, and tanks given to the Forest Department.

9. **Committees:** Committees are formed to take care of a particular task or project. These may be either temporary or permanent in nature. Individual members of the team usually possess common interests and background. For example, cultural committee, sports committee, and so on.

10. **Virtual Teams:** The teams that do not meet physically in a meeting room but are connected via network are called as virtual teams. For example, a manager in Australia can communicate to a manager in India and the US at the same time via the internet. Virtual teams have evolved in today's world of the Internet, e-mail, videoconferencing, teleconferencing, and so on. The main drawback of virtual teams is not being able to meet face to face to build more accountability and trust.

11. **Cross-functional Teams:** A cross-functional team comprises individuals with different functional proficiency working towards a common goal. The members of this team may be working in different functional departments like marketing, operations, finance, and so on. Cross-functional teams might include people from different managerial levels. Also, the members may be internal or external to the organization.

Reasons for Team Failure

- **Unclear Roles:** Roles for each individual should always be clearly defined while assigning tasks. Unclear and vague roles can create confusion amongst the individuals, and the team might end up failing in its objectives.

- **Absence of Team Dynamics:** Team dynamics ensures that each member is respectful to the other member, and that the communication process is extremely transparent across members in the group. Lack of trust or too much of interference amongst the members might lead to non-attainment of results.

- **Inconsistent Vision and Goals:** Every team has to have some short- and long- term goals, and each goal has to be interpreted and understood by the team in the correct manner. If the goals are not realized properly, then the entire environment becomes chaotic and confusing, muddling up of the vision set for the organization. This problem can be resolved by discussing the vision from time to time and enduring its continuing validity.

- **Time Management:** Effective time management incorporates designing a detailed time plan, allocating resources, the schedules and deadlines, and the milestones so that they work with the fullest commitment and always remain focused to achieve the goal. If there are multiple projects running, then time management becomes a challenge for the project manager as well as team members. Interference or interruptions need to be minimized during project period.

- **Impact of Changing Market Scenario:** With the change in the market conditions or business situations, teams have to equip themselves with the ability to do correct analysis based on current market trends and changing scenarios, keeping in vision the long-term impact of the decision undertaken, otherwise there are chances that the project might fail leading to chances of team failures.

Creating Effective Teams

Building an effective team involves more than just gathering a group of skilled individuals. The most important aspect of building an effective team is to motivate all the members to

work towards a common goal. Some of the steps involved in creating effective teams are as follows:

It is of prime importance to define the purpose of the team. Setting a clear vision leads to successful functioning of the team and makes it easier to guide and direct the team members.

Three Performance Dimensions

The experts at McKinsey are of the view that it is not a single person, preferably the CEO, at the top-most position of the organization, who can lead the organization towards its growth; rather it is team dynamics which contributes to the growth of a unit or the organization. The prime areas of scrutiny are that the teams should have high degree of fruitful interactions, be adaptable to changes, and work towards a common goal where every individual in the team is aligned to the goal.

McKinsey's Take Away on Underperformance of Teams

Mckinsey's report states that any artificial programmes, events, or workshops do not actually enable the teams to perform well. The team performance comes from the actual execution of tasks by teams in a collaborative fashion and replication of how senior teams work together. The report states that for making teams perform well, the following points should be taken into consideration:

- Address issues simultaneously, for example, stakeholder management, managing organization's performance, and reviewing of top talent.

- Proper channelization of team's discontentment, by bringing in comparisons with competitors, focusing on threats, and analyzing alignment to industry best practices.

- Minimization of external interference—theoretical do's and don'ts do not affect the team's performance. If counsellors are appointed to speculate performances, then they need to see the working of the leadership teams.

- Finding the root cause of the problem and providing solutions.

The above findings are compiled from interviews taken of the top leadership teams from very prominent organizations.

- **Power**

The capacity that A has to influence the behavior of B, so that B acts in accordance with A's wishes.

- **The definition implies a <u>potential</u> that need not be actualized to be effective and a <u>dependency</u> relationship. Power may exist but not be used. It is, therefore, a <u>capacity or potential</u>.**

Contrasting Leadership and Power

- **Leaders achieve goals, and power is a means of facilitating their achievement**
- **Leadership involves the goals of the leaders and followers - Power does not**
- **Leadership focuses on downward influence (leader - subordinate) - Power does not**

Power - the ability to influence another person

Influence - the process of affecting the thoughts, behavior, & feelings of another person

Authority - the right to influence another person

Bases of Power

Having power and using power are two different things. For example, imagine a manager who has the power to reward or punish employees. When the manager makes a request, he or she will probably be obeyed even though the manager does not actually reward the employee. The fact that the manager has the ability to give rewards and punishments will be enough for employees to follow the request. What are the sources of one's power over others? Researchers identified six sources of power, which include legitimate, reward, coercive, expert, information, and referent. You might earn power from one source or all six depending on the situation. Let us take a look at each of these in turn, and continue with Steve Jobs from the opening case as our example.

Legitimate Power

Legitimate power is power that comes from one's organizational role or position. For example, a boss can assign projects, a policeman can arrest a citizen, and a teacher assigns grades. Others comply with the requests these individuals make because they accept the legitimacy of the position, whether they like or agree with the request or not. Steve Jobs has enjoyed legitimate power as the CEO of Apple. He could set deadlines and employees comply even if they think the deadlines were overly ambitious. Start-up organizations often

have founders who use their legitimate power to influence individuals to work long hours week after week in order to help the company survive.

Reward Power

Reward power is the ability to grant a reward, such as an increase in pay, a perk, or an attractive job assignment. Reward power tends to accompany legitimate power and is highest when the reward is scarce. Anyone can wield reward power, however, in the form of public praise or giving someone something in exchange for their compliance. When Steve Jobs ran Apple, he had reward power in the form of raises and promotions. Another example of reward power comes from Bill Gross, founder of Idealab, who has the power to launch new companies or not. He created his company with the idea of launching other new companies as soon as they could develop viable ideas. If members could convince him that their ideas were viable, he gave the company a maximum of $250,000 in seed money, and gave the management team and employees a 30% stake in the company and the CEO 10% of the company. That way, everyone had a stake in the company. The CEO's salary was capped at $75,000 to maintain the sense of equity. When one of the companies, Citysearch, went public, all employees benefited from the $270 million valuation.

Coercive Power

In contrast, coercive power is the ability to take something away or punish someone for noncompliance. Coercive power often works through fear, and it forces people to do something that ordinarily they would not choose to do. The most extreme example of coercion is government dictators who threaten physical harm for noncompliance. Parents may also use coercion such as grounding their child as punishment for noncompliance. Steve Jobs has been known to use coercion—yelling at employees and threatening to fire them. When John Wiley & Sons Inc. published an unauthorized biography of Jobs, Jobs's response was to prohibit sales of all books from that publisher in any Apple retail store. In other examples, John D. Rockefeller was ruthless when running Standard Oil Company. He not only undercut his competitors through pricing, but he used his coercive power to get railroads to refuse to transport his competitor's products. American presidents have been known to use coercion power. President Lyndon Baines Johnson once told a White House staffer, "Just you remember this. There's only two kinds at the White house. There's elephants and there's ants. And I'm the only elephant."

Expert Power

Expert power comes from knowledge and skill. Steve Jobs had expert power from his ability to know what customers want—even before they can articulate it. Others who have expert power in an organization include long-time employees, such as a steelworker who

knows the temperature combinations and length of time to get the best yields. Technology companies are often characterized by expert, rather than legitimate power. Many of these firms utilize a flat or matrix structure in which clear lines of legitimate power become blurred as everyone communicates with everyone else regardless of position.

Information Power

Information power is similar to expert power but differs in its source. Experts tend to have a vast amount of knowledge or skill, whereas information power is distinguished by access to specific information. For example, knowing price information gives a person information power during negotiations. Within organizations, a person's social network can either isolate them from information power or serve to create it. As we will see later in this Module, those who are able to span boundaries and serve to connect different parts of the organizations often have a great deal of information power. In the TV show Mad Men, which is set in the 1960s, it is clear that the switchboard operators have a great deal of information power as they place all calls and are able to listen in on all the phone conversations within the advertising firm

Referent Power

Referent power stems from the personal characteristics of the person such as the degree to which we like, respect, and want to be like them. Referent power is often called charisma—the ability to attract others, win their admiration, and hold them spellbound. Steve Jobs's influence as described in the opening case is an example of this charisma

Case Study: https://courses.lumenlearning.com/suny-orgbehavior/Module/13-1-focus-on-power-the-case-of-steve-jobs/

Key Points

Power can be exerted by the use of force or violence. Authority, by contrast, depends on subordinate groups consenting to the use of power wielded by superior groups.

Weber defined domination (authority) as the chance of commands being obeyed by a specifiable group of people. Legitimate authority is that which is recognized as legitimate and justified by both the ruler and the ruled.

Weber states that legitimacy distinguishes authority, from coercion, force, power, leadership, persuasion and influence. Superiors, he states, feel that they have a right to issue commands; subordinates perceive an obligation to obey.

Authoritarianism primarily differs from totalitarianism in that social and economic institutions exist that are not under governmental control.

The three attributes of authority are status, specialist skills, and social position.

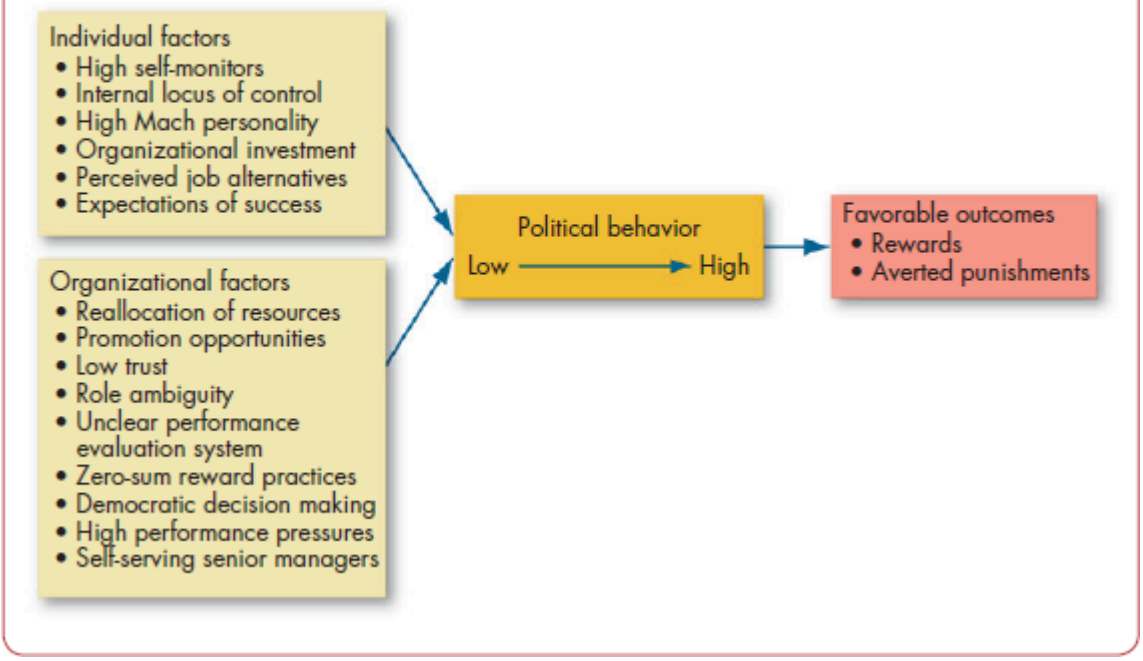
Key Terms

power: The ability to get one's way even in the face of opposition to one's goals.
authority: The power to enforce rules or give orders.

Indicators of Power

	Indicator	*Examples*
1.	Determinants of power power.	The capacity to use any of the bases of power : reward power, coercive power, referent power, legitimate power, or expert
2.	Consequences of power	Budget allocations, win-loss record in debated issues, ability to authorize exceptions to policy, authority to hire and fire others.
3.	Symbols	Size, location and furnishings of one's office. Invitations to attend social events and seating at those events.
4.	Reputation power. Seeking one's advice.	Comments by others acknowledging one's Asking for one's opinion.
5.	Representation on committees	The number and status of committee memberships; boards of directors, advisory councils, presidential task forces and executive committees.

Exhibit 13-3 Factors That Influence Political Behavior



Organizational Culture

Organizational culture refers to the pattern of beliefs, values, and learned ways of coping with experiences that have developed during the course of an organization's history.

Organizational culture is also termed as corporate culture which includes:

The process of conducting the business, the conduct of employees, customers, and other stakeholders.

The approach to decision-making and innovation of ideas.

The power and authority allocated across the levels and the information flow through the hierarchy.

The commitment level of employees and the approach to attain the objective.

It impacts organizations' performance, process, and productivity and aims at improving customer service, product quality, production methods, safety and security, marketing and advertising strategies, and product innovation.

It varies from organization to organization.

Definitions of Organizational Culture

The set of the set of beliefs, values, and norms, together with symbols like dramatized events and personalities that represents the unique character of an organization, and provides the context for action in it and by it.

—Gareth Morgan

A pattern of shared basic assumptions that the group learned as it solved its problems that has worked well enough to be considered valid and is passed on to new members as the correct way to perceive, think, and feel in relation to those problems.

—Edgar Schein

Subculture and Counter Culture

Subculture: A culture that emerges within different departments, branches, or geographic locations is called a subculture. For example, people working on the support desk may have a different culture which induces openness and human interaction or intervention than people working in the production unit which emphasizes innovation and management. A culture that evolves within different units and subunits or geographic boundaries is called a subculture. Mostly, subculture is attuned to the work environment and conditions.

Counterculture: It is defined as shared values and beliefs that are in direct opposition to the values of the broader organizational culture, countercultures are often shaped around a charismatic leader. For example, a unit within the organization may adopt frequently changing strategies which are at par with the current market, whereas another unit might be less flexible in adapting to the changes which can later be perceived as a threat and counterculture, which in due course needs to be eliminated.

Strong Versus Weak Culture

Strong culture is said to exist where staff respond to stimulus because of their alignment to organizational values. For example, Infosys as a company has a very strong organizational culture.

The **benefits** derived from developing strong and prolific cultures are as follows:

To work towards company's vision, mission, and objectives

Employees are highly inspired and exude trust

Increased solidity amongst various units and subunits of the organization

Promoting reliability with proper control within the company

Making organization more efficient by implementing sound execution concepts

The **deficiencies** are as follows: Company which has a strong culture provokes the concept of groupthink since the employees believe that what they think and do is correct. The concept of groupthink is dealt extensively in the Module of group and group dynamics.

Weak culture is where there is little alignment with organizational values, and control must be exercised through extensive procedures and bureaucracy.

Characteristics of Organizational Culture

The seven characteristics of organizational culture are as follows:

1. **Innovation**: Companies who adopt a culture which promotes exploring new ideas and avenues encourage employees to take risks.

2. **Detailing:** Detailing refers to the accuracy with which employees are expected to work and organizations which stress on the same, expect employees to work with precision than organizations which focus much less on the aspect of detailing.

3. **Result and Outcome**: Companies that focus on meeting the desired outcome attach importance on this trait of organizational culture. For example a company directs its marketing executives to do aggressive marketing so that the sale of their product achieves a significant high within a very short span.

4. **Employee-centric**: Companies that are employee-centric culture place a great deal of importance on how their decisions will affect the people in their organizations. In such companies, the culture is to treat employees with respect and dignity.

5. **Teamwork**: Companies that organize work activities around teams place strong emphasis on this characteristic of organizational culture. People who are employed in such companies have very good relations with their peer and manager.

6. **Competitive Edge:** Companies with an aggressive culture place a strong emphasis on being the market leader and outperforming the competition at all costs.

7. **Stability:** A company whose culture focuses majorly on stability is rule-oriented, predictable, and officious in nature. They provide consistent output and operate best in non-changing market conditions.

Organizational Culture and Its Functions

- **Culture Endorses Code of Conduct:** An organization with strong culture sets acceptable behavioural norms and code of conduct to achieve good business outcomes.

- **Culture Facilitates Recognition:** Organizations name and fame is based on the culture they adopt and the recognition they receive from adopting good culture.

- **Culture Provides Self-satisfaction:** Employees associated with organizations having strong culture are deemed to be satisfied employees.

- **Culture Provides Opportunity to Set the Standards of Performance:** An organization with strong culture enables employees to get a chance to set the performance standards. They try to achieve the standards. It becomes a tool depending on which organizations develop and prosper.

- **Culture Within Organizations Mentor Employees:** Organizational culture acts as a motivator that forms a base for employee guidance and control.

- **Organizational Culture Also Helps in Attainment of Goals:** A robust culture directs the stance and conduct of the employees towards the accomplishment of goals.

- **Culture Orients People towards Development:** Organizational culture develops implicit rules which make people oriented towards self-development and discipline.

- **Culture Inculcates Positive Attitude:** Culture inculcates positive attitude and good behavioural norms amongst employees.

- **Conflict Reduction:** A common culture promotes steadiness in observation and reduction in conflict because every employee is aligned to the culture of the organization.

- **Coordination and Control:** Organizational culture promotes steadiness of viewpoint and also facilitates processes of coordination and control.

- **Uncertainty Reduction:** Adopting the cultural mind frame simplifies the work methods, helps in selecting alternatives easily, and initiating actions in response to the alternatives.

- **Motivation:** A consistent and unified culture motivates employee so that he develops his identity, fosters belief and loyalty, and perform to his potential.

- **Competitive Advantage:** Strong culture improves the organization's chances of being successful in the marketplace.

Types of Organizational Culture

1. **Normative Culture**

   In such an organizational culture, the standards and procedures of the organization are defined before and the rules and regulations are set accordingly. The employees are bound by norms and stick to the policies of the organization, and there is no attempt to break the rules. For example, Accenture has normative organizational culture where standards and procedures are already set.

2. **Pragmatic Culture**: Customer satisfaction is the main motto of the organization in realistic environment and most of the companies follow this culture. In a pragmatic culture, customer is treated as God. Customer satisfaction is the main motive of the employees in order to get more business deals. Mostly, all service-based companies follow pragmatic culture.

3. **Academy Culture:** The organization which tries to follow this type of culture has a highly skilled employee base. The role and authority are distributed according to the technical qualification and education background and appropriate training programs are conducted as in an academy. Association of employees with the organization is of long duration. An example can be premiere management institutes across India.

4. **Baseball Team Culture:** In complete contrast to the pragmatic culture, a baseball team culture considers the employees as the most precious asset of the organization. These employees in due course exhibit indifference to their organization and ad agencies. Event management firms and financial institutions are followers of this culture.

5. **Club Culture:** Organizations have highly skilled professionals and are very choosy about the employees they induct with regard to their specialization, educational qualification, and areas of inclination. The organization follows the process of

promotions and appraisals on a regular note. For example, military organizations and legal firms.

6. **Organization-centric Culture:** In this, profit of the organization is more important. If organization is not able to perform well, then it terminates employees of organization.

7. **Performance-base Culture:** In such type, culture performance of an individual is important. Employee is under continuous observation and on the basis of performance, a person can be rewarded. Examples of this culture are loan disbursement firms and premiere car companies.

8. **Process Culture:** All the procedures of the company are very much important as they are already established. Reviews do not matter in such organizations. Employee should work according to the already establish procedures. IBM follows a process culture.

Levels of Organizational Culture:

Organizational culture consists of three interrelated levels of which some are visible and some are intuitive consisting of assumptions, values, and artefacts. The three levels of organization culture as portrayed by Schein are as follows:

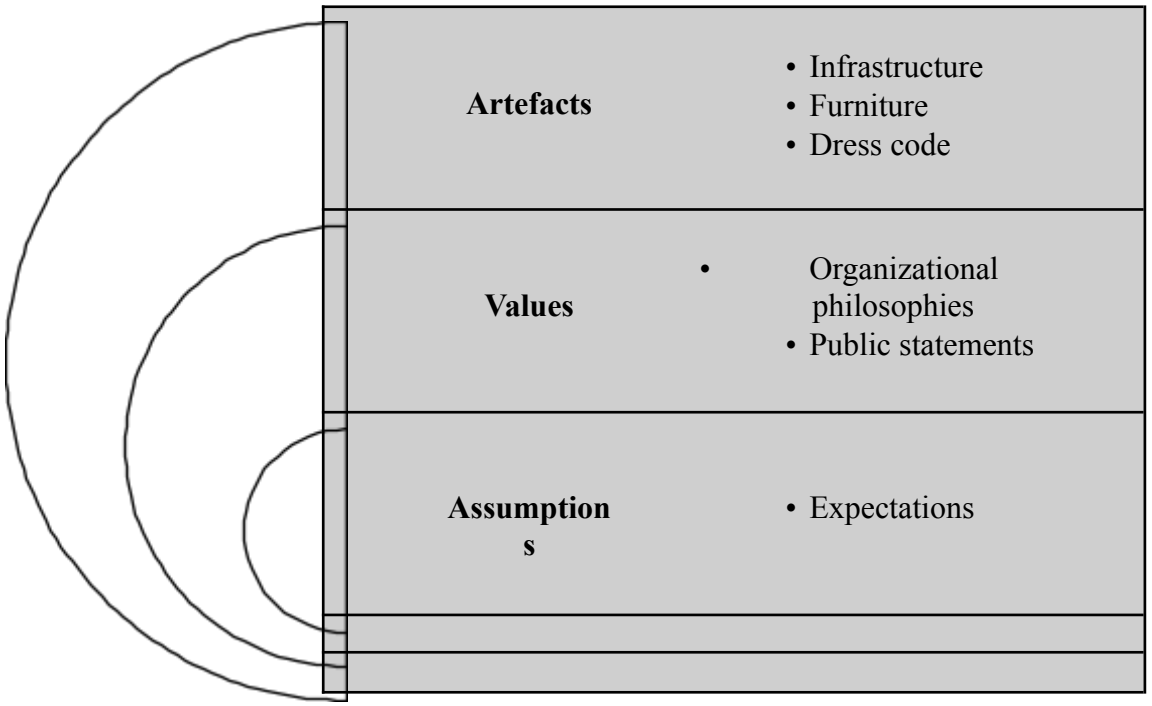


Figure: Levels of Organizational Culture

Artefacts: Architecture, furniture, and dress code, all denote organizational artefacts which are immediately recognized by other culture people.

Values: Espoused values are the organization's stated values which are inculcated amongst the members to project organizations values not only to others but also themselves. This is often expressed in official philosophies and public statements of identity.

Assumptions: Shared assumptions are deeply rooted and so well incorporated in the office dynamic that they are hard to identify from within. For example, a basic assumption on satisfied employees in an organization might be translated into values, such as consensus, transparency, and tolerance in relationships for which the artefacts might be conference rooms equipped with modern amenities, company lawns and courts and frequent company picnics where the employees get to interact with each other irrespective of the unit they are working in.

Dimensions of Organizational Culture

The organizational culture as defined by Geert Hofstede, social psychologist and an authority on global and organizational cultures consists of six dimensions:

1. **Means- Versus Goal-oriented:** These two aspects differ in 'how' and 'what', for example, a *means-oriented* culture focuses on '*how'* work gets done and avoids approaches which undertake risks whereas, a*goal-oriented* culture aims at finding 'what' work gets done and involves risk taking approaches. In such cases, outcome is also mandatory.

2. **Internally Versus Externally Driven:** Internally driven employees are those who think that they know what is best for the customer, whereas externally driven employees focus on customers' requirements and wants. As Steve Jobs once said, 'A lot of times, people don't know what they want until you show it to them.'

3. **Easygoing Versus Strict Work Discipline:** Work discipline refers to the structured method in which the work is executed and if some control is exercised, then there is more of imposition on employees to get it done in a methodical manner with focus on productivity and efficiency, whereas in an easy-going culture, the approach to work is informal, slack, unpredictable, and these factors steer fair amount of innovation.

4. **Local Versus Professional:** In an organizational culture, which is of local type, employees identify with their managers and the members of the team where risk taking is low because of social obligations, whereas in a company with a *professional* culture, employees identify with their work and this has low level of predictability since work needs to be finished.

5. **Open Versus Closed System:** In an *open system*, new employees are welcome with open arms and people fit well in those open systems but in closed ones, the adaptability to accept and align by employees internal to the system and employees external to the organization is constrained and employee satisfaction is also less.

6. **Employee- Versus Work-centered:** Organizational culture which is employee-centric keeps the employees satisfied and happy even at the expense of productivity and profitability but in a work centred environment, focus is on work performance and the leaders have extremely low level of sympathy where employees' personal problem is concerned.

Creating Organizational Culture

Creating organizational culture involves developing the identity of the organization, creating organizational values and sound traditions, and adopting best management practices. The prerequisite to creating or refining organizational culture is through a four-step process:

Acquire: First, knowledge, facts, skills, processes, and concepts are acquired.

Embed: All the above acquisitions are then embedded in the learning and practices followed by the organization.

Integrate: The various refined sub-processes within the processes are then integrated and then put for the next step.

Test: At this stage, the refined concepts are then tested and implemented.

Organizational Culture and Its Sustenance

The key entities which play a role in sustaining organization's culture are as follows:

- Selection practices adopted for hiring individuals with the right skill sets, knowledge, abilities to perform the tasks successfully, and have organizational values embedded in self. It is also characterized by potential task force that wants to work with the organization and are very much interested in knowing its history and culture.

- Socialization process in which a new employee is made to adapt to the organization culture prior to joining the organization is otherwise termed as pre-arrival. Encounter process which actually makes the employee understand the difference between expectations and realities followed by metamorphosis, wherein the employee masters the skills required for the job and takes up new roles and responsibilities.

- Stage of incorporation or rejection is the final stage with regard to the sustainability factor of the organization culture, where incorporation leads to acceptance of members by the workgroups and alignment to organizational culture by members and rejection leads to loss of values and goals.

Organizational Culture and Its Elements

The elements of organizational culture constitutes of:

- **Stories:** Stories in the form of laying the stones of foundation are challenges faced in the initial years by founders and leaders and how these issues were dealt with in the context of the organization forms the base of the culture the organization carries today. Employees of the organization tend to relate to the past based on the current scenarios and this gradually evolves as an organizational culture.

- **Rituals and Ceremonies:** Rituals are organizational events conducted when someone is accorded a promotion or in case of events like superannuation, resignation, project success, clinching deals, festivals, where the employees gather to celebrate in some form or the other based on the event and the circumstance. Ceremonies include national holidays or events like award

giving ceremonies where major contributors to the organization are facilitated.

- **Language and Customs:** A company's culture is often associated by language and customs where there are slogans, expressions, and sayings basically to motivate employees to achieve desired objectives or to ingrain in them the core ethics and values and focus of the company.

- **Symbols and Symbolic Action:** Symbols and symbolic actions remind employees of the organizations ethics and values and focus on clothing and office decor, whereas status symbols signify usage of the right behaviour with others as per the superiority and the individual's status and position. There may be many symbols around an organization showcasing products, services, and cultural etiquettes from around the world.

- **Beliefs, Assumptions and Attitudes:** Sharing of beliefs is a common culture across the employees in an organization and can make them not see through the dangers. Attitudes can be positive or negative where in members very positively adapt to the changing scenarios in situations where they show positive traits and always show resistance in case of the negative attitude, leading to a flexible or a constrained culture.

- **Rules, Norms and Ethics:** The norms and ethics of organizational culture are ingrained in artefacts, symbols, stories, and so on and to sustain culture, employees might abide by them.

- **Mission and Values:** Organizations mission statement is the underlying base on which future course of action is planned. For example, 'To be a globally respected corporation that provides best-of-breed business solutions, leveraging technology, delivered by best-in-class people.' is Infosys's mission in relation to consulting and IT Services. As for values, if employees are treated as important assets, then the organizational policies should provide them the necessary support.

- **Climate and Habits:** The climate of an organization is basically decided by the top management before it reaches the other level employees, and this constitutes whether the climate is conducive for employees to do whatever they want or pursue their dreams in relation to the organizational context and whether they are also able to spend quality time with family, and so on. People of an organization develop habits which are portrayed by the top leaders of the organization, so a lot depends on the steering committee of the organization to pave the way for a corporate culture within the organization.

- **Heroes and Artefacts:** Heroes are basically the founder members of the organization or people having special accomplishments, who have taken the organization through exponential growth or have helped the organization to diversify in other areas as well.

Ethical Organizational Culture: Sustainability Issue

When we use the term organizational culture, we are actually referring to the following aspects:

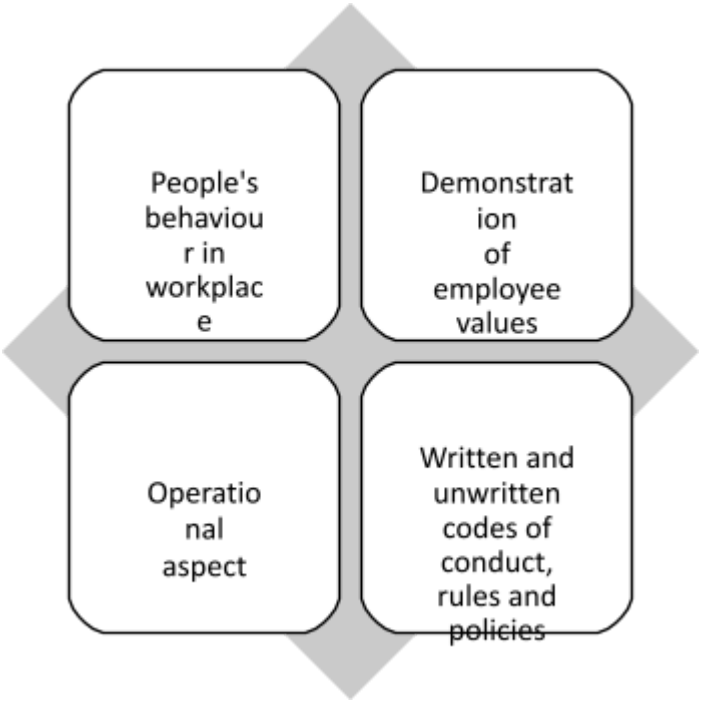


Figure: Ethics and Organizational Culture

To create and sustain an ethical organizational culture which is further a strenuous task, people need to align themselves to the organizations values and ethics which need to be discussed and communicated continuously across the levels, ensuring that leaders and staff members are aligned to those values and living the principles. An ethical organizational culture ensures the continuity in decision-making, trust building, consistency, and commitment in operating under difficult situations and challenging conditions when information is unclear and vague.

Changing Organizational Culture

Change management comprises three aspects of change instituted within the organizational culture: being adapting to change, controlling change, and effecting change. This incorporates defining and implementing changes in procedures and technologies to deal with changing business scenarios. From the information technology perspective, change management refers to information updates with relation to hardware, software, and tools for which employees need to adapt

themselves by building new structures and mechanisms to implement change. Change management is an important part of project management where a plan is designed to implement the changes.

Sometimes culture of the organizations needs to be changed especially when it becomes unhealthy or weak or when it acts as an obstacle in implementing new plan or strategy.

Guidelines for Changing Organizational Culture

- Formulate a clear strategic vision: Organization should have clear vision of its long-term goals and about new strategies that they will be implementing.
- Display top management commitment: The top level of management should be committed to their values and beliefs which also give positive image to managers and workers to follow and abide by the values.
- Model culture at the highest levels: Seniors executives are free to communicate and express the values to employees of the organization.
- Restructure the organization to support the new culture: The organizations structure should be redesigned or re-engineered with the changing time, and the workers should be able to adapt to the changes made in the organizational structure.
- Select and socialize new comers and terminate deviants: People need to be selected and terminated in terms of their consequences. This especially develops key
  leadership positions, where people's actions significantly promote new values and actions.

Develop ethical and legal sensitivity: Culture change may arise conflicts but the top management should able to convey and provide assistance to employees to adapt, keeping in mind the ethical and legal norms.

CHANGE MANAGEMENT

Change management is a systematic approach to dealing with change both from the perspective of an organization and the individual.

Nature of Change

Organizational change is the process by which organizations move from their present state to some desired future state in order to increase their effectiveness.

Characteristics of Change

- It is a process and not any event that has occurred.
- It is normal and constant in nature.
- Directive change is implemented by top to down in a management hierarchy.
- Participative change involves everyone or those who are directly or indirectly affected by the change.
- It is interdependent on organizational culture.

Process of Change



Figure: Process of Change

Stage 1: Unfreezing

- It means that old ideas and practices need to be cast aside, so that new ideas can be learned.
- It basically means to have an open mind and flexibility to accept new changes.
- It is basically breaking the current comfort zone and getting ready for change. So, a manager must help employees clear their minds of old roles and procedures.

The Unfreezing stage is probably one of the most important stages to understand the world in which we live today. With so many changes in Government's rules, policies, and processes, organizations have to discard old ways of working and introduce new operational procedures.

Stage 2: Change or Transition

- Changing is a step in which new ideas and practices are learnt.
- This process involves helping an employee think, reason, and perform in a variety of new ways.
- It can be a time of confusion, disorientation, overload, and despair. Patience is very important at this point.
- There should be hope, discovery, and excitement to overcome all chaos and enter a new mode of development. Big transitions to mobile-based services have been incorporated across IT and ITES organizations.

Stage 3: Refreezing

- It means that what has been learned is integrated into actual practice.
- The new practices get incorporated into the employee's routine behaviour.

- Successful on-the-job practice must be the ultimate goal of the refreezing step. In this step, emphasis is on stabilizing the work process after rapid change or transition.

- Organizational change is the process through which an organization moves from the present state to an improved state. Change is vital for organization's survival.

- Change management comprises three elements: evolution of the firm, its management and organization, and the people who work for it.

- External and internal forces change in an organization.

Forces Responsible for Change in Organizations

Changes brought forth from outside the organization are due to external causes and those from within the organization are called internal causes.

External Forces

The external causes which are instrumental in bringing the changes in the organization are as follows:

1. **Demographic Characteristics:** Diversity management is mandatory for organizations operating across the globe to ensure consistent contribution and commitment from employees.

2. **Social and Political Pressures:** With respect to social pressures, managers may need to adjust their style to accommodate changing employee values which constitutes
employees' needs and priorities. Political events can also create substantial changes. For example, the collapse of both the Berlin Wall created many new business opportunities and at this time in India, the BJP government has major plans for expansion across various business verticals.

3. **Globalization:** The organization has to rethink in the most efficient way to utilize its resources more efficiently and by making people think from global perspectives. For example, capturing new global markets in terms of products, services, and demographics.

4. **Economics**: Adaptability is very important in changing business scenarios, such as low supply and high demand, high supply and low demand, low cost product lines, or more efficient operational paradigms which can change the entire financial scenario.

5. **Competition:** Changes can also happen through mergers, acquisitions, launching of new products or services which can give a competitive edge to other players in the market. Therefore, a company has to strive continuously and enforce change with the rapidly changing market. If a change is not successful leading to weak financials of the companies, then also adaptability to such business situations is extremely essential.

6. **Technology**: Technological changes are a constant menace, and embracing new technologies requires adaptability. When media went digital, many companies quickly found ways to stay competitive while many failed in this endeavour.

7. **Legislation**: New laws and legislation can dramatically change operations for companies like the concept of value-added tax and service tax to be paid by companies consistently to the government or the individuals/group who has set up an organization/company of his own, who has to abide by the Indian Company Act and any new rule formulated under this Act.

Internal Forces

Internal forces constitute employee changes to social amendments to operational challenges.

8. **Problem of Manpower:** Symptoms of such problems are absenteeism and attrition which should be addressed by the organization by using innovative job designs, minimizing role conflicts, removing bias, distributing employee workload, minimizing stress, and so on. These problems arise from employee's perceptions of the treatment they receive at the workplace and the alignment of individual and organization needs and desires.

9. **Crisis**: A crisis also effectuates change in organizations especially like employee strikes which may lead management to take appropriate actions. Also, exit of people from leadership roles is a type of crisis that the company has to face. A much-publicized crisis of Exxon's oil spill from the tanker brought about many changes in Exxon's environmental policies.

10. **Employee Expectations:** Expectations from new employees of the company can be different from the expectations of the older ones as they have been inducted because of their additional skills and experience.

11. **Work Environment:** Work climate should be conducive and motivating for employees. Organizations who perform layoffs frequently do not exude such type of work climate and employees because of constant fear of being laid off fail to be productive.

12. **Reduction of Impact:** Declining impact causes companies to formulate change strategies, such as that some companies that experience their quarterly loss consecutively within a fiscal year are motivated to incorporate strategies—such as layoffs and massive cost—cutting programs, whereas others view the loss as symptomatic of an underlying problem and try to find out the cause of the problem.

13. **Management Change**: New CEOs or other executive board members can significantly affect strategy and business culture. Understanding consequences of changing new upper management is crucial to making a good decision on best fit.

14. **Organizational Restructuring**: Organizations restructuring to adapt to new business situations in terms of new product lines, or service deliveries, or global expansion require hierarchy and communication channels to be reintegrated and trainings to be imparted to adapt well to the new processes.

15. **Innovation from External and Internal Source:** Capitalizing on a new idea by organizations top management will require reallocation of resources, branding, and hiring.

Resistance to Change

People often resist change when the individuals feel that their freedom is threatened and give a negative reaction to the same. Some of the major reasons for resisting change are as follows:

- **Lack of Proper Communication**: News of a change spreads through the chain of command which is sometimes highly skewed giving incorrect information to the next level employees, and this can therefore cause resistance to change.

- **Self-ego**: Employees having personal agenda act on their own self-interest, instead of the organization's interest and hence resist change.

- **Feeling Excluded**: Employees who are decision-makers, when they hear of a sudden change, are offended for not having been considered to take decisions and hence they resist to change.

- **Lack of Reliance/Trust**: Lack of reliance or trust can make members of the organization violent and create negativity amongst them, which can ultimately lead to resistance to change.

- **Mastering Skills/Training Needs**: Having to work with a new technology can bring resistance amongst employees unless organizations set up trainings for employees prior to working with new technology.

- **Fear of the Unknown:** Change is always accompanied by uncertainty and is evidenced by a story from the past that when computerization/automation first came in India, the people from an esteemed organization were reluctant to change to computerized processes, since they were very comfortable in

their own arena and were not willing to learn something new and implement it.

- **Fear of Loss:** Change may lead to employees losing their jobs or reducing manpower when machines can achieve intelligence like man and work with minimal errors. Computer systems experts, for example, may feel threatened when they feel their expertise is eroded by the installation of a more user- friendly information system.

- **Fear of Failure:** Some employees fear changes because they fear that they will fail. In many cases, a change has led to failure. In one large library that was undergoing a major automation effort, employees had their doubts as to whether the vendor could really deliver the state-of-the-art system that was promised. In this case, the implementation never became a reality—the employees' fears were well founded.

- **Change in Interpersonal Relationships:** Employees may resist change that threatens to limit interpersonal relationships amongst their peer, boss, or subordinates. For example, with the onset of automation, the men at the assembly line of a factory feared that they would have minimum interaction amongst their colleagues in exchanging important know-hows on manual assembling of their product, since every task in assembling would be performed by the machines under the direction of a single supervisor at that point, thus decreasing interaction amongst the human resources and the need for them.

- **Personality Conflicts:** A person acting as a change agent if he/she emanates negative reactions from the employees, then the employees might resist the change. A change agent who appears insensitive to employee concerns and feelings may meet considerable resistance because employees perceive that their needs are not being taken into account. For example, while implementing critical incident management plan in a nursing institution, the chief staffing officer faced a lot of resistance from the senior nursing staff when he set the ration of 1:1, that is, one nurse to one patient system shift wise as they felt that they were being subjected to handle critical care incidents alone without more of staff support and for 70 per cent of their time in a month.

- **Politics:** Organizational change may bring in change in the balance of power, and groups or individuals who hold authority under the current scenario feel intimidated by losing these political benefits in times of change. For example, with rapid digitizations and launch of smart city concepts across the Indian sub-continent, an initiative by the BJP government, the stake holders of many organizations are fearing that control now will be increasingly government- centric and they will be losing monopoly in their operations and executions.

- **Cultural Assumptions and Values:** Sometimes cultural assumptions and values can be impediments to change, particularly if the assumptions forming the basis of change are unknown to employees. For IBM introduction, the concept of business process management in its work culture offered stiff resistance from the IBM employees during the initial years.

Managing Resistance to Change

It includes:

- **Phase 1: Preparing for change:** During the creation of the change management plan, the resistance points are envisaged and tactics are derived to confront resistance.

- **Phase 2: Managing change:** Once the change management plan is drafted, then in phase 2, the plan is executed by focusing on individuals through their own change process and addressing the obstacles for making the change successfully.

- **Phase 3: Implementing change:** The deviation report is derived at this stage and seen to what percentages have the individuals aligned themselves to the new workflows and processes. Evaluating the report allows the management to identify gaps and react to resistance that may still be occurring.

Do Change Management Right the First Time

Much of the conflict can be shunned from if effectual change management is applied in an organization from the very beginning. Considering the above, the following change management activities can be taken into account:

- Implement an appropriate change management plan.

- Involvement of senior-level management is mandatory.

- Communications that describe the need for change, the change impact, and the employee benefits.

Expecting Resistance

Even if a solution is an improvement to a problem, offer resistance as human beings tend to get very comfortable with their current status quo.

A second aspect of expecting resistance is when a certain project is getting started, so one should be specific about where resistance is likely to come from and the likely objections, and then the Management can confront it accordingly. So, the possible areas from where resistance can be due are:

- Employees who are working with the current tactic.
- People who helped create the current way of doing work.
- Employees fearing more work due to change.
- Employees who proposed the alternative solution to bring in change.

Identify the Root Causes

The root causes to resistance are evident, such as complaining, not attending meetings, not providing information or resources, or not adopting the change. Effective resistance management requires identification of the root causes of resistance, understanding why an individual is showing resistance, and so on. The root cause could also be the following:

- **For Managers:** lack of getting managers involved in designing the change and change management plan.

Engage Appropriate Resistance Managers

The Resistance Managers in an organization are the senior leaders, wherein they can moderate resistance by making a convincing case for the need for change and by showcasing their commitment to a change because the lower levels of management and employees look up to their senior leaders. Managers and supervisors should be keen on adopting change so that their employees follow suit.

Reducing Resistance to Change

Approach	**Condition where it is implemented**	**Advantages**	**Disadvantages**
Communicating and Training	Lack of information and analysis	People if convinced support to implement the change	Extremely time consuming when there are many people
Involvement	Where the employees have substantial authority to be involved	People's involvement results in successful change implementation with additional inputs or perspectives from them for greater effectiveness of change	If those involved suggest changes that are inappropriate to the situation, then their involvement will lead to wastage of time and effort
Facilitation and Support	Situations where there is less tolerance to changing conditions	No other mechanism to facilitate change	Can be time consuming, costly, and susceptible to failure

Discuss the change and agree on the implementation points—a form of negotiation	This method is adopted in situations where there are agreements made with the employee/employees for change implementations	This form of negotiation and implementation reduces resistance to change	Can be too expensive if others negotiate for compliance
Manipulation and co-optation	The inability to implement any other strategy	Relatively quick and easy in case of high degree of resistance	Manipulation if felt by employees or people in later period might have negative consequences
Explicit and implicit force	Initiators of change possess considerable power	It is fast paced and quickly implemented	Can be risky if it seeks people's displeasure for initiators

Stress Management

Stress is a feeling experienced when a person thinks that the demands exceed the personal and social resources the individual is able to mobilize.

For example, the employees of Company ABC were afflicted to high levels of stress due to increased work pressure, unrealistic schedules, environmental constraints, and some self-inflicted imbalance in work–life aspect. To resolve the stress, company introduced stress risk assessment methodologies and policy formulation, dictating appropriate stress management standards and circulation of these to all units, stress relieving sessions, such as regular yoga classes, laughter sessions, weekly team dinners, quarterly outings, and so on. Increased peer-to-peer and boss– subordinate interactive sessions, started up with a gymnasium and indoor play area for employees to maintain proper task allocation to avoid work overloading.

Definitions

Stress is a feeling experienced when a person thinks that, the demands exceed the personal and social resources the individual is able to mobilize.

—Richard S. Lazarus

Stress is the psychological, physiological and behavioral response by an individual when they perceive a lack of equilibrium between the demands placed upon them and their ability to meet those demands, which, over a period of time, leads to ill-health.

—S. Palmer

Understanding Stress

'Stress is not bad always'. In small doses, stress not only helps an individual perform under pressure but also motivates to give its best performance. This kind of stress is called *eustress* (good stress). However, when the stress exists for a larger span of time, places constant demands, and causes problems, then it is called *distress* (bad stress).

'General Adaptation Syndrome' says that people react in a similar way when exposed to stressors. A stressor is defined as something that causes stress.

Following Figure represents the three stages of the General Adaption Syndrome:

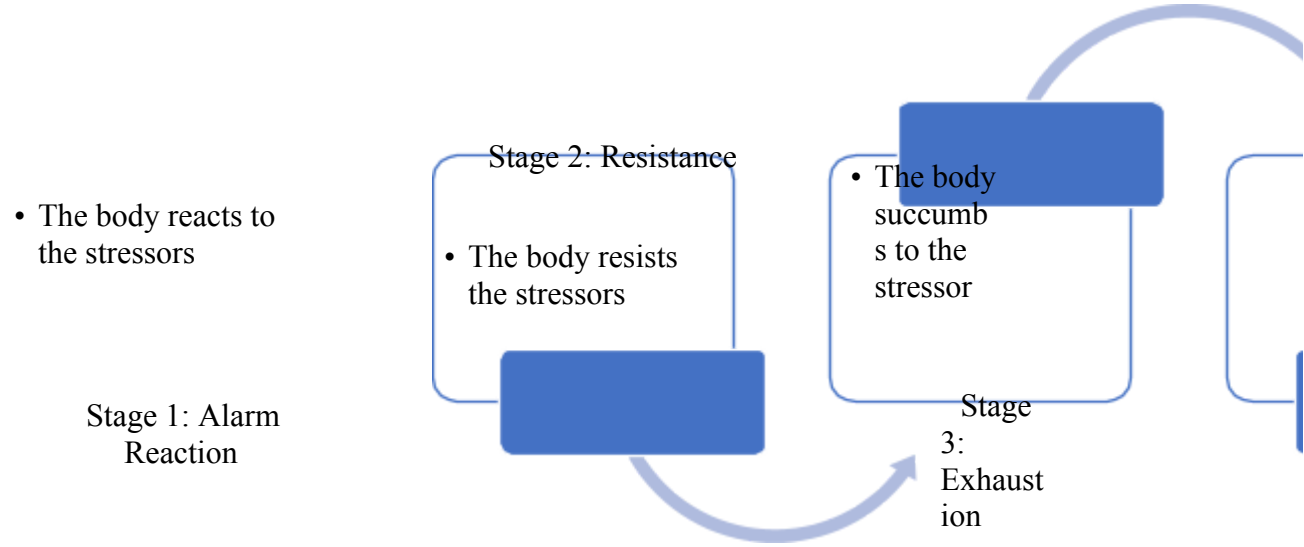


Figure: General Adaptation Syndrome

General Adaptation Syndrome

Stage 1 (Alarm Reaction): A stressor enables the body to use its alarm reaction. Any cause of worry or excitement that further cause emotional or physical changes can be called as a stressor and that leads the body to start alarm reaction.

Stage 2 (Resistance): After the alarm reaction, the body adjusts itself and enters the second stage of the general adaptation syndrome. This stage is called as the *stage of resistance* as the immune system resists or fights the stressor.

Stage 3 (Exhaustion): In extreme cases, the body enters the third stage of the syndrome, that is, the stage of exhaustion when the body is unable to resist. To overcome and to help resist and overcome the stressor, various medical treatments are necessary. If the stress is to the extent that even the body and medicine cannot fight against the disease, then death can occur.

Relation between Stress and Performance Level

- Certain amount of stress is necessary to succeed. This is seen at various events in life like sports, academics, and so on. The level of performance increases with the increase in the level of stress, however, this happens only to a certain point.

- On the other hand, when the level of stress increases beyond this level, the performance starts diminishing and also affects the health and well-being of a person. All stressful experiences aren't harmful as there are basically two kinds of stress.

- The term **eustress** is used to describe *positive stress*. It helps you meet challenges and do the best and makes life more enjoyable. Various situations like riding a roller coaster, successfully competing in an activity, passing a driving test, playing in the school band, and meeting new people are some examples that produce eustress.

- On the other hand, there are unpleasant situations that cause *negative stress* called as **distress**. Situations that cause worry, sorrow, anger, or pain leads to distress.

- For example, an outgoing person always likes to participate in extracurricular activities, at college or attend social events, but at the same time for a shy person, this would be a situation stress.

- There can be situations where you experience stress or distress for a similar experience at a different time. For example, if an individual is well-prepared for the upcoming test, then the test would be a situation of less stress, whereas if you are not prepared for the test, then it is a situation of distress.

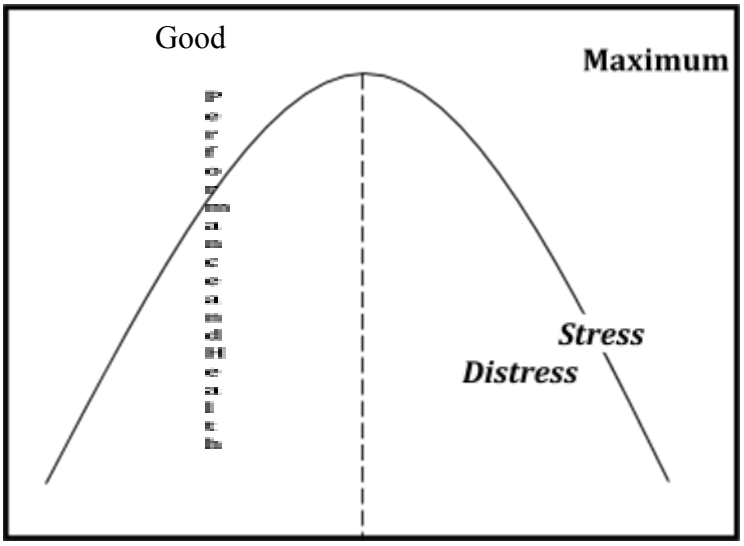


Figure: Stress and Performance

Signs and Symptoms of Stress

Stress can lead to various changes in a person's life who is experiencing it. It is seen many a times that people are experiencing stress at work and it can be prevented if required actions are taken at earlier stages.

It is that everyone looks out for the changes in the behaviour of a group or a person, so as to identify if there is any potential issue or stress-related problem to take positive actions as early as possible; this can be a raising matter with the line manager.

Stress can be seen in different ways. There are only signs mentioned below, but there could be other signs as well. Managers may need to manage the staff, upraising few of these signs in a different manner.

Signs of Stress in Individuals

If an individual is suffering from most of the following symptoms, it may be possible that there are effects of stress on him/her. If the work aspects are leading to these symptoms, speak to the line manager, trade union representative, or the HR department. As some actions taken on the early stages, may ease your stress, reduce or stop the symptoms.

Sensitive Syndrome

- Depression or negative feeling
- Feeling of loneliness and solitude
- Getting disappointed with yourself
- More emotional reactions like getting more aggressive, sensitive, or tearful

- Mood swings
- Loss of confidence
- Loss of motivation

Mental

- More confusion
- Poor memory
- Less concentration

Physical

- Headache problem
- Frequent infections
- Muscle beat
- Breathlessness

Changes in normal behaviour

- Changes in eating habits
- Arriving late or taking more time do to things
- Changes in sleep pattern
- Mood swings that have affect on the behaviour
- Increased drinking, drug, and smoking

Signs of Stress in Group

- Stress can be found at workplace too, and it can be contagious. If the stress in the organization is not noted and acted upon by the management at an early stage, then team dynamics may destroy, hampering the social and cultural synergies that exists in the organization.

- Managers play a different and unique role when it comes to deal with workplace stress. They would be responsible for assigning the tasks, maintaining the peace, and cherishing the social customs that direct the work group.

- Some other common signs include conflict, increase in staff turnover, more absence due to sickness, poor performance, difficulty faced to attract new staff, increased stress reports, increase in the number of compliances and grievances, and customer complaints or dissatisfaction

Types of Stress:

There are three types of stress—acute, episodic acute, and chronic. Each of these types possesses typical features, indicators, period, and treatment methods.

Acute Stress:

- This is a type of stress that occurs due to the day-to-day demands and pressures faced by every individual

- Acute stress in small amount creates a stimulation but causes fatigue when goes beyond a certain level.

- For example, riding a motor boat might be exciting for some time but when the activity is stretched over hours, it might be tiring.

- Acute stress exists for a short span and may occur due to burden of work, abiding the deadlines, trivial accident, and so on.

Episodic Acute Stress:

- When acute stress is experienced frequently, it is termed as episodic stress.

- This type of stress is typically noticed among individuals who create self-inflicted, impractical, or unreasonable demands which get all messed up and bring a lot of stress in their effort to achieve these goals.

- Episodic stress is generally seen among the 'Type A' personality people who are exceedingly competitive, aggressive, and demanding.

Chronic Stress:

- This type of stress occurs due to long-term exposure to stressors.

- Chronic stress can occur as a result of some traumatic events, unhappy marital life, prolonged illness, problems in relationships, job dissatisfaction, and so on.

- Severe illnesses like stroke, heart attack, depression, and post-traumatic disorder can initiate due to chronic stress.

- Chronic stress arises when an individual doesn't find a way to get rid of the problematic situation. It is the stress of pounding burdens and pressures for seemingly endless periods of time.

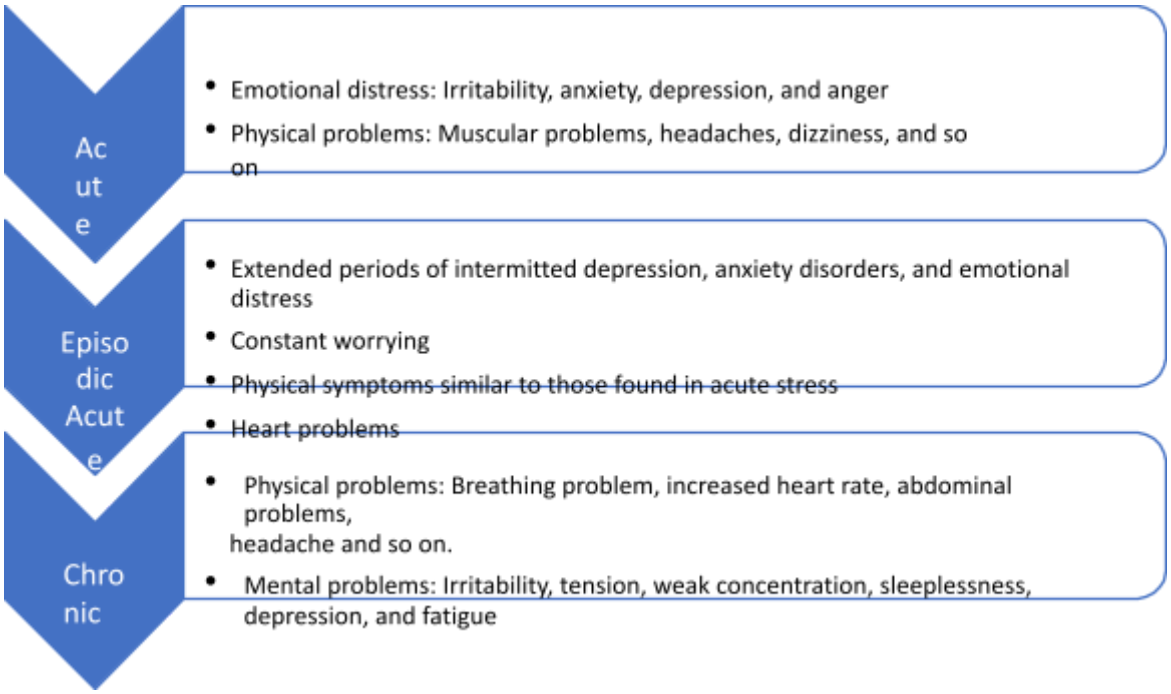


Figure: Types of Stress

Causes of Stress:

Stress can be categorized as organizational and non- organizational. Following are the causes or sources of organizational stress:

Causes of Organizational Stress

- **Role Ambiguity:** It exists when an individual working in the organization is not clear about his roles and responsibilities.
- **Role Conflict:** Many a times, an individual working in the organization is required to play more than one role. The stress situation arises when an employee has to play roles wherein the demands are conflicting.
- **Negligible Management Support:** When there is no support from the top Management, then it becomes very difficult for the teams to perform and remain productive, and thus stress and frustration level amongst employees increases.

- **Time Pressure:** Even tight deadlines can be a cause of organizational stress amongst the individuals and the team involved in projects.

- **Less Interest in Participation:** Organizational stress can occur when employees are not motivated to participate in decision-making or following a creative approach in their work.

- No sense of belongingness

- **Less Opportunities:** If the organization does not provide enough opportunities to grow or perform, it can indirectly affect the employee's enthusiasm and effort expended, leading to negativity and stress.

- **Working Conditions:** Improper working conditions like insufficient lighting and ventilation, too much noise and dust, unhygienic sanitation facilities, and so on act as major stressors.

- **Work Under-load or Overload:** When the employee is under-loaded, he might experience boredom or sometimes may reduce the self-confidence of a person, which causes frustration and stress. On the other hand, work overload might cause excessive pressure on the individual, which in turn takes form of stress.

- **Conflicts at Workplace:** It is the difference in attitudes, values, perception, and beliefs of the individuals that leads to conflicts at workplace.

- Shift Working: Often adjustments to the shift timing leads to health and family problems.

- **Lack of Recognition:** Recognition of the work done is a major motivator. However, the lack of recognition may lead to dissatisfaction and stress.

- **Organizational Changes:** Adapting and managing change causes stress among the people.

- **Lack of Power:** In a workplace, the status of a person also effects the level of stress. Employees of all categories in a workplace get affected by the stress, though not of the same level.

- **Social Interactions and Stress:** Bullying in the workplace can be a threat for an employee's overall and also professional or personal image or status.

Causes of Non-organizational Stress

The non-organizational stress incurred by an individual during his life-time arises due to high expectations in life followed by the fact that they are not possible to satisfy.

- Basic Needs: Unavailability or insufficiency of basic needs like food, water, shelter, air, and clothing is a major source of stress.

- Sudden undesirable changes in life: Changes in life like transfer to a new location, death of near one's, loss of job, and so on can cause immense stress to an individual.

- High expectations: Expectations that are higher than those that an individual can actually achieve causes frustration which ultimately leads to stress.

- Too busy schedule: When an individual has a very busy schedule, he/she cannot spare time for family, relaxation, or hobbies which in a longer stretch becomes a potential source of stress.

- Home demands: Relationships, children, and family are some reasons for stress that are hard to be ignored.

- Personal demands: Personal demands are brought on by the person when an individual takes on too many responsibilities from work or any other place.

Managing Stress

Stress cannot be ignored, it has to be managed. Both individuals and organizations can take necessary actions to manage stress. Some of the tips to manage stress are as mentioned below:

- Communicate with friends and family: Friends and family members are the people who care for you and are ready to listen to your problems. They are the ones who understand you and can suggest some way to overcome your stress.
- Regular exercise: Regular physical exercise helps to reduce stress to a very good extent, which will prevent from bad stress zone.
- Meditation: Meditation focuses on slowing your mind down and clearing it of unimportant matters or things.
- Managing time: Planning and prioritizing activities to be carried out in advance leads to reduction in the level of stress. Thus, managing time can prove to be a good effort in managing stress.
- Healthy diet and sleep: Having healthy diet plays a crucial role in managing stress. Good health practices such as getting a good amount of sleep and good nutrition helps an individual to remain in a good stress zone.
- Leisure/Hobbies: Hobbies are a very good way to manage stress. Hobbies help an individual forget problems and thus cause mind relaxation.
- Eliminate stressors in environment: One of the potential sources of stress is poor working conditions like insufficient lighting, poor ventilation, and so on.
- Avoid excessive alcohol: The intake of alcohol as well as substance containing caffeine should be restricted to reduce stress.

- Visit doctor: If the stress continues to persist in spite of putting in efforts to manage or reduce, it is advisable to visit a doctor and undergo proper treatment.

- Identify the stressor: Identify the reason for stress. For example, if anger is the reason for stress, then try to identify what is the cause of anger.

- Accept things that cannot be changed: All the problems cannot be solved in the same way as the way you have planned or intended, but still that problem can be solved in a more successful manner.

- Positive Thinking: One has to be positive in all aspects.